CentralNic

Annual Report 2015

.xyz .tickets .us.com .bar .online .rest

.College .wiki instra CORPORATION .LA .uk.com .Security

//TLD Registrar Solutions .website .brand SOLUTIONS .rent .fans .space .ink

.tech .com.de .cn.com .design .eu.com .site

DOMINIC .art .de.com Cymru. Domains Internet.bs

.HOST .THEATRE .feedback DOMAINS.asia BUY DOMAINS .LONDON

.gb.net .store .LOVE .jp.net OnlyDomains

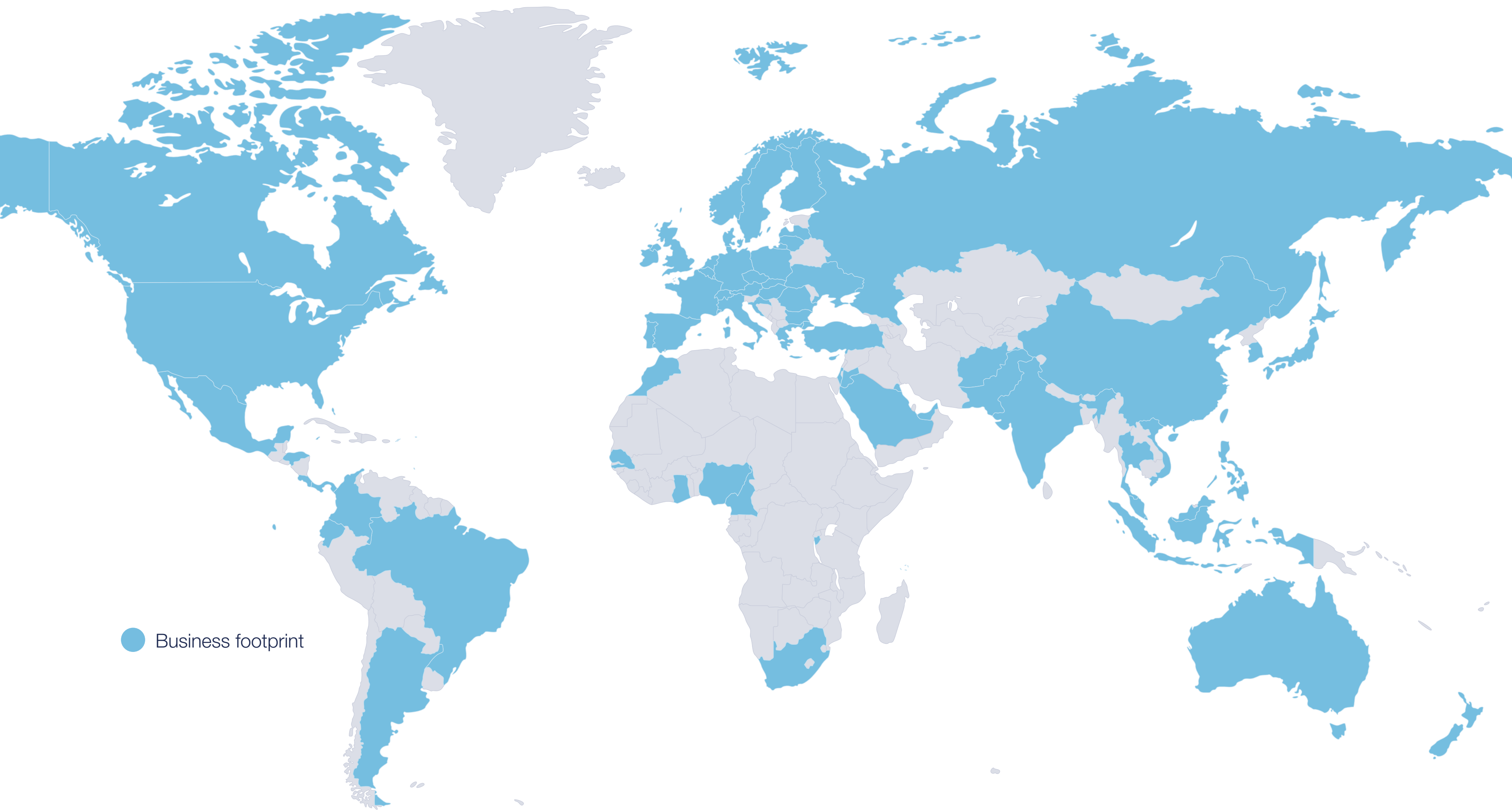
.press .com.se .gay .mex.com .co.com .pw

.in.net .Protection .forum .contact .REALTY

.pid .us.org .RU.COM .LLC .coop .ae.org .za.com

.se.net .JPN.COM .REIT .br.com .hu.net .uk.net

CentralNic's global business footprint



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Highlights

- A successful year proving the scalability of the Group with revenues growing by 71% to £10.39m (2014: £6.07m) and adjusted EBITDA growing by 89% to £3.25m (2014: £1.72m).
- All three divisions experienced growth in both revenues and profits.
- First full year of trading from retailer Internet.BS contributed £3.33m of revenue to the Retail Division, representing 21% revenue growth over the run rate pre-acquisition.
- Wholesale Division was ranked as the world's Number One new TLD registry services provider by volume, increasing market share from below 20% to above 23%, with five Top-Level Domains ("TLDs") in the top 20, and 14 TLD launches in 2015.
- Enterprise revenues included £3.22m (2014: £1.61m) of premium domain name sales along with a registry licence sale to a major telecommunications operator, the first revenues post-launch from Dot Brand clients and the first domain name management software sale under CentralNic's ownership.
- Acquisition of Instra Group completed on 14 January 2016 for a total consideration of £16.02m (£14.56m cash, £1.46m equity) subject to adjustment for working capital. Instra Group generated unaudited revenue of £7.86m and Adjusted EBITDA of £1.18m in the year ended 30 June 2015.

Introduction to CentralNic

CentralNic Group plc (LSE: CNIC) ("CentralNic") is one of the world's leaders in the domain name industry, continuously developing to meet the market's evolving challenges and opportunities. CentralNic currently comprises three profitable and growing operating divisions each with its own proprietary technology platform. The Wholesale Division powers domain names and sells them through an integrated network of retailers; the Retail Division sells domain names to end users; and the Enterprise Division sells domain names, consultancy services and licenses software to corporations.

Headquartered in London, the business operates globally, with customers in almost 200 countries. The Group is focused on identifying and exploiting growth opportunities across its three divisions, through winning new clients, launching new products and services, and acquiring other companies that enhance and accelerate the growth strategy.

The Wholesale Division

CentralNic's Wholesale Division was ranked number one globally by volume of domains registered among "Registry Backends" for new Top-Level Domains at the end of 2015 by the industry statistics website ntldstats.com. The two most important contributing factors behind this achievement are the Division's technology platforms and operations, and the domain name inventory for which CentralNic is the exclusive global wholesaler.

Technology Platforms and Operations

CentralNic's Wholesale Division powers specific domain names and is also their exclusive distributor through retailers globally. The DNS system which powers the domains is a global network of nameservers, which expanded from 25 to 40 locations in 2015, and which assures the stability, security and resilience of the domain names supported by CentralNic. During 2015 this system maintained its unblemished record of 100% uptime for the 19th consecutive year.

Meanwhile CentralNic's "registry engine" technical and operational system enables retailers around the world to sell an increasing range of internet domain names, as well as handling billing and cash collection on behalf of registry clients – the rights holders to the domains that CentralNic distributes. CentralNic also supports its registry clients with value added services such as policy advice and sales and marketing. CentralNic's registry engine experienced 99.98% uptime in 2015, comparing favourably with the standard 95% set by industry regulator ICANN.

CentralNic's distribution platform is directly integrated with around 1,500 retailers globally and through them the channel reaches out to over 100,000 resellers. For the past three years, China has been one of CentralNic's most buoyant markets, reflecting a business development and operational focus on China that has positioned the Company ideally to benefit from the unprecedented demand for domain names in that market in 2015 and 2016.

Domain Name Inventory

Every Top-Level Domain extension, such as .com, .org and .co.uk has an exclusive Wholesaler (known in the domain name industry as a "registry backend"). CentralNic's platform supports all five categories of domain name extensions: the Country Code Domain Extensions .la and .pw; Second-Level Domain extensions such as .uk.com and .us.com; Generic Top-Level Domain extensions like .xyz and .online; "sponsored" domains for a specific purpose such as .coop, the internet designation for cooperatives; and finally "DotBrand" Top-Level Domains such as .stc for Saudi Telecom Corporation, which use CentralNic's wholesale platform to power domains not for sale but for the rights holder's own use. During 2015 CentralNic retailed domain names to customers in over 200 countries globally through its multiple retail websites.

Internetbs.net (IBS) is focused on a specific customer group – domain investors and internet professionals such as hosting and web design companies – offering "trade" pricing and sophisticated tools for managing domain name portfolios. During 2015, it increased its overall registered domains by over 100,000 – a growth rate of 17% during CentralNic's first full year of ownership.

CentralNic's other retail websites each specialise in domains under a single Top-Level Domain (.ASIA, .LUXURY, etc.) and they also sell additional services such as hosting, email and website builders.

Domain extensions exclusively using the CentralNic platform in 2015

COUNTRY CODE TOP-LEVEL DOMAINS	
.LA	.PW

SECOND-LEVEL DOMAIN EXTENSIONS	
.AE.ORG	.AR.COM
.BR.COM	.CN.COM
.CO.COM	.COM.DE
.COM.SE	.DE.COM
.EU.COM	.GB.COM
.GB.NET	.GR.COM
.HU.COM	.HU.NET
.IN.NET	.JP.NET
.JPN.COM	.KR.COM
.MEX.COM	.NO.COM
.QC.COM	.RU.COM
.SA.COM	.SE.COM
.SE.NET	.UK.COM
.UK.NET	.US.COM
.US.ORG	.UY.COM
.WEB.IN	.ZA.BZ
.ZA.COM	

NEW GENERIC TOP-LEVEL DOMAINS	
.BAR	.COLLEGE
.DESIGN	.FANS
.FEEDBACK	.HOST
.INK	.LOVE
.ONLINE	.PRESS
.PROTECTION	.REIT
.RENT	.REST
.SECURITY	.SITE
.SPACE	.TECH
.THEATRE	.TICKETS
.WEBSITE	.WIKI
.XYZ	

NEW GENERIC TOP-LEVEL DOMAINS CONTRACTED BUT NOT LAUNCHED IN 2015	
.CONTACT	.FAN
.FORUM	.PID
.REALTY	.STORE (Launched 2016)

SPONSORED TOP-LEVEL DOMAIN
.COOP

"DOTBRAND" TOP-LEVEL DOMAINS	
.ETISALAT	.KFH
.STC	.STCGROUP
.VIVA	.WME
.بيتك	.اتصالات

RETAIL DIVISION
During 2015 CentralNic retailed domain names to customers in over 200 countries globally through its multiple retail websites, which included:
Internetbs.net
www.buy.menu
www.buydomains.london
www.CentralNicFintech.com
www.cymru.domains
www.domain.build
www.domain.LUXURY
www.domains.ASIA
www.domains.bar
www.domains.rest
www.la
www.register.reit
www.registrar.hoteles
www.tickets.domains
www.wales.domains

Introduction to CentralNic continued

During 2015, CentralNic started the process to acquire Instra Group, a group of domain name retailers focused on two new market segments for CentralNic: small businesses in emerging markets, and companies registering portfolios of domain names across multiple country codes. The acquisition was successfully completed in January 2016, giving CentralNic access to a much greater customer base, as well as enhancing its capabilities, products and services.

Enterprise Division

The enterprise market is gaining in importance in the domain name industry, and CentralNic is addressing this market in several ways.

DotBrands

CentralNic provides technical services to companies seeking their own "DotBrand" TLDs – a newly introduced type of intellectual property ("IP") which allows brands and company names to occupy the Top-Level of domain names previously restricted to country codes and generic terms like .com. As this new form of IP can be operated by a company, exclusively, globally and ongoing it has attracted significant interest in the corporate sector. DotBrand clients who use CentralNic's technical and consulting services include Global 1000 companies such as Saudi Telecom Company, Etisalat and Kuwait Finance House.

Software

CentralNic acquired a high quality domain management software product, DomiNIC in 2013, and the company that supports the software, dnsXperts, in 2015. DomiNIC is a workflow management software for the registration and management of domain names, which can be used as an in-house tool by enterprise clients, or as technology enabling corporations with large SME customer bases to monetise those customers by selling them domain names. DomiNIC is already used by some of the largest corporations in the German-speaking markets, and CentralNic has started introducing it to other markets.

CentralNic has also succeeded in licensing its registry software as a component of its offering to corporations launching DotBrand Top-Level Domains, with its first sale to a .brand applicant being completed to a Telecoms operator in 2015.

Domain Names

Like many of its peers, CentralNic also has a revenue stream from the sale of premium domain names, which are particularly favoured by large companies for a number of uses. They may correspond to a company brand name, they may be easily memorable and marketable (like a two-letter .com domain or a common word), and they may already benefit from internet traffic comprising potential customers. CentralNic trades in its own portfolio, which has increased from 20,000 to over 37,000 premium domain names (with values ranging from a small premium over normal retail pricing to seven figure sums) as well as brokering premium domain sales for third parties in exchange for a commission.

CentralNic is also a shareholder in and distributor of the .tickets TLD – an innovative new use of a top-level domain intended to allow venues, artists, sports teams and other rights holders to retail tickets direct to consumers, while giving consumers the comfort of knowing that any website using a .tickets domain is legitimate.

CentralNic's key advantages

The dynamics of CentralNic's business are quite specific and attractive to investors, notably with recurring earnings and a proven ability to grow rapidly.

1. Attractive profit margins
The business continues to be profitable, with the Group delivering an adjusted EBITDA margin of 31% in 2015.

2. Cash precedes revenues
Across the Wholesale and Retail Divisions, CentralNic typically receives payments prior to recognising revenues and this can be for domain registration terms of up to 10 years. A number of customers for both the Retail and Wholesale Divisions pre-fund their accounts.

3. Recurring revenues
Domain name sales is an annuity revenue business. Domain owners are required to make renewal payments typically on an annual basis. This means that a portion of CentralNic's revenues do not result from the current year's activities or market conditions, but from customers paying an annual fee (or multiples of an annual fee for multi-year registrations) to retain their existing website or domain name – a reliable and predictable earnings stream.

4. Diversity of revenue sources
CentralNic's revenue in its Wholesale and Retail Divisions is comprised of millions of small value transactions, so individual customer retention risk is relatively low in this context. Exceptions are the high value transactions that would typically be included in the Enterprise Division such as sales of premium domain names and the non-recurring elements of licensing contracts.

5. Scalable business with largely fixed costs
CentralNic's business is scalable through automation as the core technical development work on the Group's platforms was completed years ago, and the ongoing development and operational costs are largely fixed. For example, during 2015, CentralNic's wholesale business grew from around 800,000 new TLD domains under management to 2.3 million new TLD domains under management with relatively low cost increases in that division.

6. Exposure to rapidly growing markets
CentralNic's focus on emerging markets, especially China, gives it exposure to the faster growing markets in the domain industry. For example trade press reports indicate that 460,000 domains were registered on 8 November 2015 alone, with the majority of that sales volume occurring in China.

(Source: TheDomain.com) http://www.thedomains.com/2015/11/08/domain-registration-at-a-record-pace-460000-yesterday/

The acceleration in domain name registrations in 2015 paralleled global policy developments. In September 2015, the United Nations adopted new Sustainable Development Goals (SDGs) for the planet and its people. Target 9c of the SDGs is "Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020." This goal was supported by a global call to action led by Mark Zuckerberg in conjunction with the ONE campaign, in a 'Connectivity Declaration' supporting the UN and stating that internet access is "essential for achieving humanity's goals" and seeking to deliver it to everyone on Earth by 2020. CentralNic is delighted that its own commercial vision and activities match so closely with policy makers and leading organizations' goals and is well positioned to play its part in supporting the ongoing expansion of the internet.

7. Distribution network
CentralNic's global distribution channel is a significant asset, as one of the world's most extensive and well-established global distribution networks for domain names. Over 1,500 retailers are integrated directly with CentralNic's databases, including the world's largest and most recognised domain name retailers, such as Go Daddy and Alibaba's Hi-China. These in turn enable CentralNic to access over 100,000 resellers, worldwide.

So far only a small number of registrars have been accredited by the industry regulator ICANN to sell domain names using new gTLDs. CentralNic and its clients have secured more registrars actively selling domains using their TLDs than any other wholesaler – at the time of writing, .XYZ, is actively sold via 139 accredited registrars, 17% more than the TLD with the next highest number of active registrars with any CentralNic competitor, according to industry statistics website ntldstats.com.

8. Premium domain name portfolio
CentralNic owns and trades from it's own portfolio of around 37,000 premium domain names, and has also been contracted to broker additional domain names on behalf of third parties. Values of these premium domains range from slightly higher than standard retail prices up to seven figure sums.

9. Proven Mergers and Acquisitions and integration expertise
CentralNic successfully initiated and completed the acquisition of the trade and assets of Internet BS Corp in 2014 and was able to grow its domains under management by over 100,000 (17%) in 2015, demonstrating a successful integration. A second major acquisition of Instra Group for AU$33m, including funding from debt and equity, was undertaken in 2015 and completed in January 2016. These transactions demonstrate CentralNic's ability to continue growing through acquisition.

10. Excellent clients and partners
A list of DotBrand and Generic TLD clients is shown overleaf.

CentralNic's key advantages continued

DotBrand clients

Kuwait Finance House
Kuwait Finance House (KFH) is a pioneer of the banking phenomenon known as Islamic Finance. They are the first Islamic bank established in the State of Kuwait, and today they are one of the foremost Islamic Financial Institutions in the world.

Etisalat
One of the global telecommunications industry's innovation pacesetters, Etisalat is the Middle East's leading telecommunications operator and one of the largest corporations in the six Arab countries of the Gulf Cooperation Council, with a market value of approximately AED153 billion (US$42 billion).

Saudi Telecom Company (STC)
STC is the largest telecommunications services provider in the Middle East & North Africa. It is the leading operator within the Kingdom of Saudi Arabia, and its international presence extends to 11 countries. They hold a strong market position in Saudi Arabia, with an expanding presence in key regional growth markets.

NAREIT
NAREIT®, the National Association of Real Estate Investment Trusts®, is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets. NAREIT's members are REITs and other businesses throughout the world that own, operate, and finance income-producing real estate, as well as those firms and individuals who advise, study, and service those businesses.

WME
William Morris Endeavor (WME) is the world's largest diversified talent agency, with offices in Beverly Hills, New York City, London, Miami, and Nashville. WME represents artists across all media platforms, specifically movies, television, music, theatre, digital and publishing. WME acquired IMG in May 2014.

Generic TLD clients

Daniel Negari
Daniel Negari, CEO of XYZ, is the youngest registry operator in the world. XYZ successfully launched the #1 new gTLD, .XYZ, in 2014 and the company has since launched .college, .rent, .theatre, .security and .protection. In 2015, Google launched its new holding company, Alphabet, on a .xyz domain name – www.abc.xyz – receiving significant media interest. Negari has been featured in major publications such as CNBC, WIRED, Forbes, Bloomberg, The Telegraph and Live on Fox Business.

Raymond King
Raymond King is the CEO of Top Level Design – the company behind the .wiki, .ink and .design TLDs. Through Top Level Design, King is still pursuing his bid for .gay. King is also Director of ICANNWiki, and Founder and former CEO of Snapnames.

Punto 2012
Headed by father / son team Carlos and Aaron Grego, Punto 2012 operates .bar and .rest – the global domains for bars and restaurants. Firmly entrenched in the hospitality industry, the Gregos also run Mexico City's premier restaurant guide, Queremoscomer.com, as well as various other ventures focused on facilitating online presence for businesses in the hospitality world.

Jay Westerdal
Jay Westerdal launched .feedback with a proprietary platform offering in 2015. Westerdal also owns .contact, .pid, .realty and .forum and is a successful high-tech business entrepreneur and investor, with his last sale being valued at over 16 million US dollars.

Joshua Merchant
Joshua Merchant is a Managing Director for the new .love TLD. Mr. Merchant is also a Lawyer with Merchant Law Group LLP, a firm well-known for innovation and fostering good business relationships.

Radix
Radix is one of Asia's largest new gTLD applicants, having applied for 31 new Top Level Domains. Radix operates 20% of the industry's Top 20 new TLDs, and since 2014 has launched the likes of .website, .press, .host, .tech, .online, .site and .space. Radix also runs the highly successful .pw TLD.

Asiamix Digital
Asiamix Digital is a Hong Kong based company that operates the .fans TLD. Plans to launch the company's second TLD, .fan, are currently underway.

Co.com
Led by well-known domain entrepreneurs Ken Hansen, Paul Goldstone and Gregg McNair, .co.com is the solution for new businesses looking for a strong, short and unique domain with a .com ending.

Dot LA Marketing Company
Dot LA Marketing Company is the official marketing entity for .LA – the city TLD for Los Angeles – that is retailed through leading domain registrars such as Go Daddy, United Domains and 123-reg.

Accent Media
Accent Media operates .tickets – the trusted domain partner to the world of ticketing. Since its 2015 launch, .tickets has acquired an enviable portfolio of sporting and entertainment clients. Accent Media plans to launch a unique ticketing platform as an added value service for .tickets domain registrants.

Chairman's statement

In 2015 the Group focused on extending its retail presence, completing the substantial acquisition of the Instra Group shortly after the end of the year. This has enabled the Group to scale up significantly as well as acquiring capability and access to key market segments across multiple territories. This presents a significant advancement towards achieving our Strategy – namely to grow quickly by providing domain names and related internet services to growth markets.

Mike Turner Chairman

In September 2015 I was delighted to accept the role of Chairman of the CentralNic Group, and since that date I have been pleased to see the Group's transition into a larger and more diverse business, notably with a significant retail presence. At this stage of the Group's development, in a consolidating market, step-changes in scale are clearly attractive as we seek to improve the Group's capabilities and quality of earnings, creating and maintaining value for our shareholders.

2015 was a positive year for the Group, with progress made in terms of increasing the scale of the business. While the Instra Group acquisition was completed in early January 2016, much of the diligence had been completed during the second half of 2015, culminating in the fund raising and General Meeting that took place at the end of the year. I was delighted to see the Group execute this acquisition, with high levels of support from shareholders and other stakeholders. The Instra Group acquisition is transformational for the Group, providing access to new markets, additional products, a strong customer base, well established brands and an exciting white label offering. Along with my Board colleagues, I look forward to delivering the opportunities provided by the acquisition.

It was also noteworthy that our Retail Division's Internet.BS, a domain retailer which CentralNic acquired in June 2014, enjoyed 21% organic revenue growth in 2015, its first full year of earnings under CentralNic. Part of the strategy for Internet.BS was to expand the range of products offered to customers, in particular as new generic Top-Level Domains were launched onto the market. In total 49 new TLDs were added to the Internet BS online store during the year, with pleasing results.

In 2015 the roll out of the new Top-Level Domains accelerated. This is the largest change in the industry since the earliest days of the internet, and it means there are more choices for domain name consumers than ever before. Indeed it is one of the reasons that expansion of our retail business is strategically attractive given so many different domains to supply.

Our wholesale business also benefitted from the expansion, with 14 new gTLDs launched during 2015. Alongside these launches, the .xyz domain continued occupying the market-leading position by volume, with CentralNic's systems and processes scaling admirably to cater for very high levels of demand, especially from Asian markets.

I was very pleased to welcome new Board members shortly after my own appointment, namely new Executive Director and CEO of the Retail Division, Desleigh Jameson from Instra Group, as well as a new Non-Executive Director, Iain McDonald, who is also now the Audit Committee Chair. These appointments have strengthened the Board and its sub-committees, which I see as vital to ensuring the business is well governed. I would also like to thank former Board members, Robert Pooke and my predecessor, John Swingewood, for their services to the business over the preceding years.

I believe it is important to regularly review the Group's strategy, to ensure it remains best-suited in a rapidly evolving business environment to deliver our ambitious growth plans while striving for performance improvements. As our markets, capabilities and products evolve so must our strategy and I look forward to working with the Board and the Executives to realise our strategic goals and objectives, not least to ensure we maintain focus on the opportunities of most value to the Group as well as managing a business of growing scale.

Performance

I am pleased to report that the Group's financial performance was in line with expectations, with a further year of significant growth in revenues and Adjusted EBITDA.

The Group's net revenue grew by over 70%, reflecting a full year of revenues from a growing Internet.BS, trading valuable premium domain names on the secondary market and steady organic growth in the wholesale business. Adjusted EBITDA also grew by 89% to £3.25m (2014: £1.72m reflecting the growth in revenues. Net cashflow from operating activities improved to £5.69m (2014: £1.41m) reflecting the working capital dynamics associated with the new Top-Level Domains and the strong cash-generative business model.

In terms of divisional performance, it was particularly encouraging to see the retail business revenues growing to £3.41m, an increase of 120% over the prior year (2014: £1.55m) or 21% on a proforma basis. The growth included the first full year of Internet.BS revenues combining with growth in the underlying run rate, boosted by strong demand for .com domain names and the addition of market-leading new gTLDs such as .xyz and .site. This was pleasing in the context of a market which continues to exhibit low levels of awareness of the new domain names available.

The Group's Enterprise Division also continued to make progress, with substantial premium domain name sales combining with the launch of our clients' Dot Brand Top-Level Domains and a significant software licence sale to a Telecommunications operator, to deploy for their new Dot Brand domain registry. The Board regards larger corporates as an attractive segment, where we believe the Group can add considerable value in satisfying a number of corporate clients' domain name requirements. This segment will form a key focus for the business in the coming years.

The year also saw the first sale of the DomiNIC Domain Management software under CentralNic's ownership, a modest sale to a banking institution to assist them in securely managing their domain portfolio. Progress with DomiNIC has been slower than expected in terms of converting a pipeline of opportunities and is an area of focus for the Board. Unlocking the potential of DomiNIC should be further enabled by the acquisition of dnsXperts UG that we completed during 2015, the developers/implementers of the DomiNIC software.

In the wholesale business, it was encouraging to see net revenue growing to £3.13m, an increase of 10% compared to the previous year (2014: £2.83m). The mix of business in this division continues to evolve, with higher volumes coming from the new gTLDs but with a lower average sale price than the lower volume SLDs. A balanced portfolio approach is required, while recognizing that market demand is more geared to the generic Top-Level Domains, such as .xyz and .website. We recognize the need to continue our successful strategy of scaling up activity levels in this division to sustain growth. Our ability to scale proves we are a strong competitor, which should serve us well in the potential future application rounds of new gTLDs.

Dividend

While it remains the intention of the Group to generate income returns for investors, in the future as part of a progressive and commercially prudent dividend policy, due to the continued expansion opportunities within the sector the Directors do not propose a final dividend in 2015.

Outlook

The outlook is encouraging, with the continuing roll out of new Top-Level Domains and enduring demand for established generic and country code Top-Level Domains presenting the Group with retail and wholesale opportunities across the majority of the world's markets. Indeed, while the world's internet users are still less than half of the global population, the industry is set to continue growing, especially with increasing access to mobile data devices across emerging geographic territories.

While it is probably fair to say there is an ongoing "awareness shortfall" regarding the additional consumer choices presented by the new Top-Level Domains, adoption in the year by high profile brands, such as Google's new parent Alphabet who adopted abc.xyz, did stimulate additional demand for .xyz domain names as well as media interest. We would expect further coverage in the future as other so called "super brands" start launching and using their own TLDs.

The acquisition of the Instra Group brought a step change in Group revenues and resources from January 2016. The Group recognises the need to integrate the businesses well, in turn delivering synergies and generating new revenue streams as well as benefitting from exposure to faster growing developing geographic markets.

Chairman's statement continued

The Group is also focused on domain-related services for larger corporate customers in its Enterprise Division. It will be a high priority item for the business to unlock the potential of the corporate market segment for domain names and related services.

The amount of change in the business is significant, with activity levels high across each of our three divisions and with our mergers and acquisitions programme continuing to bring considerable benefits and present new and interesting opportunities to the Group. I would like to take this opportunity to thank staff across the enlarged Group for their dedication to CentralNic and for the passion they have for their industry. I would also particularly like to thank our existing and new investors who have supported our team during a transformational period for the Group.

There is still work to be done to transform our business but we have demonstrated positive steps with the acquisition and integration of Instra.

Assuming continued progress in all areas of our business, at this stage of the year we remain confident in the outlook for 2016.

Mike Turner Chairman

25 May 2016

Chief Executive's report

In 2015 CentralNic's growth strategy was validated not only by the strong results delivered, but also by the strategic successes across the business.

Ben Crawford Chief Executive

Performance overview

CentralNic delivered continued promising growth: achieving billings of £26.87m (a 172% increase over 2014), £10.39m in revenues (up 71% over 2014) and EBITDA of £3.25m (an increase of 89% over 2014). All three of our divisions – Wholesale, Retail and Enterprise – experienced profitable growth above 10% based on their respective EBITDA contributions.

Our strategic successes were equally notable. In 2015 the world's largest company, Alphabet (the newly-launched holding company for Google), selected and now uses a CentralNic-powered domain name abc.xyz as the address for its official website. In 2015 CentralNic emerged as the world's leading wholesaler of domains using new Top-Level Domains. We grew our retail business Internet.BS, with revenues growing organically by 21% in its first full year under our ownership. We won our first client for DomiNIC, our domain name management software, and achieved initial revenues from licensing our software to a Dot Brand registry operator.

At the end of the year the Group had cash balances of £19.06m (2014: £3.06m) reflecting the equity placing in December (in readiness for the completion of the acquisition of the Instra Group in January 2016) combining with favourable working capital movements as a result of demand for the new gTLDs.

Wholesale Division

With revenues of £3.13m (2014: £2.83 million) in its Wholesale Division, CentralNic emerged as the world's leading wholesaler (or "Registry Backend Provider") of domain names using new gTLDs. CentralNic had more retailers actively selling its new gTLDs than any competitor; it was the first wholesaler to achieve the two million domains under management milestone; and it finished the year with more new gTLD domains under management than any competitor, including five new TLDs in the ranks of the Top Twenty sellers, from a total universe of around 800 launched by CentralNic and its peers. (Source: industry statistics website ntldstats.com)

A number of factors are contributing to the success of CentralNic's Wholesale Division. These include our proven ability to win new business, with nine of the TLDs we launched originally contracted to competitors, and another, .COOP, migrated onto our platform after we won the contract through an open tender.

Our focus on emerging markets, especially China, which predates our IPO in 2013, has proven prescient, as the Chinese market for domain names experienced growth unprecedented anywhere in the world during 2015. China continues to be our largest market for new registration volumes globally, whilst our core recurring renewal revenues are spread around the world, mitigating our exposure to future fluctuations in any individual market.

CentralNic wholesales a wide range of TLDs from higher priced restricted domains like .reit (for Real Estate Insurance Trusts) and .tickets to mass market generic domain names priced affordably for emerging markets, such as .xyz, .online, .website, .site and .space, which are all in the top twenty best-selling new TLDs by volume.

.xyz continues to be the clear leader among all new Top-Level Domains, finishing the year with 1.8 million domains under management. .xyz is also the new TLD with the highest number of websites built on it, attracted by the .xyz brand which has become synonymous with "new" and "cool." .xyz customers include not only the official website of Alphabet, but also Facebook's Mark Zuckerberg who used the domain http://stream.hacktv.xyz/qandawithmark-ext to post a video of one of his town hall meetings, and the co-founders of Skype, whose new business of supplying robots for deliveries, can be found at starship.xyz.

Chief Executive's report continued

CentralNic's Wholesale Business is agile and is able to scale to satisfy market demand. Prior to the launch of the new TLDs, CentralNic's Wholesale Business had been reliant on SLDs such as .uk.com. Whilst these domains continue to contribute to revenues and profits, the mix of revenues is evolving towards the new TLDs due to market demand, and we expect it to continue to evolve as we take advantage of new opportunities.

Retail Division

CentralNic's Retail Division revenues in 2015 were £3.41m (2014: £1.55m). Internet.BS, the domain name retailer acquired by CentralNic in June 2014, experienced growth by over 100,000 domains under management in 2015, an increase of 17%. This growth was achieved in the context of a highly competitive market with aggressive new entrants seeking to win customers in the domain name investor/web professionals category. The Retail Division also launched new dedicated websites for the TLDs .reit, .cymru, .wales and .bank. Accent Media (in which CentralNic holds a minority equity stake) launched the .tickets TLD to a responsive industry with early clients including all teams in the US National Football League, Major League Baseball and National Basketball Association, Formula 1, English Premier League teams, and popular music artists such as Adele and U2 among others.

Significant management and Retail Division resources were deployed during 2015 on the acquisition of Instra Group, which completed in January 2016. This deal enhances CentralNic's quality of earnings by increasing the amount of recurring revenues as a percentage of total earnings. Instra gives CentralNic access to a new customer base of corporate and SME customers. Moreover it enhances CentralNic's capabilities with the proven skills required to profitably enter emerging markets and to satisfy customers' needs for almost any domain name.

Enterprise Division

CentralNic's Enterprise Division continued to grow in 2015, with revenues of £3.86m (2014: £1.69m). Our premium domain name business performed well with revenue of £3.22m achieved during the year (2014: £1.61m). And with our assistance a number of corporate clients completed the ICANN processes required to obtain their own Dot Brand Top-Level Domains, with the objective of launching these in 2016.

CentralNic also secured the first enterprise clients for our domain name registry and workflow automation software products, which enable enterprise customers to manage domain name related services internally, rather than relying on more expensive outsource service providers. To ensure the ongoing support of this software, CentralNic acquired dnsXperts in 2015, a small German technology company specialising in domain name related development and support.

Investor market activity

CentralNic was active in the investor market in 2015, conducting one fund raise to accommodate an institutional investor seeking to join our share register, and a second towards funding the Instra acquisition. We are delighted that a number of funds new to the Company have elected to invest in our business, and we thank our investors for their continued support.

Outlook

I am delighted to report a number of major steps forward in 2016. Our Wholesale business was the first to cross the three million new TLD domains under management mark in February 2016 and four million new TLD domains under management milestone in April 2016. We also announced that CentralNic is the exclusive global wholesaler for the new TLD .store, which was launched in April 2016. We completed the acquisition of Instra in January 2016 and have made good progress with the integration of this business.

Demand for value-priced new TLDs continues in China, where CentralNic's Wholesale Division has a leading position. In addition to enjoying continued growth in this sector, CentralNic has a healthy pipeline of new TLD clients with industry-specific domains to launch in 2016 and beyond. Additionally, the industry regulator ICANN has commenced a review of the new TLD programme as a first step towards opening future rounds of applications – meaning future opportunities for CentralNic.

Continuing demand from emerging markets and for industry-specific and country-specific TLDs is expected to continue to drive growth in our Retail Division, which is among the leading vendors of domains ranging from .law for lawyers to .ae for the United Arab Emirates.

Increased concern in the corporate world about cyber-security is likely to lead to increased demand for expertise on vulnerabilities in the areas of domain names and DNS. CentralNic recognises the need to adapt its enterprise services to compete in this area of online security and protection. Strategic plans are underway to supplement its existing services with additional offerings to position it to win business in this segment.

And the earliest stages of the new engagement of enterprise with domain names is starting to emerge, with companies like Barclays Bank, BNP Paribas, BMW and Google starting to use their own Top-Level Domains. We expect to see these Dot Brand initiatives gain momentum from 2016, including with the introduction of Internet of Things applications, which could also create entirely new opportunities for CentralNic.

CentralNic has proven its ability to identify and exploit growth opportunities in the domain name industry, by winning clients, launching new businesses and successfully acquiring and integrating other businesses. This dynamic and agile approach to a rapidly evolving market has driven CentralNic's 71% revenue growth in 2015, and we fully anticipate it will continue to serve the Group equally well in the future.

Ben Crawford, Chief Executive

25 May 2016

Strategic report

CentralNic's vision is to be a substantial force globally in the growth markets for domain names and associated services, through a combination of winning new customers, launching new services and acquiring businesses. Led by this vision, CentralNic's structure continues to evolve, comprising three profitable business divisions relating to some of the fastest growing areas of the internet: new substitutes for domain names with traditional endings like .com and .co.uk ("new Top-Level Domains"); providing businesses in emerging markets with the tools to get online; and helping some of the world's largest companies with their next generation internet initiatives.

CentralNic's culture is derived from the Group's entrepreneurial roots, with a focus on entering and profitably competing in new markets. It can be characterized by the following qualities:

a) A focus on growth and recurring high quality earnings

b) A global perspective

c) Innovation

d) The best technology

e) Expert and flexible client service

f) Excellence in execution

We would describe ourselves as a leading challenger brand in an exciting fast-paced sector, able to match and often exceed service levels provided by larger competitors in the areas above. In turn we see our organisation transitioning from a smaller albeit successful player into a well-reputed leader within the domain name industry – with a truly global reach.

Wholesale Division growth strategies

The growth strategies for CentralNic's Wholesale Division are as follows:

Domain Name Inventory

CentralNic has sought out and won clients with excellent domain name inventory combined with the resources and know-how to successfully penetrate their chosen markets. This inventory includes a range of domain extensions with different business strategies – from value-based mass market generic domains like .xyz and .website, to industry-specific TLDs such as .host, .tickets, and .bar. And for the country code market country codes such as .LA (the code for Laos repurposed for Los Angeles and Latin America) and .PW (the code for Palau repurposed as "Professional Web"), to country specific Second-Level Domain extensions like .cn.com and .uk.com (which present alternative domain extensions to the country code Top Level Domains). CentralNic is active in developing a pipeline of new domains to add to its Wholesale platform.

Service Provision Model

In addition to traditional "backend" technical and billing services, CentralNic offers expert advisers and account managers, as well as sales, marketing and policy resources on a fee for service model. The result is that as well as being one of the most successful wholesale service providers in the industry, CentralNic is one of the very few companies generating profits from new Top-Level Domains.

Retailer Network

CentralNic's Wholesale Division supplies an integrated network of around 1,500 retailers and through them over 100,000 resellers. Among these, only a small number are accredited by the industry regulator ICANN, and therefore able to be supplied with new TLD domains. CentralNic supplies more of these accredited registrars actively selling its domains than any of its peers, and it will continue to pursue its programme of introducing new vendors as they become accredited. CentralNic has a dedicated operation which optimises its vendor network with multiple channels of communication and customer service as well as ongoing promotions.

Retail Division growth strategies

The acquisition of Instra Group was a significant step forward in CentralNic's retail growth strategy, and Instra's capabilities are instrumental to most elements of that strategy moving forward.

Comprehensive suite of services

CentralNic segments the market for domain names and offers specific services and brands for different segments. For example,

Strategic report continued

Internet BS serves the domain professional and investor market with the most popular domain names at "trade" prices, combined with sophisticated domain portfolio management tools. Only Domains serves small to medium sized businesses in developed and developing markets with their local country code domain names, website hosting and a DIY website builder. And Instra serves larger companies seeking domain name portfolios securing their brands on all relevant country code and gTLD extensions. CentralNic has identified additional attractive market segments and is in the process of putting in place dedicated retail offerings to service them.

Identifying and entering new growth markets

New growth markets may be driven by new inventory, such as the launch of a new "Dot Industry" domain name (like .law or .insurance) or a policy liberalization or price reduction for a country code TLD, increasing a domain's sale potential. CentralNic's registrars are vigilant for these opportunities and aggressive with taking advantage of these opportunities as they arise, with strong results. For instance CentralNic's registrars are the second highest sellers of both .law domains for law firms and .ae domains for the United Arab Emirates.

Growth opportunities may also come from the continued increases in demand in emerging markets, emanating from the rise in smart phones and broadband connectivity and governmental support for their local digital economy. Here again, CentralNic's retailers are actively engaging with those new markets to ensure exposure to growth, wherever it occurs in the world.

Customer acquisition and retention

CentralNic deploys a number of customer acquisition techniques, including search engine and user interface optimization, search engine marketing, email marketing, events and exhibitions, partnerships with registries and industry associations, outbound activity from our call centre, and face-to face sales. Our customer acquisition strategies are closely managed and monitored to continuously improve our return on investment.

CentralNic also excels in customer retention. Our teams of very knowledgeable, multi-lingual account managers ensure that customer service is very responsive and that the voice of the customer is clearly heard throughout the organisation, influencing the development of our services.

Enterprise Division growth strategies

The internet is entering a new phase in which large companies will play a far greater role than ever before in the domain name sector in a number of ways. CentralNic is active in assisting those companies in these new activities.

DotBrand Solutions

CentralNic launched a service dedicated to companies seeking their own branded Top-Level Domains. DotBrand Solutions provides 360 degree services to its corporate clients, including registry services, registrar services, domain management services, domain registration process management, policy, market intelligence and other consulting services. CentralNic's DotBrand Solutions can render services to both the 400 current DotBrand registries and to companies wishing to apply for their own DotBrand TLD in the future.

Additional Corporate Services

CentralNic currently offers software and managed services allowing telcos and other companies to provide domain names to their clients. CentralNic also brokers the sale of its own and third party owned premium domain names to corporate clients.

CentralNic is also committed to extending its operations by introducing the full suite of services sought by corporate clients including portfolio management and monitoring domain name registration and internet content for IP infringements.

Financial performance

A review of the financial performance of the Group is provided in the Chief Financial Officer's report on page 16.

Key Performance Indicators

Details of the Key Performance Indicators are provided on page 16.

Principal risks and uncertainties facing the Group

The Directors have considered the principal risks and uncertainties facing the Group, the main ones being outlined below.

Regulatory

The businesses of both registries and registrars are subject to the legal and contractual environment. These are subject to change, not least in the ICANN community, and changes have the potential to influence business outcomes.

CentralNic satisfies ICANN technical and operational requirements, and maintains an active voice in the development of policy within the ICANN community.

Market

There is a risk that the market for domains owned by the Group or for which the Group provides registry and registrar services may not increase as quickly as expected or that the new TLDs may not generate the revenue levels anticipated by the Board.

In either case the Group's revenues could reduce below expectations with an impact on profitability.

The risk is mitigated to a degree by operating multiple lines of business exposed to many markets and segments within those markets, some of which have very little reliance on new TLDs.

IT security

If the Group does not prevent security breaches or becomes susceptible to cyber-attacks, it may be exposed to lawsuits, lose customers, suffer harm to its reputation, and incur additional costs. Unauthorised access, computer viruses, accidents, employee error or malfeasance, intentional misconduct by computer "hackers", and other disruptions can occur that could compromise the security of the Group's infrastructure or confidential information.

The Group has created a resilient network infrastructure and Domain Name System server constellation, with failover secondary systems to ensure critical registry functions are maintained. The Group has been accredited under ISO 27001/2013 for data security, thereby mitigating risk by adherence to international best practice.

Supplier risk

A number of the key technical services used by the Group are outsourced to key suppliers, thereby creating the potential for risk in the case of the failure or loss of a supplier.

In view of these risks, redundancies have been introduced between the suppliers and internal resources, ensuring that no single point of failure could result in the inability of CentralNic to meet its contractual or compliance obligations.

Currency risk

The Group reports its revenues and costs in British Pounds Sterling, whilst some of these revenues and costs may arise in currencies other than this. Fluctuations in exchange rates may adversely affect the Group's reported profits, and make its overseas contracts relatively less valuable.

CentralNic contracts are usually denominated in British Pounds Sterling, US Dollars or Euros and the Directors keep the currency exposure under regular review. The Directors consider the use of hedging instruments in the event that currency exposure is considered a material performance risk. A currency instrument was deployed to protect the Group's interests on completion of the acquisition of Instra Group.

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 impact upon the Group's future performance. Incentives and a performance culture remain an important focus to the achievement of the Group's objectives.

Other risk factors

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

This strategic report was approved by the Board of Directors on 25 May 2016 and signed on its behalf by:

Mike Turner Chairman

Chief Financial Officer's report

2015 has been a year of consolidation combined with raising funds to support future expansion via acquisition. Trading performance was in line with expectations with revenue and EBITDA growth across all 3 divisions, while completing the acquisition of the Instra Group shortly after the year-end was a major milestone – creating a step change in scale for the Group.

Glenn Hayward Chief Financial Officer

The Group delivered growth in revenues across all 3 divisions in 2015, which drove a significant 89% increase in Adjusted EBITDA. These results included the first full year of trading for Internet BS and significant domain name trading from CentralNic's portfolio of premium domain names.

In terms of access to funding, the year included two successful equity placings (raising over £12m gross of fees) and securing a £3.5m term debt facility. The funds raised supported the acquisition of the Instra Group for a total consideration of £16.53m, including initial cash consideration of £14.56m. This acquisition which was completed shortly after the year-end. Due to the respective timings of these events, the financial statements include the equity fund raising, but do not include any trading results for the Instra Group or the drawing down on the debt finance (due to these events taking place after the year-end).

To provide context, having applied CentralNic's revenue recognition policies, the Instra Group generated unaudited revenues of AU$14.84m in the year ended 30 June 2015 and Adjusted EBITDA of AU$2.23m for the same period. At the average exchange rates for the period, this equated to £7.86m of revenue and £1.18m of Adjusted EBITDA. Renewals revenues accounted for approximately 57% of Instra Group revenues for this period.

Key Performance Indicators

In terms of the 2015 year financial results:

- Gross billings (including partner share) £26.87m (2014: £9.89m)
- Revenue £10.39m (2014: £6.07m)
- Adjusted EBITDA* £3.25m (2014: £1.72m)
- Profit before taxation £1.45m (2014: £0.52m)

*Excludes impact of share payment expense for the share options issued to Directors and Employees and Acquisition costs and non-recurring fees

The Group generated net revenue growth of 71%, with revenue increasing to £10.39m (2014: £6.07m). This growth was achieved through the combination of retail revenues of £3.41m (2014: £1.55m), wholesale revenues of £3.13m (2014: £2.83m) and enterprise revenues of £3.86m (2014: £1.69m).

The quality of the Group's earnings remains a key area of focus which will be enhanced when bringing in the Instra Group results in 2016. While there was organic growth in the Retail and Wholesale Divisions in 2015, a significant contributor to the growth achieved was from premium domain name trading, a more unpredictable source of earnings.

Revenue growth in the retail business benefitted from the first full year of trading for Internet BS under the Group's ownership (having been acquired in June 2014). Internet BS contributed £3.33m of revenues in the year (2014: £1.51m). When comparing the 2015 revenue for Internet BS versus the full year 2014 proforma numbers (factoring in the period pre-acquisition), approximately 21% of revenue growth was achieved. This was very pleasing, reflecting the addition of a number of new domain products onto the Internet BS online store combined with marketing to the customer base and enduring demand for the legacy generic Top-Level domains, notably .com. Adjusted EBITDA from Internet BS was £0.36m (2014: £0.19m).

The Enterprise Division generated significant revenues totalling £3.86m (2014: £1.69m), especially from trading in premium domain names from the Group's portfolio. Revenues from premium domain name trading totalled £3.22m (2014: £1.61m). These sales are unpredictable, although they also demonstrate the potential values that can be achieved from desirable names traded in the secondary domain name market.

Other Enterprise Division sales included licence sales for registry software of £0.21m (2014: £0.02m). A major telecommunications company purchased a licence to operate an incidence of CentralNic's registry software to act as the platform for distribution of their new .brand Top-Level Domain. In addition, the first revenues were generated from dot Brand clients opting for CentralNic's managed registry service, generating £0.07m of new revenues (2014: £nil). This included revenues from high profile Fortune 1000 companies who had delegated their names within the ICANN release process, with modest future monthly recurring revenues contracted to CentralNic.

During the year, the Group also completed the acquisition of dnsXperts UG, the German developer of the DomiNIC domain management software. The Group acquired a 45% stake in February 2015 and in July 2015 acquired the remaining 55% equity for a total consideration of €171,000. The dnsXperts revenues for the second half combined with a small DomiNIC sale to a banking institution resulting in revenues of £0.24m (2014: £nil). While the DomiNIC software is sophisticated and well suited particularly to the management and distribution of domain names as an in-house solution, unlocking the potential is taking longer than expected.

The Wholesale Division generated revenues of £3.13m (2014: £2.83m). The revenue growth reflected a relatively strong volume-based performance from new generic Top-Level domains, such as .xyz, .website and .online. Unit revenues from new gTLDs are relatively low, as they are sold in large volumes in markets that compete on price, but as renewals start flowing through in larger numbers it is expected that the average revenue per domain will stabilise. During the year 14 new gTLD domains were launched, along with the addition of .coop onto CentralNic's wholesale platform.

The recurring revenues in the Retail and Wholesale Divisions combined totalled £4.16m in 2015 (2014: £2.93m), representing 57% of the total revenue for these divisions before deferrals (2014: 63%).

Adjusted EBITDA, before the share based payment expense and acquisition deal fees and non-recurring fees, totalled £3.25m for the year (2014: £1.72m).

This result reflected growth in EBITDA contributions across all 3 divisions. Notably Enterprise Division grew EBITDA by £1.20m during 2015, mainly driven by premium domain name trading. Organic growth in EBITDA in the wholesale business of £0.15m was mainly driven by the new TLD revenues reflecting the significant increase in volumes, albeit at relatively low average prices. EBITDA in the retail business grew by £0.18m, reflecting the full year effect of Internet BS trading which was in line with expectations. AIM and corporate overheads, which have not been allocated by division, were consistent with the prior year at £0.93m (2014: £0.94m).

Fees associated with acquisitions and investments totalled £0.83m (2014: £0.47m), while in addition there were professional fees associated with arranging the debt funding of £0.35m (2014: £nil) and with the equity placings £0.69m including brokers fees (2014: £0.02m). These costs were impacted by the relatively complex nature of the Instra Group acquisition, given multiple legal jurisdictions and a broad scope of Due Diligence.

Non-cash expenses included amortisation of intangible assets of £0.58m (2014: £0.45m) reflecting the first full year of charges for the customer list and software acquired with the Internet.BS trade (noting 2014 was a part-year). Other non-cash expenses included depreciation and the share based payments expense. In accordance with IFRS 2 Share Based Payments, we have included a £0.32m charge for Director and employee share options within administrative expenses (2014: £0.22m). Further details can be found in note 26 to the financial statements.

While holding a 45% equity stake, the Group accounted for dnsXperts as an associated undertaking between 9 February 2015 and 30 June 2015. Thereafter, dnsXperts became a subsidiary undertaking once the Group had acquired control increasing the equity stake to 100%.

The Group's effective tax rate was 37.7% (2014: 30.1%), with the increase attributed to higher non-allowable expenses including acquisition fees and share-based payment expenses. Profit after taxation was £0.91m (2014: £0.36m).

Basic earnings per share at 1.40 pence (2014: 0.60 pence) reflected the improved earnings in the business but then offset by non-recurring acquisition costs and professional fees and non-cash charges. Diluted earnings per share, at 1.36 pence

(2014: 0.60 pence), reflected the dilutive effect of the share options and also the warrants issued during the flotation. Further details of the earnings per share calculations are provided in note 11 to the financial statements.

Pensions

The Group does not currently operate a pension scheme, but is committed to complying with latest legislation and will create a scheme under the new auto-enrolment provisions as required in the UK. The staging date for the Group to adopt the new UK pension obligations is June 2016 and work is under way to implement the required arrangements.

Dividends

It remains the Directors intention to consider payment of a dividend when appropriate and commercially prudent, as part of a progressive dividend policy. However, due to the continued expansion opportunities for the Group requiring investment, the Directors do not propose a final dividend for 2015.

Group statement of financial position

The Group had net assets of £20.05m at 31 December 2015 (2014: £6.90m), with the growth in net assets reflecting the equity issued during the year (totalling £11.6m after fees; 2014: £1.45m) combined with the retained profits for the year. The December 2015 equity placing totalled £9.40m after fees, with the funds subsequently used in January 2016 as part of the funding of the Instra Group acquisition.

Capital expenditure and investing activities

Aside from the work preparing for the Instra Group acquisition, the year was relatively modest in terms of investing activities, reflecting the relatively low levels of capital expenditure required on tangible assets (which is a feature of CentralNic's business).

Capital expenditure on plant and equipment totalled £0.04m (2014: £0.13m) while capitalised intangible asset additions totalled £0.30m (2014: £4.68m, mainly relating to the assets resulting from the acquisition of the trade of Internet.BS). The intangible asset additions included £0.11m for capitalised development and £0.19m for the goodwill associated with the acquisition of dnsXperts UG.

Further details are provided in notes 12, 13 and 23 to the financial statements.

Cashflow and net cash

There are a number of significant movements in cash reflected in the cashflow statement for the Group, which in part relate to timing of the equity raise for the Instra Group acquisition and in part reflect the impact on the Group's working capital from new gTLD demand (impacting particularly on amounts owing to registry operators and payments received on account from distributors).

Net cashflow from operating activities was high at £5.69m (2014: £1.41m). This reflected a favourable working capital movement of £3.19m relating to cash received in advance to satisfy demand for new gTLDs. This was mainly due to increased balances owing to registry operators for their revenue shares and to registrars for payments received on account.

Financing activities reflected the two equity placings during the year, which generated a net cash inflow after the deduction of broker and related professional fees of £11.60m in the year (2014: £nil). The net cash inflow from the December 2015 equity placing, which was to generate funds to acquire the Instra Group, totalled £9.40m (2014: £nil). The deferred consideration settlement related to the scheduled deferred and contingent consideration for the acquisition of the trade and assets of Internet.BS.

Banking facilities

The Group arranged new banking facilities during the year, which included a debt facility. The facility agreement was committed during December 2015 and drawn down in January 2016.

The principal terms of the debt facility include a capital sum of £3.50m amortising in equal quarterly instalments over a 3 year term, with interest repayments also settled quarterly based on a margin above LIBOR. The debt facility is secured over the material companies within the Group. Further detail is provided in note 28 of the financial statements.

As the debt was not drawn until January 2016, and given the funds were received from the equity placing in December 2015, the Group ended the year with net cash of £19.06m (2014: £3.06m).

Critical accounting policies

The Summary of the Group's Significant Accounting Policies is set out in note 3 to the Financial Statements.

The Group's Revenue recognition policy may be summarised as:

- Revenue from the sale of services is recognised when the amounts of revenue and cost can be measured reliably
- Domain sales are recognised over the period to which the underlying sales contract relates, which can be for periods between one and ten years. Revenues attributable to future periods are deferred to future periods and are included in "Deferred Revenues" and in the case of the retail business, the direct costs, associated with domain name retail revenues, that are payable to wholesale suppliers of the domains are recognised in deferred costs

- Revenues from strategic consultancy and other similar services are recognised in proportion to the stage of completion of the work.

The Group makes estimates and assumptions regarding the future, which are regularly evaluated including expectations of the future that are considered reasonable given historic experience and current circumstances. In the future actual experience may differ from these estimates and assumptions.

The Board considers the carrying value of Intangible assets in particular given the relative materiality to the Group. While the Board acknowledges that estimates and assumptions could have a material impact on the carrying value of the intangible assets, the Board has considered the potential for impairment as well as the estimated useful lives of the assets and does not consider the carrying values to be impaired. Further details are provided in note 4 to the financial statements.

Group financial risk management

The Board reviews the financial risk management policy, noting that the Group is exposed to market risk, credit risk and liquidity risk arising from financial instruments. Further details of the Financial Risk Management Framework is provided in note 27 to the financial statements.

The Group's finance function is responsible for managing investment and funding requirements including cashflow monitoring and projections. The cashflow projections are reviewed regularly by the Board to ensure the Group has sufficient liquidity at all times to meet its cash requirements and execute its business strategy.

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

The Group's financial instruments comprise cash and various items such as trade and deferred receivables. The Group unusually had £19.06m of cash at the year-end, with interest bearing financial assets bearing interest at fixed interest rates. Deposit risk is mitigated by the Directors setting policy that the Group only places deposits with banks and financial institutions with high credit ratings.

The Group's exposure to credit risk from trade receivables is relatively low, due to the fact that the business has traditionally dealt with customers who generally pay at the point or sale or in advance. Where there are credit accounts, which is an increasing trend in the industry, receivables are controlled through credit limits and regular monitoring.

Foreign currency risk

The Board notes that the Group has predominantly traded in US Dollars, Euros and GB Pounds Sterling, and considers the exposure to foreign currency risk to be acceptable. The Group has held reserves in each of these currencies to meet trading obligations as required. The currency risk is actively monitored through a periodic review of inflows and outflows by currency, including an assessment of the extent to which currencies are naturally hedged across the Group's business lines. Where this is not the case consideration is given to the use of hedging instruments.

In the case of the acquisition of the Instra Group, the cash element of the consideration was denominated in Australian Dollars (AU$30m before adjustment for acquired working capital). A participating forward contract was arranged in December 2015 to mitigate the effect of potential unfavourable movements in the exchange rates prior to completion of the acquisition in January 2016. Having completed the acquisition, the enlarged Group will be assessing the exposure to currency risk as part of its ongoing monitoring procedures.

Glenn Hayward Chief Financial Officer
25 May 2016

Board of Directors

The Board regards its principal duties to include the provision of entrepreneurial leadership to the Group, while also overseeing business performance and compliance; and deploying good corporate governance commensurate with the size and scope of the Group's activities.

Mike Turner Chairman (aged 55)

Mike Turner is a leading international mergers and acquisitions lawyer. He has over 30 years of experience working in London, New York and Los Angeles, advising private and publicly held clients on corporate transactions in technology, telecoms, advertising/marketing services, traditional/digital media, internet and e-commerce sectors. Mike is a Partner and International Head of Technology Media and Communications at the international law firm Taylor Wessing. Previously, Mike was a General Partner responsible for technology investments at Oakfield Partners. Mike obtained an LLB at the University of Reading. He joined CentralNic as Chairman in September 2015.

Benjamin Crawford ("Ben") Chief Executive Officer (aged 50)

Ben Crawford is one of the best-known figures in the domain industry, and is frequently quoted on developments in the internet in the global media. Ben has been the Chief Executive Officer of CentralNic since 2009, successfully globalising the company into new markets including the Middle East, China, Japan and Russia, entering the gTLD market, listing on the AIM market and achieving growth organically, through winning new contracts, and via acquisitions. Ben is a specialist in global business and corporate development – his former positions included Founding President of Louise Blouin Media, integrating 11 acquisitions in three countries and launching artinfo.com; Managing Director of SportBusiness Group, where he launched the world's leading online gambling trade media Group, iGamingBusiness.com; and Executive Producer of the official website of the Sydney Olympic Games. Ben has an MBA from the Australian Graduate School of Management and a First Class Honours Degree from the University of Sydney.

Glenn Hayward Chief Financial Officer (aged 43)

Glenn joined CentralNic in February 2014, bringing 20 years' experience across a variety of sectors, with particular experience working with technology companies, most notably in the domain name industry. Most recently, Glenn worked as Executive Director, Business Development and Finance, for Nominet, the organisation which manages the .uk internet domain. Glenn has a bachelor's degree in Physics from the University of Birmingham and between 2011 and 2012 qualified in the Institute of Director's Certificate and then Diploma in Company Direction with distinctions. He also won Finance Director of the Future at the UK's Finance Director Excellence Awards 2011. Glenn qualified as a Chartered Accountant in 1998 while working for Morris & Co Chartered Accountants.

Desleigh Jameson Executive Director (aged 46)

Desleigh Jameson is the Chief Executive of CentralNic's Retail Division, having joined the board following CentralNic's acquisition of the Instra Group in January 2016. She has more than 15 years of experience in retail management and start-ups. Prior to joining Instra, Desleigh was a director at Six Corporation Limited and the CEO of Retail Institute in New Zealand. She was also the founder of Allied Fastening Limited, a supplier of niche fastenings products to power utilities, construction, and engineering companies. Desleigh has an Executive MBA from the University of Auckland in New Zealand.

Iain McDonald Non-Executive Director (aged 45)

Iain McDonald is a global expert in technology and e-commerce, having had a strong track record in investing in early stage companies such as ASOS, The Hut Group, Eagle Eye Solutions, Anatwine and Metapack. He is an advisor to the William Currie Group, a family office founded by financier Bill Currie to invest mainly in technology and e-commerce companies. Iain is also a non-executive director of various of his investee companies, as well as other technology companies such as My Sale Group plc and Houseology Design Group Limited, and was nominated as a NED of the year in 2015 by the Sunday Times NED Awards. Previously, Iain was a top-ranked retail and e-commerce analyst and held positions in a number of UK investment banks. Iain graduated from the London School of Economics and Political Science (LSE), with a Bachelor of Science in Economics & Economics History.

Samuel Dayani Non-Executive Director (aged 39)

Samuel Dayani is a partner at the Joseph Samuel Group and responsible for managing the Group investments and business development. He is also a Director of Opes Industries Ltd, a waste to energy, landfill and recycling business. From 2001-2005, Samuel was the Chief Operating Officer and then Managing Director of ViaVision Ltd, an interactive TV company, before it was sold to Yoomedia plc.

Samuel graduated from Queen Mary College, University of London with a Bachelor of Science in Business and Biology in 2000.

Thomas Rickert Non-Executive Director (aged 46)

Thomas Rickert is an attorney-at-law in Germany. He is the owner of Rickert Rechtsanwaltsgesellschaft mbH, a law firm in Bonn. Thomas has extensive experience in the domain industry working on domain disputes as well as advising Registrars, Registry Service Providers and new gTLD applicants both on contractual as well as policy matters. Thomas is an expert speaker on domain related subjects both at the national and international level. Thomas was previously appointed by ICANN's Nominating Committee to serve on the Council of the Generic Names Supporting Organisation (GNSO), which is the body responsible for developing policy for generic domain names. He is the co-chair of the Cross Community Working Group on enhancing ICANN accountability in the context of IANA Stewardship Transition.

Thomas Pridmore ("Tom") Non-Executive Director (aged 44)

Tom Pridmore began his career as a solicitor at Norton Rose, specialising in corporate finance, where he acted on behalf of institutional clients in relation to a variety of corporate finance and M&A activities. Tom then joined Flextech/Telewest Plc as Head of Corporate Strategy, where he was responsible for directing investment into strategic Internet and interactive television companies. In 2000, Tom co-founded the international fund manager and investment adviser Development Capital Management Limited. In this capacity he has set-up and managed real estate investment and development operations in Turkey, India, North Africa, Eastern Europe and the UK on behalf of both institutional and private clients.

Directors' report

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

The principal activities of the Group are the provision of Domain Name wholesale (registry), retail (registrar) and enterprise services. A more comprehensive description of the Group's activities, performance, and likely developments are provided in the Chairman's statement, the Chief Executive's Report, the Strategic Report, the Chief Financial Officer's Report, the Corporate Governance Report and the Remuneration Report, which are incorporated by reference into this report.

A list of the subsidiary undertakings is disclosed in note 15 to the Financial Statements.

Financial instruments
Details of the use of financial instruments and financial risk management are included in note 27 to the Financial Statements.

Results and dividends
Information on the results and dividends is provided in the Chairman's Statement and the Chief Financial Officer's Report.

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

In 2015 there were further changes in Board members to reflect the development of the business. The Directors who served during the year were as follows:

Executive Directors

Benjamin Crawford (Chief Executive Officer)

Glenn Hayward (Chief Financial Officer and Company Secretary)

Robert Pooke (Executive Director) – resigned from Board on 5 February 2016

While she did not serve as an Executive Director during the year, Desleigh Jameson was appointed to the Board on 5 February 2016, following the completion of the acquisition of the Instra Group.

Non-Executive Directors

Mike Turner (Non-Executive Chairman – appointed 15 September 2015)

John Swingewood (Non-Executive Chairman – resigned 15 September 2015)

Samuel Dayani

Thomas Rickert

Thomas Pridmore

Iain McDonald (appointed 8 December 2015)

The biographical details of the Directors are provided on pages 20 and 21 of this report.

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

The Directors and their interests in the shares in the Group
The Directors of the Company, and their interests in the shares and share options of the Company, are shown in the Remuneration Report on pages 29 to 31 of this report.

Transactions with any parties related to the Directors are disclosed in note 24 to the Financial Statements.

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

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

A copy of the Company's Articles of Association is available on the Group's website (https://www.centralnic.com/investors/reports).

Subject to the provisions of legislation, the Company's Articles of Association and any directions given by resolutions of the shareholders, the Board may exercise all powers of the Company and may delegate authorities to committees and management as it sees fit. Details of the committees of the Board and their activities are contained in the Corporate Governance Report on pages 26 to 28 of this report.

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

Principal risks and uncertainties
The board's assessment of the principal risks and uncertainties, together with the mitigating factors are presented in the strategic report on pages 14 and 15.

Substantial shareholders

In addition to the Directors Interests disclosed in the Remuneration Report, and in accordance with Part 22 of the Companies Act 2006, the Company has been notified that the following shareholder's interests exceeded 3% of the Company's ordinary share capital in issue at the 30 April 2016:

	Ordinary shares	Percentage
Erin investments	21,630,382	22.61%
Kestrel Partners LLP	10,652,500	11.13%
Living Bridge VC LLP	8,983,019	9.39%
UBS Private Banking (R Pooke)	8,400,581	8.78%
Schroder	7,509,131	7.85%
Jabella	5,687,891	5.94%
Christian Phillips	3,059,000	3.20%
Natwest FIS Nominees	3,699,000	3.87%
Antonio Lentino	3,656,450	3.82%
Unicorn Asset Management	3,611,479	3.77%
Miton Asset Management Ltd	3,250,000	3.40%
Herald Investment Management Ltd	3,125,000	3.27%

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

Corporate governance

The Corporate Governance Report, on pages 26 to 28 is incorporated into this report by reference.

Corporate responsibility

The Board recognises its employment, environmental and health and safety responsibilities, and devotes appropriate resources towards monitoring and improving compliance with existing standards.

Management and staff

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

While the business is managed under budgetary controls, the Directors focus on ensuring there is succession planning in place as is appropriate for a business of our size. We also ensure there is regular communication of information affecting our managers and their teams, to ensure all employees are kept up to date with issues affecting them.

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

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

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

The Board recognises the importance of engaged employees working within the Group and how they are vital to the future success of the business. However, given the size of the Group there is dependency on a few key individuals and this is discussed further in the Risks and Uncertainties on pages 14 and 15.

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

Communication with employees is primarily through formal and informal meetings and through the use of the Group's information systems.

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

Quality accreditations

CentralNic is both ISO 27001 (information security management) and ISO 9001 (quality management system) accredited. These accreditations are internationally recognised and provide CentralNic's partners with additional levels of assurance as to the technical integrity of the Group's IT systems.

Directors’ report continued

Anti-bribery and corruption compliance
CentralNic conducts business ethically, maintains financial integrity and strives to behave responsibly in our business dealings.

The Group Directors and its senior management are committed to ensuring strict adherence to our anti-bribery and corruption policy, and compliance with anti-bribery and corruption laws.

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

Environment
The Group is committed to operating in an environmentally responsible manner. The Directors consider environmental impact when making decisions.

The community, charitable and political donations
The Directors consider the impact on the community when making decisions.

During the year charitable donations totalling £218 were made (2014: £150).

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

Policy on the payment of creditors
The Group’s policy is to agree terms and conditions for its business transactions with suppliers and to endeavour to abide by these terms and conditions, subject to the supplier meeting their obligations.

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

Health and safety
The Directors and senior management are committed to providing for the welfare, health and safety of the Group’s employees and have procedures in place, including regular monitoring by third party specialists, to ensure compliance with our legal and contractual obligations.

Business continuity
The Group has built a resilient technology infrastructure, designed to provide data security and continuity of service. The Board recognises the importance of resilience to cyber threats and invests in primary and secondary data centres along with a distributed domain name server constellation operated by the Group and third party providers. The Board keeps the infrastructure requirements under review and adopts a continuous improvement approach to further investment, within appropriate parameters, as business activities expand. The technical provision, alongside customer support, is considered one of the most significant aspects of Business Continuity.

Statement of Directors responsibilities in respect of the Annual Report and the Financial Statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company Law requires the Directors to prepare both the Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

The Parent Company financial statements have been prepared under applicable UK accounting standards.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRS as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the provisions of the Companies Act 2006. The Directors have general responsibility to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ in other jurisdictions.

Disclosure of audit information

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

Going concern

The Directors have in place procedures to review the forecasts and budgets for the coming year, which have been drawn up with appropriate regard for both the macroeconomic environment in which the Group operates and the particular circumstances influencing the Domain Name industry and the Group itself. These were prepared with reference to historic and current industry knowledge, contracted trading activities, and prospects that relate to the future strategy of the Group. As a result, at the time of approving the financial statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

As with all forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty relating to future events. Principal areas of Uncertainty and Risks are highlighted on pages 14 and 15.

Auditors

The Company's independent external auditors, Crowe Clark Whitehill LLP, were initially appointed on 17 July 2013 and were most recently reappointed at the Company's Annual General Meeting of 28 May 2015. It is proposed by the Board they be put forward for reappointment as auditors and a resolution concerning their reappointment will be proposed at the forthcoming AGM.

Registered office

35-39 Moorgate, London EC2R 6AR

Registered number: 08576358

Approved by the Board and signed on it's behalf by:

Mike Turner Chairman
25 May 2016

Cautionary statement

Under the Companies Act 2006, a Company's Directors' Report is required, among other matters, to contain a fair review by the Directors of the Group's business, through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year end, consistent with the size and complexity of the business.

The Directors' Report set out above, including the Chairman's Statement, the Chief Executive's Report, and the Chief Financial Officer's Report incorporated into it by reference (together with the Directors' Report), has been prepared only for the shareholders of the Company as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' Report has not been audited or otherwise independently verified. The Company and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to the Directors' Report.

The Directors' Report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under Principal Risks and Uncertainties. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward looking statements, whether as a result of new information, future events or otherwise.

Corporate governance

Board governance and policy

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM listed companies, the Directors have applied the principles in the Code as far as practicable and appropriate for a company of its size and nature, in accordance with the QCA Corporate Governance Code for small and mid-sized Quoted Companies 2013.

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

In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

In line with the requirements of the UK Corporate Governance Code and the Company's Articles of Association, the Group has voluntarily chosen that five Directors will retire at the Annual General Meeting and being eligible, will offer themselves for re-election.

Board Committees

The Company has established Audit, Nomination and Remuneration Committees.

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

Audit Committee

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

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

- Monitoring the integrity of the half yearly and annual financial statements and formal announcements regarding the Group's financial performance
- Reviewing significant accounting policies, areas of significant estimates and judgments and disclosures in financial reports
- Monitoring the quality and effectiveness of internal control procedures and risk management systems
- Considering the requirement for Internal Audit, taking into account the size and nature of the Company and the Group
- Reviewing the external auditor reports relating to the Company's accounting and internal control procedures
- Overseeing the Board's relationship with the external auditors, including their continued independence and making recommendations to the Board on the selection of external auditors.

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

The appointment of the independent external auditor is approved by the shareholders annually. The independent auditor's audit of the financial statements is conducted in accordance with International Standards on Auditing, ISA (UK and Ireland) issued by the Auditing Practices Board.

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

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

Remuneration Committee

The Group's Remuneration Committee is responsible, on behalf of the Board, for developing remuneration policy. Details of objectives and policy are provided in the Remuneration Report on pages 29 to 31.

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

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

- Determining and agreeing with the Board the remuneration policy for the Chairman of the Board, the non-Executive Directors and the Executive Directors and other senior managers
- Reviewing the design of share incentive plans for approval by the Board and determining the award policy to Executive Directors and personnel under existing plans
- Determining the remainder of the remuneration packages (principally salaries, bonus and pension) for the Executive Directors and senior management including any performance-related targets
- Reviewing and noting remuneration trends across the Group

- Co-ordinating with the Nominations Committee in relation to the remuneration to be offered to any new Executive Director; and
- Taking responsibility for the selection criteria and if appropriate selecting, appointing and setting terms of reference for any remuneration consultants engaged to advise the Committee.

The Remuneration Committee was created in September 2013 and is required to meet at least twice a year. During 2015 the Committee met on two occasions.

It is the Group's policy that Executive Directors' service contracts contain at least a 3 month notice period.

Nominations Committee

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

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

The Nominations Committee was created in September 2013 and is required to meet at least once a year. During 2015 the Committee met on two occasions.

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

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

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

Risk management and internal controls

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

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

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

Accounting procedures

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

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

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

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

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

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

Corporate governance continued

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

The Group's approach to sustainability addresses both our environmental and social impacts, supporting the Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners. By way of example the Group companies have arranged and promoted a number of ACE (Athletics, Community and Environmental) activities in the past. The Company is also certified by the Carbon Neutral Company.

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

Communications with shareholders
The Board regards the importance of effective communication with shareholders as essential.

Relations with shareholders are managed principally by the Chief Executive Officer and the Chairman, and meetings are regularly held with institutional investors and analysts during the year.

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

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

Annual General Meeting date
The Annual General meeting will be convened in accordance with the provisions of the Companies Act 2006. The Annual General Meeting will take place on 28 June 2016 at 10.00am at the offices of the Company's solicitors:

DWF LLP
20 Fenchurch Street
London
EC3M 3AG

The proposed resolutions together with proxy forms and this annual report will be distributed to shareholders by the 3 June 2016, if not before.

Remuneration report

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

Remuneration Committee

The membership of the Committee and the principal activities are detailed in the Corporate Governance section of the annual report on pages 26 and 27.

Remuneration policy

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

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

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

Directors remuneration

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

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

In terms of the remuneration of the Company's Directors, entries to profit and loss included in the Statement of Comprehensive Income include:

	Salaries & fees £'000	Bonus £'000	Pension £'000	Share-based payments £'000	**2015 £'000**	2014 £'000
Non-Executive Directors						
Samuel Dayani	25	–	–	–	**25**	25
Thomas Rickert	25	–	–	13	**38**	38
Tom Pridmore	27	–	–	13	**40**	38
Mike Turner	12	–	–	–	**12**	–
Iain McDonald	–	–	–	–	**–**	–
John Swingewood	39	–	–	–	**39**	40
Executive Directors						
Robert Pooke	67	–	–	–	**67**	60
Ben Crawford	155	105	–	163	**423**	375
Glenn Hayward	146	37	11	54	**248**	152
Donald Baladasan	–	–	–	–	**–**	6
	496	142	11	243	**892**	734

Included in the Directors' salaries and fees above is a charge of £nil in the year to the Company and Group by Robert Pooke Consulting (2014: £54,000) of which Robert Pooke has a controlling interest.

Included in the Directors' salaries and fees above is a charge of £25,000 in the year to the Company and Group by Laura Trading LLC (2014: £25,000) of which Samuel Dayani has a controlling interest.

Included in the Directors' salaries and fees above is a charge of £nil in the year to the Company and Group by Swingewood Consulting Ltd (2014: £40,150) of which John Swingewood has a controlling interest.

Included in the Directors' emoluments above is a charge of £254,000 in the year to the Company and Group by Ben Crawford FZE (2014: £206,333) of which Ben Crawford has a controlling interest.

Included in the Directors' salaries and fees above is a charge of £nil in the year to the Company and Group by WJP Consulting Ltd (2014: £18,767) of which Tom Pridmore has a controlling interest.

Included in the Directors' salaries and fees above is a charge of £11,667 to the Company and Group by Taylor Wessing LLP (2014: £nil), a partnership where Mike Turner is a partner.

Included in the Directors' emoluments above is a charge of £nil in the year to the Company and Group by Mataxis Ltd (2014: £5,333) of which Donald Baladasan has a controlling interest. Consultancy fees of £nil have also been incurred during 2015 (2014: £16,500).

Remuneration report continued

Share options

Prior to admission to AIM CentralNic established an unapproved share option scheme under which certain key executives and employees were invited to participate.

In addition, again prior to AIM admission, CentralNic also granted options under an Enterprise Management Incentive Scheme (EMI) under separate EMI option agreements to certain qualifying key executives and employees. These options were rolled over into the Company during 2013.

To reflect existing commitments, the options granted in June 2013 for the unapproved option scheme and the EMI scheme will vest in 12 equal instalments at 3 month intervals following Admission (so that the options will have fully vested 3 years after the date of the grant). The unapproved options granted on 14 October 2013 will vest 3 years after the date of grant.

Ben Crawford participates in both the June 2013 and October 2013 unapproved scheme, and Donald Baladasan (a former Director) participates in the June 2013 unapproved scheme. Glenn Hayward is the only Director who participates in the EMI scheme, with options granted on 28 April 2015. The EMI options granted to Glenn Hayward will vest on 10 February 2017.

These share incentive arrangements are designed to support the strategy of generating significant sustainable value for shareholders by linking the rewards for executives and the board with the value created for Shareholders and thereby aligning the interests of key executives with those of Shareholders.

Shares acquired or options granted under any share incentive arrangements operated by the Company will be limited in total to 10 per cent of the Company's issued share capital from time to time.

The table below shows the outstanding share options issued to Directors and former Directors at 31 December 2015:

	Number of options	Exercise price	Options granted
Outstanding at 1 January 2015			
Ben Crawford	1,316,000	10p	1 June 2013
Donald Baladasan (former Director)	125,000	10p	1 June 2013
Ben Crawford	850,000	55p	14 October 2013
Thomas Rickert	88,000	55p	14 October 2013
Tom Pridmore	88,000	55p	14 October 2013
Total	2,467,000		
Outstanding at 31 December 2015			
Ben Crawford	**1,316,000**	10p	1 June 2013
Donald Baladasan (former Director)	**52,083**	10p	1 June 2013
Ben Crawford	**850,000**	55p	14 October 2013
Thomas Rickert	**88,000**	55p	14 October 2013
Tom Pridmore	**88,000**	55p	14 October 2013
Glenn Hayward	**500,000**	35p	28 April 2015
Total	**2,894,083**		

Since 31 December 2015, further unapproved options have been issued to some of the Directors, with vesting dates as follows:

Issued on 5 February 2016

	Number of options granted	Exercise price	Expected vesting date	Total number of options held following the grant	Options held as % of existing share capital
Mike Turner	750,000	40p	15 Sept 2018	750,000	0.78%
Iain McDonald	350,000	40p	26 Oct 2018	350,000	0.37%
Tom Pridmore	350,000	40p	3 Feb 2019	438,000	0.46%
Thomas Rickert	350,000	40p	3 Feb 2019	438,000	0.46%
Desleigh Jameson	200,000	40p	14 Jan 2019	200,000	0.21%

72,917 options were exercised during the year by Donald Baladasan and no options have expired. All options expire within 10 years of grant.

Further details are provided in relation to share based payments in note 26 to the financial statements.

In addition, a further 1,710,500 options over ordinary shares were in issue at 31 December 2015, being held by the Company's employees. This number has increased since the end of the year to reflect the addition of Instra Group employees to the unapproved option scheme. At 30 April 2016, a total of 1,909,083 options over ordinary shares were in issue, held by the Company's employees.

The IFRS2 charge in the year for all share option plans relating to the Directors was £242,810 (2014: £189,518).

On 31 December 2015, the closing market price of CentralNic Group plc ordinary shares was 48.5 pence. The highest and lowest price of these shares in the year were 73.5 pence on 14 September 2015 and 23 pence on 31 March 2015 respectively.

Directors' interests

(a) As at 31 December 2015, the interests of the Directors (including Directors who were appointed during the year and those who retired), including persons connected with the Directors within the meaning of section 252 of the Companies Act 2006, in the issued share capital of the Company are as follows:

	Ordinary Shares	Percentage
Erin Invest & Finance Ltd*	21,630,382	23.51%
UBS Private Banking Nominees Ltd (R Pooke)**	8,400,581	9.13%
Jabella Group Ltd***	5,687,891	6.18%
Natwest FIS Nominees****	3,699,000	4.02%
Iain McDonald****	11,500	0.01%

* The beneficial holder of Erin and Natwest FIS Nominee Limited is the father of Samuel Dayani, a Director of the Company. Of these shares 5,687,891 Ordinary Shares are held by Jabella Group Limited in which Erin has a 53.80 per cent. interest

** 5,687,891 Ordinary Shares are held by Jabella Group Limited in which Robert Pooke has a 32.0 per cent. interest

*** Jabellla Group Limited is a BVI company owned inter alia, by Erin, Natwest FIS Nominee Limited, John Swingewood and Robert Pooke.

**** 5,687,891 Ordinary Shares are held by Jabella Group Limited in which Natwest FIS Nominee Limited has a 8.40 per cent interest

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

There are no changes to this information as at the date of this report.

(b) Save as disclosed in this annual report, none of the Directors nor any members of their families, nor any person connected with them within the meaning of section 252 of the Act, has any interest in the issued share capital of the Company or its subsidiaries.

(c) Save as disclosed in this annual report, as at the date of this Document, no Director has any option over any warrant to subscribe for any shares in the Company.

(d) None of the Directors nor any members of their families, nor any person connected with them within the meaning of section 252 of the Act, has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

(e) None of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

(f) There are no outstanding loans made or guarantees granted or provided by the Company to or for the benefit of any Director other than disclosed in notes 16 and 24 to the financial statements.

(g) Save as disclosed in this Annual report, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.

Independent Auditors' report

to the Members of CentralNic Group plc

We have audited the financial statements of CentralNic Group plc for the year ended 31 December 2015 which comprise the Group Statement of Financial Position and Parent Company Balance Sheet, the Group Statement of Comprehensive Income, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes set out on pages 33 to 72.

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

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit and the Parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Stephen Bullock
Senior Statutory Auditor

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

25 May 2016

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 £'000	Restated** 2014 £'000
Revenue	5,6	**10,393**	6,067
Cost of sales		**(5,533)**	(2,755)
Gross profit		**4,860**	3,312
Administrative expenses		**(3,085)**	(2,593)
Share based payments expense		**(316)**	(222)
Operating profit		**1,459**	497
Adjusted EBITDA*		**3,254**	1,724
Depreciation	12	**(71)**	(90)
Amortisation of intangible assets	13	**(578)**	(448)
Acquisition costs and non recurring fees		**(830)**	(467)
Share based payments expense	26	**(316)**	(222)
Operating profit		**1,459**	497
Finance income	9	**33**	23
Finance costs	9	**(2)**	–
Finance income – net	9	**31**	23
Share of loss of investments accounted for using the equity method	23	**(36)**	–
Profit before taxation	7	**1,454**	520
Income tax expense	10	**(548)**	(156)
Profit after taxation attributable to equity shareholders		**906**	364
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translation of foreign operation		**(1)**	–
Cash flow hedges – effective portion of changes in fair value	17	**245**	–
Total comprehensive income for the financial year attributable to equity shareholders		**1,150**	364

	Note	2015 Pence	2014 pence
Earnings per share			
Basic	11	**1.40**	0.60
Diluted	11	**1.36**	0.60

* Earnings before interest, tax, depreciation and amortisation, non-trading items and non-cash charges.

** Restatement of 2014 reflects reallocation of merchant fees from administrative expenses to cost of sales.

All amounts relate to continuing activities.

The notes on pages 37 to 63 form an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**65**	90
Intangible assets	13	**5,390**	6,118
Deferred receivables	14	**295**	916
Investments	15	**997**	997
Deferred tax assets	21	**168**	74
		6,915	8,195
Current assets			
Trade and other receivables	16	**5,486**	2,333
Derivative financial instruments	17	**245**	–
Cash and bank balances	18	**19,060**	3,056
		24,791	5,389
Total assets		**31,706**	13,584
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**92**	61
Share premium	19	**16,522**	4,935
Share based payments reserve		**1,390**	1,018
Foreign exchange translation reserve		**–**	1
Foreign currency hedging reserve		**245**	–
Retained earnings		**1,797**	885
Total equity		**20,046**	6,900
Non-current liabilities			
Other payables	20	**845**	725
Deferred tax liabilities	21	**65**	72
		910	797
Current liabilities			
Trade and other payables and accruals	22	**10,349**	5,671
Taxation payable		**401**	216
		10,750	5,887
Total liabilities		**11,660**	6,684
Total equity and liabilities		**31,706**	13,584

These financial statements were approved and authorised for issue by the Board of Directors on 25 May 2016 and were signed on it's behalf by:

Mike Turner Chairman

Company Number: 08576358

The notes on pages 37 to 63 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Foreign exchange translation reserve £'000	Foreign currency hedging reserve £'000	Retained earnings £'000	Total £'000
Balance as at 31 December 2013	59	3,485	742	1	–	521	4,808
Profit for the year	–	–	–	–	–	364	364
Other comprehensive income							
Translation of foreign operation	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	364	364
Transactions with owners							
Issue of new shares	2	1,472	–	–	–	–	1,474
Share issue costs	–	(22)	–	–	–	–	(22)
Share based payments	–	–	222	–	–	–	222
Share based payments – deferred tax asset	–	–	54	–	–	–	54
Balance as at 31 December 2014	61	4,935	1,018	1	–	885	6,900
Profit for the year	–	–	–	–	–	906	906
Other comprehensive income							
Translation of foreign operation	–	–	–	(1)	–	–	(1)
Cash flow hedge	–	–	–	–	245	–	245
Total comprehensive income for the year	–	–	–	(1)	245	906	1,150
Transactions with owners							
Issue of new shares	31	12,277	–	–	–	–	12,308
Share issue costs	–	(690)	–	–	–	–	(690)
Share based payments	–	–	316	–	–	–	316
Share based payments – reclassify lapsed options	–	–	(6)	–	–	6	–
Share based payments – deferred tax asset	–	–	62	–	–	–	62
Balance as at 31 December 2015	**92**	**16,522**	**1,390**	**–**	**245**	**1,797**	**20,046**

- Share capital represents the nominal value of the Company's cumulative issued share capital.
- Share premium represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions.
- Retained earnings represent the cumulative value of the profits not distributed to shareholders, but retained to finance the future capital requirements of the CentralNic Group.
- Share based payments reserve represents the cumulative value of share based payments recognised through equity.
- Foreign exchange translation reserve represents the cumulative exchange differences arising on Group consolidation.
- Foreign currency hedging reserve represents the effective portion in the fair value of derivatives.

The notes on pages 37 to 63 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flow from operating activities			
Profit before taxation		1,454	520
Adjustments for:			
Depreciation of property, plant and equipment		71	90
Amortisation of intangible assets		578	448
Reclassification of intangible assets		448	–
Finance income/(cost) – net		(1)	–
Share based payments		316	222
Share of result of associate		36	–
Operating profit before working capital changes		2,902	1,280
Increase in trade and other receivables		(2,649)	(664)
Increase in trade and other payables and accruals		5,839	934
Increase in inventories		(1)	–
Cash flow from operations		6,091	1,550
Income tax paid		(405)	(136)
Net cash flow generated from operating activities		5,686	1,414
Cash flow used in investing activities			
Purchase of property, plant and equipment		(43)	(126)
Purchase of intangible assets		(104)	(1,838)
Loan repayments received from third parties		–	(102)
Purchase of investments		–	(997)
Acquisition of a subsidiary, net of cash acquired	23	12	–
Net cash flow used in investing activities		(135)	(3,063)
Cash flow used in financing activities			
Proceeds from issuance of ordinary shares		11,618	–
Reduction in deferred consideration		(1,159)	(230)
Net cash flow generated from/(used in) financing activities		10,459	(230)
Net increase in cash and cash equivalents		16,010	(1,879)
Cash and cash equivalents at beginning of the year		3,056	4,932
Exchange losses on cash and cash equivalents		(6)	3
Cash and cash equivalents at end of the year		19,060	3,056

The notes on pages 37 to 63 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2015

1. General information

(a) Nature of operations

CentralNic Group Plc is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The Company is registered in England and Wales. Its registered office and principal place of business is 35-39 Moorgate, London, EC2R 6AR.

The CentralNic Group provides wholesale ("registry"), retail ("registrar") and enterprise services and strategic consultancy for new Top Level Domains ("TLDs"), Country Code TLD's ("ccTLDs") and Second-Level Domains ("SLDs") and it is the owner and registrant for a portfolio of domain names, which it uses as SLD domain extensions and for resale on the domain aftermarket.

(b) Component undertakings

The principal activities of the subsidiaries and other entities included in the financial statements are as follows:

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests
CentralNic Limited	England and Wales	Domain registry services provider	Ordinary shares	100%
CentralNic USA Limited	USA	US sales office	Ordinary stock	100%
GB.com Limited	England and Wales	Dormant – holds domain name	Ordinary shares	100%
Whois Privacy Limited	England and Wales	Dormant	Ordinary shares	100%
TLD Registrar Solutions Limited	England and Wales	Domain registrar services provider	Ordinary shares	100%
Internet Domain Service BS Corp	Commonwealth of The Bahamas	Domain registrar services provider	Ordinary shares	100%
Whois Privacy Corp	Commonwealth of The Bahamas	Domain registrar services provider	Ordinary shares	100%
Hoxton Domains Limited	England and Wales	Aftermarket domain services	Ordinary shares	100%
dnsXperts UG*	Germany	Domain management software services	Ordinary shares	100%
Instra Holdings (UK) Ltd**	England and Wales	Holding Company	Ordinary shares	100%
Instra Holdings (Aus) Pty Ltd**	Australia	Holding Company	Ordinary shares	100%
Instra Holdings (NZ) Ltd**	New Zealand	Holding Company	Ordinary shares	100%

* The acquisition of dnsXperts UG was completed on 1 July 2015, see note 23.

** These companies were incorporated during the year for the purpose of acquiring the entire share capital of the Instra Group. The acquisition was completed in January 2016, see note 28.

2. Application of IFRS

(a) Basis of preparation

The financial statements are measured and presented in sterling (£), unless otherwise stated, which is the currency of the primary economic environment in which the entities operate. They have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit and loss.

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

The Directors have reviewed forecasts and budgets for the coming year having regard to both the macroeconomic environment in which the Group operates, historic and current industry knowledge and contracted trading activities and the future strategy of the Group. As a result of that review the Directors consider that it is appropriate to adopt the going concern basis of preparation.

Notes to the consolidated financial statements continued

2. Application of IFRS continued

(b) Standards, amendments and interpretations to published standards not yet effective
A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 as their detailed review of these standards is still ongoing.

3. Summary of significant accounting policies

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

(a) Basis of consolidation
The consolidated financial statements include the financial statements of all subsidiaries. The financial year ends of all entities in the Group are coterminous.

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

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

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

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to Other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

3. Summary of significant accounting policies continued

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

(c) Functional and foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in pounds sterling (£) the Group's and the Company's presentational currency.

(ii) Transactions and balances

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

(iii) Group companies

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

a) assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

c) All resulting exchange differences are recognised in other comprehensive income.

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

(d) Financial instruments

Financial assets and liabilities are recognised in the statements of financial position when CentralNic or one of the CentralNic Group entities has become a party to the contractual provisions of the instruments.

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

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

Financial instruments recognised in the pro forma aggregated statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Trade and other receivables

Trade and other receivables (including deposits and prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as other receivables, deposits, and prepayments. Other receivables, deposits, and prepayments are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

Derivative financial instruments

Cash flow hedge

Derivatives are initially recognised at fair-value on the date a derivative contract is entered into and are subsequently re-measured at their fair-value. The method of recognising the resulting gain or loss depends on whether the derivative is designated a hedging instrument, and if so, the nature of the item being hedged.

The Group has only undertaken hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives which are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are set out in note 17.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the income statement under 'Other gains /(losses) – net'.

Amounts accumulated in equity are reclassified to profit and loss in the period or periods that the hedged item affects profit and loss. When a hedging instrument expires or is sold, or where a hedge no longer meets the criteria for hedge accounting any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in equity is immediately transferred to the income statement under 'Other gains /(losses)' – net.

Cash and bank balances

Cash and bank balances comprise cash balances that are subject to insignificant risk of changes in their fair value, and are used by the CentralNic Group in the management of its short-term commitments.

(ii) Financial liabilities and equity instruments

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

Financial liabilities

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

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

Equity instruments

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

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

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

(e) Property, plant, and equipment

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

3. Summary of significant accounting policies continued

Depreciation is calculated under the reducing balance method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

• Computer equipment	60% – 65%
• Furniture and fittings	15% – 20%

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

(f) Intangible assets

Intangible assets represent amounts paid to acquire the rights to own and act as registrant for a portfolio of domain names or amounts in respect of such intangible assets originally included at directors valuation but treated as deemed cost on transition to IFRS which, for the purposes of these financial statements, was 1 January 2010.

Capitalised domain names have a finite useful life and are measured at cost less accumulated amortisation and impairment losses, if any. Domain names are amortised on an annual basis at the rate of 10% to 20% reducing balance.

Domain names not held for resale are included in the balance sheet at amortised cost and classified as "Domain Names" and amortised over their useful lives. Domain names held for resale are included in the balance sheet at the lower of cost and net realisable value and classified as stock held for sale, no amortisation being charged. If a decision is taken to sell a domain name previously included in intangible assets it is reclassified as stock at net book value prior to sale.

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

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

Directly attributable costs that are capitalised as part of the software product include the employee costs and an appropriate portion of the relevant overheads.

Computer software development recognised as assets are amortised over their estimated useful lives, which are determined by the Directors.

Costs for development initiatives that the CentralNic Group undertakes that are not otherwise allocable to specific domain names or projects are charged to expense through profit and loss when incurred.

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

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

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

(g) Impairment

(i) Impairment of financial assets

Financial assets not categorised at fair value through profit or loss are assessed at the end of each reporting period to determine whether there is any objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event(s) had an impact on the estimated future cash flows of the asset. Objective evidence that financial assets are impaired includes default or delinquency by a debtor and the restructuring of an amount due to the CentralNic Group on terms that the CentralNic Group would not consider otherwise.

An impairment loss in respect of a financial asset measured at amortised cost, including other receivables, deposits, and prepayments, is recognised in profit or loss and is measured as 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 interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the amounts receivables.

When the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

The carrying values of non-financial assets, other than deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of the assets is the higher of the assets' fair value less cost to sell and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised if the carrying value of the asset exceeds its recoverable amount.

An impairment loss is recognised in profit or loss immediately.

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

(h) Cash and cash equivalents

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

(i) Employee benefits

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

(j) Leases

Assets held under leases are classified as operating leases and are not recognised in the CentralNic Group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as part of the total lease expense, over the term of the lease.

(k) Taxation

Taxation for the year comprises of current and deferred tax.

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

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

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

3. Summary of significant accounting policies continued

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

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

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

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

(l) Share based payments

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

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

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

(m) Provisions, contingent liabilities and contingent assets

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the CentralNic Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised in the financial statements but is disclosed in the notes to the financial statements. When a change in the probability of a contingent outflow occurs so that the outflow is probable, a liability will be recognised as a provision.

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

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

(n) Revenue recognition

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

Revenue from the sale of services is recognised when the amounts of revenue and cost can be measured reliably. In particular:

(i) Sale of wholesale ("registry") services for domain names ("Wholesale Domain sales")

Revenue from the provision of wholesale and similar services under contracts for the sale of domain names by registrars and re-sellers reflect the period over which the underlying sales contract has been entered into by the registrar or re-seller, which can be for periods of between one and ten years. Revenues attributable to future periods are deferred to future periods and included in 'Deferred revenues'.

Revenue from strategic consultancy and similar services is recognised in profit and loss in proportion to the stage of completion of the assignment at the reporting date. The stage of completion is determined based on completion of work performed.

(ii) Sale of retail ("registrar") services for domain names ("Retail Domain sales")

Revenue from the provision of retail and similar services under contracts for the sale of domain names by registrants and re-sellers reflect the period over which the underlying sales contract has been entered into by the registrant or re-seller, which can be for periods of between one and ten years. Revenues attributable to future periods are deferred to future periods and included in 'Deferred revenues'. These revenues are matched to deferred wholesale costs which cover the same period of the underlying sale.

(iii) Sale of enterprise services including premium domain names ("Enterprise including Premium Domain Name Sales")

Revenue from enterprise services and premium domain name sales are recognised in profit and loss at the point of sale. Revenue from the provision of computer software to a customer is recognised when the Group has delivered the related software and completed all of the adaptions required by the customer for either the whole contract or for a specific milestone deliverable within the contract. Where no adaptions are required revenue is recognised on delivery.

Revenue from strategic consultancy and similar services is recognised in profit and loss in proportion to the stage of completion of the assignment at the reporting date. The stage of completion is determined based on completion of work performed.

(o) Investment in associates

An associate is an entity over which the CentralNic Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries. The CentralNic Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the CentralNic Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the CentralNic Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the CentralNic Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the CentralNic Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the CentralNic Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the CentralNic Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial information of the associate or joint venture are prepared for the same reporting period as the CentralNic Group. When necessary, adjustments are made to bring the accounting policies in line with those of the CentralNic Group.

3. Summary of significant accounting policies continued

At each reporting date, the CentralNic Group determines whether there is objective evidence that the investment in its associate or joint venture is impaired. If there is such evidence, the CentralNic Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate or joint venture' in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4. Critical accounting judgments and key sources of estimating uncertainty

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

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

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

Impairment testing

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

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

Expected future cash flows used to determine the value in use of tangible and intangible assets will be inherently uncertain and could materially change over time. The carrying value of the Group's tangible and intangible assets are disclosed in notes 12 and 13 respectively.

Estimation of useful life

The charge in respect of periodic amortisation and depreciation is derived after determining an estimate of an asset's expected useful life. The useful lives of the assets are determined by management at the time the asset is acquired and are reviewed continually for appropriateness.

Share based payments

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

Notes to the consolidated financial statements continued

5. Segment analysis

CentralNic is an independent global domain name service provider. It provides wholesale, retail and enterprise services and it is the owner and registrant of a portfolio of domain names, which it uses as SLD domain extensions. Management reviews the activities of the CentralNic Group in the segments disclosed below:

	2015					
	Revenue £'000	Adjusted EBITDA £'000	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
Wholesale Domain Sales	3,129	1,403	2,711	20,544	585	8,522
Retail Domain Sales	3,405	174	4,198	4,116	325	2,154
Enterprise including Premium Domain Name Sales	3,859	2,608	6	131	–	74
Group overheads including costs associated with public company status	–	(931)	–	–	–	–
	10,393	3,254	6,915	24,791	910	10,750

	2014					
	Revenue £'000	Adjusted EBITDA £'000	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
Wholesale Domain Sales	2,827	1,258	3,741	3,397	570	4,235
Retail Domain Sales	1,550	(9)	4,454	1,992	227	1,652
Enterprise including Premium Domain Name Sales	1,690	1,412	–	–	–	–
Group overheads including costs associated with public company status	–	(937)	–	–	–	–
	6,067	1,724	8,195	5,389	797	5,887

The geographical locations of the non-current assets are primarily located in Europe (including UK) and ROW. The total non-current assets of the Europe segment at 31 December 2015 were £3,073,000 (2014: £4,188,000) and the total non-current assets of the ROW segment were £3,842,000 (2014: £4,007,000).

6. Revenue

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

Wholesale Domain Sales	2015 £'000	2014 £'000
UK	902	938
North America	997	860
Europe	458	483
ROW	772	546
	3,129	2,827

Retail Domain Sales	2015 £'000	2014 £'000
UK	214	76
North America	744	358
Europe	1,149	491
ROW	1,051	475
Other Revenues	247	150
	3,405	1,550

6. Revenue continued

Enterprise including Premium Domain Name Sales	2015 £'000	2014 £'000
UK	–	–
North America	3,286	1,612
Europe	246	–
ROW	327	78
	3,859	1,690

Enterprise including premium domain name sales by nature are subject to annual variation depending on customer demand.

Consultancy and other services previously disclosed separately are now included in the appropriate division.

The following table shows customers that represented 10% or more of the wholesale domain sales:

	2015 £'000	2014 £'000
Customer A	393	382
Customer B	333	326
Other customers	2,403	2,119
	3,129	2,827

No single customer contributes greater than 10% or more of the retail domain sales.

The enterprise including premium domain name sales were principally driven by premium domain name sales of £3,221,000 (2014: £1,612,000) of which £3,079,000 was made to one customer (2014: £1,610,000 to one customer)

7. Profit before taxation

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

	2015 £'000	2014 £'000
Employee benefit expense – wages and salaries	1,192	775
Employee benefit expense – social security	130	98
Employee benefit expense – share payments	73	32
Staff Consultancy fees	516	370
Directors' remuneration – fees and salaries	649	558
Directors' remuneration – share payments	243	190
Operating Leases – land and buildings	42	42
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	35	40
Net gain on foreign currency translation	(211)	(47)
Depreciation and amortisation expense	649	538

Notes to the consolidated financial statements continued

8. Employee information

The average number of persons employed by the Group (excluding directors) during the year were 30 (2014: 20), analysed by category, as follows;

	2015 £'000	2014 £'000
Management and finance	3	1
Technical	13	10
Sales and Marketing	8	5
Administrative	3	2
Operations	3	2

Key management personnel

Total remuneration of key management personnel being the directors and key senior personnel is £1,018,000 (2014: £855,000), and is set out below in aggregate for each of the categories specified in IAS24, related party disclosures.

	2015			2014		
	Directors £'000	Senior key personnel £'000	Total £'000	Directors £'000	Senior key personnel £'000	Total £'000
Short -term benefits	649	105	754	558	86	644
Share based payments expense	243	21	264	190	21	211
	892	126	1,018	748	107	855

9. Finance income and costs

	2015 £'000	2014 £'000
Interest income on loans to related parties	18	18
Interest income on loans to third parties	–	4
Interest income on short-term bank deposits	–	1
Re-measurement of fair value of pre-existing interest in acquired entity (note 23)	15	–
Finance income	33	23
Interest expense on bank borrowings	(2)	–
Finance costs	(2)	–
Net finance income	31	–

10. Income tax expense

	2015 £'000	2014 £'000
Current tax on profits for the year	593	166
Adjustments in respect of previous years	–	–
Current income tax	593	166
Deferred income tax (note 21)	(45)	(10)
Income tax expense	548	156

10. Income tax expense continued

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

	2015 £'000	2014 £'000
Profit before taxation	1,454	520
Tax calculated at domestic tax rates applicable to profits in the respective countries	404	112
Tax effects of:		
Expenses not deductible for tax purposes	168	51
Unutilised tax losses	21	–
Capital allowance in excess of depreciation	–	3
Current income tax	593	166

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

The effective rate of tax for the year is 37.7% (2014: 30.1%), when excluding the impact of the non-cash share based payments expense the effective rate of tax for the year is 31.0% (2014: 21.0%).

In the UK, the applicable statutory tax rate for 2015 is 20% (2014: 21%).

In the USA, federal taxes are due at 34% on taxable income. Under California tax legislation an additional 8.84% of state tax is due on taxable income.

In Germany, federal taxes are due at 15% on taxable income. With an additional 5.5% solidarity surcharge due on the income tax. A community business tax of c.17% is also levied with rates determined by the municipality.

11. Earnings per share

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

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option scheme and warrants) into ordinary shares has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation.

	2015	2014
Profit after tax attributable to owners (£'000)	906	364
Weighted average number of shares:		
Basic	64,537,714	60,047,493
Effect of dilutive potential ordinary shares	1,953,680	970,814
Diluted	66,491,394	61,018,307
Earnings per share:		
Basic (pence)	1.40	0.60
Diluted (pence)	1.36	0.60

12. Property, plant and equipment

	Computer equipment £'000	Furniture and fittings £'000	Total £'000
Cost			
At January 2014	187	34	221
Additions	124	2	126
At 31 December 2014	311	36	347
Additions	41	2	43
Acquisition of subsidiary	4	–	4
At 31 December 2015	**356**	**38**	**394**
Accumulated depreciation			
At 1 January 2014	137	30	167
Charge for the year	89	1	90
At 31 December 2014	226	31	257
Charge for the year	70	1	71
Acquisition of subsidiary	1	–	1
At 31 December 2015	**297**	**32**	**329**
Property, plant, and equipment, net			
At 31 December 2015	**59**	**6**	**65**
At 31 December 2014	85	5	90

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

13. Intangible assets

	Domain names £'000	Software £'000	Customer list £'000	Goodwill £'000	Total £'000
Cost or deemed cost					
At 1 January 2014	3,447	206	–	–	3,653
Additions	3	754	2,548	1,379	4,684
Reclassification	(300)	–	–	–	(300)
Exchange Differences	14	–	–	–	14
At 31 December 2014	3,164	960	2,548	1,379	8,051
Additions	–	104	–	194	298
Reclassification	(835)	–	–	–	(835)
Exchange Differences	11	–	–	–	11
At 31 December 2015	**2,340**	**1,064**	**2,548**	**1,573**	**7,525**
Amortisation					
At 1 January 2014	1,712	–	–	–	1,712
Charge for the year	222	99	127	–	448
Reclassification	(240)	–	–	–	(240)
Exchange differences	13	–	–	–	13
At 31 December 2014	1,707	99	127	–	1,933
Charge for the year	142	181	255	–	578
Reclassification	(387)	–	–	–	(387)
Exchange differences	11	–	–	–	11
At 31 December 2015	**1,473**	**280**	**382**	**–**	**2,135**
Intangible assets, net					
At 31 December 2015	**867**	**784**	**2,166**	**1,573**	**5,390**
At 31 December 2014	1,457	861	2,421	1,379	6,118

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

Certain domain names previously held as intangible assets were reclassified to stock held for resale in the 2015 and the 2014 periods.

Goodwill and customer list

The Group tests goodwill and customer list recognised through business combinations annually for impairment. Additions to goodwill arose through the business combination outlined in note 23. The carrying value of goodwill and the customer list is allocated to the respective segments as follows:

	Customer list		Goodwill	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Retail Division	**2,166**	2,421	**1,379**	1,379
Enterprise Division	**–**	–	**194**	–
Total carrying value	**2,166**	2,421	**1,573**	1,379

The recoverable amount of goodwill of £1,572,616 and customer list of £2,165,801 at 31 December 2015, is determined based on a value in use using cash flow projections from financial budgets approved by senior management covering a five year period. Cash flow projections beyond the five year timeframe are extrapolated by applying a flat growth rate in perpetuity. The pre-tax discount rate applied to the cash flow projections is 10.0%. As a result of the analysis, management did not identify any impairment of goodwill.

Discount rates

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

Notes to the consolidated financial statements continued

14. Deferred receivables

	2015 £'000	2014 £'000
Amounts due from shareholders	–	711
Deferred costs	295	205
	295	916

15. Investments

	£'000
At 31 December 2014	997
Additions	–
At 31 December 2015	**997**

The Company owns less than 20% of the following undertakings which are incorporated in the United Kingdom (UK):

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests
Accent Media Ltd	UK	Domain registry operator	Ordinary shares	10.4%

The Company owns more than 50% of the following undertakings which are incorporated in the United Kingdom, USA, the Commonwealth of The Bahamas, Germany, Australia and New Zealand:

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests
CentralNic Limited	England and Wales	Domain registry services provider	Ordinary shares	100%
CentralNic USA Limited	USA	US sales office	Ordinary stock	100%
GB.com Limited	England and Wales	Dormant – holds domain name	Ordinary shares	100%
Whois Privacy Limited	England and Wales	Dormant	Ordinary shares	100%
TLD Registrar Solutions Limited	England and Wales	Domain registrar services provider	Ordinary shares	100%
Internet Domain Services BS Corp	Commonwealth of The Bahamas	Domain registrar services provider	Ordinary shares	100%
Whois Privacy Corp	Commonwealth of The Bahamas	Dormant	Ordinary shares	100%
Hoxton Domains Limited	England and Wales	Domain registrar services provider	Ordinary shares	100%
dnsXperts UG*	Germany	Domain management software services	Ordinary shares	100%
Instra Holdings (UK) Ltd**	England and Wales	Intermediate Holding Company	Ordinary shares	100%
Instra Holdings (Aus) Pty Ltd**	Australia	Intermediate Holding Company	Ordinary shares	100%
Instra Holdings (NZ) Ltd**	New Zealand	Intermediate Holding Company	Ordinary shares	100%

* The acquisition of dnsXperts UG was completed on 1 July 2015, see note 23.

** These companies were incorporated during the year for the purpose of acquiring the entire share capital of the Instra Group. The acquisition was completed in January 2016, see note 28.

16. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	1,855	475
Accrued revenue	225	52
Stock held for resale	61	60
Deferred costs	1,486	1,185
Prepayments	110	101
Prepaid finance costs	350	–
Supplier payments on account	333	206
Loan to third party	–	102
Amounts due from shareholders	729	–
Other receivables	337	152
	5,486	2,333

As of 31 December 2015, trade receivables of £209k (2014: nil) were past due but not impaired. These primarily relate to one customer for whom there is considered a low risk of default. Deferred costs reflect the wholesale cost of domain names in the Internet BS retail business. Supplier payments on account reflect payments to domain name registries for use against future wholesale domain purchases within the Internet BS retail business.

The loan to third party of £102k at 31 December 2014 related to dnsXperts UG and was converted to equity on acquisition of dnsXperts UG by CentralNic Ltd on 1 July 2015, see note 23.

The prepaid finance costs relate to the debt facility agreement signed on 8 December 2015, see note 28.

Deferred receivables represent amounts due from Jabella Group Limited, a shareholder during the period. Amounts due from Jabella Group Limited were interest free until 31 August 2013, from which time the balance accrued interest at 2% above LIBOR (2015: £18,032; 2014: £17,502). The loan was granted in August 2011 for an initial term of five years, the balance is currently £729,268. The directors consider the loan to be fully recoverable. The directors consider that the fair value of this receivable is not materially different from the carrying value.

17. Derivative financial instruments

	2015 £'000	2014 £'000
Forward foreign exchange contracts – cash flow hedges	245	–
	245	–

On 18 December 2015, CentralNic entered into two forward foreign exchange option contracts in relation to the funding of the acquisition of the Instra Group.

The principal amount of the first contract was to purchase AU$30m at an effective exchange rate of AU$2.068 per pound sterling with an expiry date of 7 January 2016. In the event that the prevailing spot rate at the date of expiration was favourable to this rate then the contract would effectively purchase AU$15m with a strike price of AU$2.068 per pound sterling and the remaining AU$15m would be purchased at the prevailing spot rate.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were AU$30m (2014: Nil).

As at 31 December 2015, the hedged transactions denominated in a foreign currency were considered highly probable to occur in January 2016 and subsequently did so.

Notes to the consolidated financial statements continued

18. Cash and cash equivalents

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

	2015 £'000	2014 £'000
CentralNic UK*	16,060	2,310
CentralNic USA	948	289
TLD Registrar Solutions Ltd	72	38
Internet Domain Service BS Corp	1,962	419
dnsXperts UG	18	–
	19,060	3,056

	2015 £'000	2014 £'000
Amounts held on deposit		
GBP	11,403	693
USD	6,307	2,127
EUR	1,347	233
Other	3	3
	19,060	3,056

* The cash balances for CentralNic UK include the net proceeds of the equity placing completed on the 29 December 2015. These funds were subsequently used to complete the acquisition of the Instra Group in January 2016, see note 28.

19. Share capital

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

	Number	Share capital £'000	Share premium £'000
At 1 January 2015	61,181,647	61	4,935
Share options exercised 18 May 2015	75,834	–	8
Placing 17 June 2015	5,750,000	6	2,294
Placing 29 December 2015	25,000,000	25	9,975
Less: share issue costs	–	–	(690)
At 31 December 2015	92,007,481	92	16,522

On 17 June 2015 the Company raised £2,300,000 (gross of fees) via a placing of 5,750,000 new ordinary shares of 0.1 pence each at 40 pence per share. A share premium was created on the issue of these shares totalling £2,294,250.

On 29 December 2015 the Company raised £10,000,000 (gross of fees) via a placing of 25,000,000 new ordinary shares of 0.1 pence each in connection with the acquisition of the Instra Group at 40 pence per share. A share premium was created on the issue of these shares totalling £9,975,000.

The Company has no authorised share capital.

20. Non-current other payables

	2015 £'000	2014 £'000
Deferred revenue	845	725
	845	725

21. Deferred tax

Deferred tax assets	£'000
At 1 January 2014	–
Deferred tax on excess tax deduction arising on share options	74
At 31 December 2014	74
Deferred tax on excess tax deduction arising on share options	94
At 31 December 2015	**168**

Deferred tax liabilities	£'000
At 1 January 2014	62
Charged to the income statement	10
At 31 December 2014	72
Charged to the income statement	(7)
At 31 December 2015	**65**

22. Trade and other payables and accruals

	2015 £'000	2014 £'000
Accounts payable	**2,425**	319
Accrued expenses	**1,859**	322
Other taxes and social security	**81**	74
Deferred consideration	**36**	837
Contingent consideration	**–**	322
Deferred revenue	**3,126**	2,725
Customer payments on account	**2,779**	1,040
Accrued interest	**3**	–
Other liabilities	**40**	32
	10,349	5,671

23. Business combinations

On 9 February 2015 the Group acquired a 45% stake in dnsXperts UG ("dnsXperts"), an entity which provides services in connection with a product owned by CentralNic Ltd called DomiNIC (a domain management software solution which originated in German-speaking Countries), by converting a loan of €60,000 (£47,785) into equity. At this point it is considered that the CentralNic Group does not exert a significant influence over dnsXperts UG and has therefore classified the investment in associate using the equity method.

	2015 €'000	2015 £'000
Investment in associate		
Balance as at 1 January 2015	**–**	–
Addition	**60**	48
Share of results in associate	**(49)**	(36)
Transfer carrying value of associate on acquisition of remaining 55%	**(11)**	(12)
Balance as at 31 December 2015	**–**	–

Notes to the consolidated financial statements continued

23. Business combinations continued

The following table summarises the financial information of dnsXperts as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the CentralNic Group's interest in dnsXperts. The information includes the results of dnsXperts only for the period from 9 February 2015 to 30 June 2015, because dnsXperts became a wholly owned subsidiary on 1 July 2015.

	2015 €'000	2015 £'000
Percentage ownership interest	**45%**	45%
Revenue	**203**	146
Profit/(loss) from continuing operation (100%)	**(121)**	(87)
Other comprehensive income/(loss) (100%)	**12**	8
Total comprehensive income/(loss) (100%)	**(109)**	(79)
Total comprehensive income/(loss) (45%)	**(49)**	(36)

On 1 July 2015 the Group acquired the remaining 55% stake of dnsXperts UG by converting a loan of €110,000 (£86,341), with accrued interest of €11,297 (£8,588) and a cash consideration of €50,000 (£35,554). The rationale for completing the full acquisition of dnsXperts UG was to expand and complement existing services offered by the Enterprise Division and to enable the Group to utilise technical expertise within dnsXperts UG.

The CentralNic Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets at fair value.

The following table summarises the consideration to acquire the share capital of dnsXperts UG and the fair value of the assets and liabilities at the acquisition date in line with Group accounting policies.

Consideration	€'000	£'000
Loans (including interest) converted to Equity	121	95
Fair value of pre-existing interest in dnsXperts	33	28
Deferred cash consideration	50	36
Total consideration	204	159

Fair value recognised on acquisition	€'000	£'000
Assets		
Intangible assets	1	1
Property, plant & equipment	5	4
Trade receivables	51	36
Other receivables	20	15
Cash	17	12
	94	68
Liabilities		
Trade payables	13	9
Trade and other payables and accruals	131	94
	144	103
Total identifiable net liabilities at fair value	(50)	(35)
Goodwill arising on acquisition	254	194
Purchase consideration	204	159

The deferred cash consideration was paid on the 19 February 2016. The exchange rate used in the above table was the spot rate at 1 July 2015 of €1.40633/£ for the fair values and the prevailing exchange rate when the initial loans were made.

23. Business combinations continued

The re-measurement to fair value of the CentralNic Group's existing 45% interest in dnsXperts resulted in a gain of £15,881 (£28,144 less the £12,263 carrying amount of the equity accounted investee at the date of acquisition). This amount has been included in finance income (see note 9).

	Cash flow on acquisition £'000
Net cash acquired with the subsidiary	12
Cash paid	–
Net cash flow on acquisition	12

The gross amount of trade receivables which is £21,000 is approximately at its fair value. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From the date of acquisition, the acquired group contributed revenue of £268,000 and net loss of £65,000 to the Group's result. If the acquisition had taken place at the beginning of the year, Group revenue and loss for the 2015 year would have been £484,000 and £149,000 respectively.

24. Related party disclosures

(a) Ultimate controlling party

The Company is not controlled by any one party.

CentralNic Group Plc has 100% ownership of CentralNic Limited, TLD Registrar Services Limited, Hoxton Domains Limited, Instra Holdings (UK) Ltd, Instra Holdings (AUS) Pty Ltd and Instra Holdings (NZ) Ltd.

CentralNic Limited owns 100% of CentralNic USA Ltd, Whois Privacy Limited, GB.com Limited and dnsXperts UG.

TLD Registrar Services Limited owns 100% of Internet Domain Service BS Corp and Whois Privacy Corp.

(b) Related party transactions

Key management are considered to be the directors – and key management personnel compensation has been disclosed in Note 8, further information can be found in the Remuneration Report on page 29.

(i) Shareholders

Balances outstanding with shareholders:

	2015 £'000	2014 £'000
Jabella Group Limited	729	711

Amounts due from Jabella Group Limited were interest free until 31 August 2013, from which time the balance accrued interest at 2% above LIBOR (2015: £18,032; 2014: £17,502).

Transactions with two members of Erin Investments & Finance Limited:

	2015 £'000	2014 £'000
Operating lease payments	42	42

(ii) Non-Executive Directors

During the year CentralNic engaged with Schollmeyer and Rickert Rechtsanwaltsgesellschaft mBH, of which Thomas Rickert has a controlling interest, to provide legal services in relation to the purchase of intangible assets and advise on potential acquisitions. The fees for 2015 were £13,000 (2014 £95,000).

CentralNic has also engaged with Rickert Rechtsanwaltsgesellschaft mBH, of which Thomas Rickert has a controlling interest, to provide legal services in relation to the purchase of intangible assets and advice on potential acquisitions. The fees for 2015 £52,000 were £ (2014 £nil).

Notes to the consolidated financial statements continued

25. Commitments

Operating lease commitments

At the end of each of the reporting periods, the minimum lease payments under non-cancellable leases are payable as follows:

	2015 £'000	2014 £'000
Less than one year	42	42
Between one and five years	–	–
	42	42

The Group leases office space located at 35-39 Moorgate, London, EC2R 6AR under an operating lease. The lease agreement was entered into on 1st January 2010 for an initial term of 6 years and has been extended to 1 January 2017.

The Group leases equipment under various operating leases. These leases typically run for periods from one month to five years.

26. Share options and warrants

Share Options

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

The share option scheme is administered by the Remuneration Committee.

There were 1,144,000 options granted during 2015, no options were granted in 2014. Out of the 4,604,583 outstanding options (2014: 3,556,000), 2,019,583 options (2014: 968,895) were exercisable. Options exercised in 2015 resulted in 75,834 shares (2014: nil) being issued at a weighted average price of 10p each. In addition 14,583 options lapsed during the year.

A charge of £316,199 (2014: £222,269) has been recognised in the statement of comprehensive income for the year relating to these options.

These fair values were calculated using the Black Scholes option pricing model. The inputs into the model were as follows:

Date of options grant	1 June 2013	14 October 2013	28 April 2015	28 April 2015	5 May 2015
Options granted	2,530,000	1,026,000	537,000	500,000	107,000
Stock price	10p	55p	35p	35p	33.5p
Exercise price	10p	57p	35p	35p	33.5p
Interest rate	5%	5%	5%	5%	5%
Volatility	75%	75%	75%	75%	75%
Vesting period	1⁄12 per quarter from the date of grant	3 years from the date of grant	3 years from the date of grant	10 February 2017	3 years from the date of grant
Time to maturity	10 years	10 years	10 years	10 years	10 years

Options are exercisable in accordance with the contracted vesting schedules. The expected volatility was determined with reference to similar entities trading on AIM.

26. Share options and warrants continued

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

	31 Dec 2015		31 Dec 2014	
	Number	WAEP*	Number	WAEP*
Outstanding at 1 January	3,551,000	23p	3,556,000	23p
Granted during year	1,144,000	34p	–	–
Exercised during year	(75,834)	10p	–	–
Lapsed during year	(14,583)	10p	(5,000)	10p
Outstanding at 31 December	4,604,583	26p	3,551,000	23p
Exercisable at 31 December	2,019,583	10p	968,895	10p

* weighted average exercise price.

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 8.0 years.

Warrants

On 12 August 2013, CentralNic Group executed a warrant instrument to create and issue warrants to Zeus Capital to subscribe for an aggregate of 1,772,727 ordinary shares. The warrants will expire six years after admission and were exercisable after the first anniversary of admission (2 September 2014) at the placing price of 55p. The ordinary shares to be allotted and issued on the exercise of any or all of the warrants will rank for all dividends and other distributions declared after the date of the allotment of such shares but not before such date and otherwise pari passu in all respects with the ordinary shares in issue on the date of such exercise allotment.

These fair values were calculated using the Black Scholes warrant pricing model. The inputs into the model were as follows:

	Warrants issued 12 August 2013
Warrants Granted	1,772,727
Stock price	55p
Exercise price	55p
Interest rate	5%
Volatility	75%
Time to maturity	6 years

A charge of £675,409 was recognised in the share premium account in 2013.

27. Financial instruments

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

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

	2015 £'000	2014 £'000
Financial assets		
Loan and receivables		
Trade and other receivables	5,486	2,333
Cash and cash equivalents	19,060	3,056
	24,546	5,389
Financial liabilities measure at amortised costs		
Trade and other payables	10,349	5,671
Loan and borrowing	–	–
	10,349	5,671

27. Financial instruments continued

(a) Financial risk management framework

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

(i) Market risk

Foreign currency risk

The CentralNic Group is exposed to foreign currency risk on transactions and balances that are denominated in a currency other than its functional currency, primarily the US$. Foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The CentralNic Group's exposure to foreign currency risk is minimal as it trades predominately in US Dollars, Euros and GB Pound Sterling. Exposure to currency risk is negated by the CentralNic Group holding adequate reserves in these three currencies to meet trading and provisioned obligations as the need arises.

As the Group evolves, foreign currency risk will be monitored more closely given exposure to additional markets and currencies. The foreign currency risk was mitigated on the acquisition of the Instra Group through the participating forward contract agreed, see note 28.

The carrying amounts of the CentralNic Group's financial instruments are denominated in the following currencies at 31 December 2015:

	Other currencies (USD/EUR) £'000	GBP £'000	Total £'000
Financial assets			
Loan and receivables			
Trade and other receivables	1,925	3,561	5,486
Cash and cash equivalents	7,657	11,403	19,060
	9,582	14,964	24,546
Financial liabilities measure at amortised costs			
Trade and other payables	4,875	5,474	10,349
Loan and borrowing	–	–	–
	4,875	5,474	10,349

The sensitivity analyses in the table below details the impact of changes in foreign exchange rates on the CentralNic Group's post-tax profit or loss for the year ended 31 December 2015.

It is assumed that the named currency is strengthening or weakening against all other currencies, while all the other currencies remain constant.

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

	Strengthen/ weaken £'000
2015	
USD	+/- 320
EUR	+/- 16

Interest rate risk

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

As at each of 31 December 2014 and 2015, all of the CentralNic Group's interest-bearing financial instruments bore interest at fixed interest rates.

27. Financial instruments continued

	2015 £'000	2014 £'000
Cash and bank balances	19,060	3,056
Effect of interest rate change of 100 basis points	+/- 190	+/- 30

Equity price risk

The CentralNic Group does not have any quoted investments as at each of 31 December 2014 and 2015 and as such does not have significant exposure to equity price risk.

(ii) Credit risk

The CentralNic Group's exposure to credit risk arises mainly from counterparty's failure to meet its obligation to settle a financial asset, primarily prepayments and other receivables. The Directors consider the CentralNic Group's exposure to credit risk arising from trade receivables to be minimal as the CentralNic Group is generally paid at the outset or in advance. Credit risk arising from other receivables is controlled through monitoring procedures, including credit approvals and credit limits.

The CentralNIc Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually. Analysis of the trade receivables past due is disclosed in note 16.

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

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

	2015 £'000	2014 £'000
Deferred receivables	295	916
Other receivables, deposits and prepayments	5,486	2,333
Cash and bank balances	19,060	3,056
	24,841	6,305

(iii) Liquidity risk

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

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

£'000	Carrying amount	Total	Within 1 year	1 – 5 years
31 December 2014				
Trade and other payables and accruals	6,396	6,396	5,671	725
	6,396	6,396	5,671	725
31 December 2015				
Trade and other payables and accruals	11,194	11,194	10,349	845
	11,194	11,194	10,349	845

27. Financial instruments continued

(b) Capital risk management

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

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

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

	2015 £'000	2014 £'000
Total liabilities	11,660	6,684
Less: cash and bank balances	(19,060)	(3,056)
Net debt/(cash)	(7,400)	3,628
Total equity	20,046	6,900
Debt-to-equity ratio	n/a	0.53

(c) Fair values of financial instruments

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

	2015		2014	
£'000	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	5,486	5,486	2,333	2,333
Deferred receivables	295	295	916	916
Cash and bank balances	19,060	19,060	3,056	3,056
	24,841	24,841	6,305	6,305
Trade and other payables and accruals	11,194	11,194	6,396	6,396
	11,194	11,194	6,396	6,396

(d) Fair value hierarchy

Financial instruments carried at fair value are analysed by the levels in the fair value hierarchy. The different levels are defined as follows:

Level 1: Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28. Post balance sheet events

On 14 January 2016 CentralNic Group completed the acquisition of the entire issued share capital of the companies forming the Instra Group for a total consideration of AU$33m, consisting AU$30m in cash and AU$3m in shares in CentralNic Group plc, plus a cash adjustment for working capital at completion.

The following table summarises the consideration to acquire the share capital of the Instra Group and the provisional fair value of the assets and liabilities at the acquisition date in line with Group accounting policies.

Consideration	AU$'000	£'000
Cash	30,000	14,560
Equity Instruments (3,656,450 ordinary shares)	3,000	1,463
Adjustment for working capital	1,049	508
Total consideration	34,049	16,531

Fair value recognised on acquisition	AU$'000	£'000
Assets		
Intangible assets – customer list	18,005	8,738
Intangible assets – software	3,275	1,589
Intangible assets – domain names	2,310	1,121
Other intangible assets	3	2
Property, plant & equipment	129	63
Trade receivables	815	395
Other receivables	5,382	2,612
Cash	1,150	558
	31,069	15,078
Liabilities		
Trade payables	391	190
Other payables and accruals	1,835	891
Deferred revenue	13,513	6,558
Current income tax liabilities	(127)	(62)
	15,612	7,577
Total identifiable net liabilities at fair value	15,457	7,501
Goodwill arising on acquisition	18,592	9,030
Purchase consideration	34,049	16,531

The fair value of the 3,656,450 ordinary shares issued as part of the consideration paid was based on the 40 pence per share achieved in the placing of the 29 December 2015. The mid-market foreign exchange rate used was as at 12 noon on 13 January 2016 being the business day pre-completion.

AU$5m of the cash consideration has been placed in to an escrow account and will be released to the vendor over 5 years in equal instalments on the anniversary of the completion date.

The cash consideration was funded by the equity placing of the 29 December 2015, together with a new secured debt facility comprising a £3.5m term loan with the remainder from existing cash balances held by the Group.

Company statement of financial position

as at 31 December 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Fixed assets			
Investments	7	536	252
Current assets			
Derivative financial instruments	12	245	–
Other debtors, deposits and prepayments	8	17,095	6,395
		17,340	6,395
Total assets		17,876	6,647
LIABILITIES			
Current liabilities			
Creditors – amounts falling due within one year	10	668	1,305
		668	1,305
Total liabilities		668	1,305
Net assets		17,208	5,342
CAPITAL AND RESERVES			
Share capital	9	92	61
Share premium	9	16,522	4,935
Share based payments reserve	11	736	964
Foreign currency hedging reserve	12	245	–
Retained Earnings		(387)	(618)
Shareholders funds		17,208	5,342

These financial statements were approved and authorised for issue by the Board of Director's on 25 May 2016 and were signed on it's behalf by:

Mike Turner Chairman

Company Number: 08576358

The notes on pages 67 to 72 form an integral part of these financial statements.

Company statement of changes in equity

for the period ended 31 December 2015

	Share capital £'000	Share Premium £'000	Share based Payments £'000	Foreign currency hedging £'000	Retained earnings £'000	Total £'000
Balance as at 31 December 2013	59	3,485	742	–	(263)	4,023
Total comprehensive income for the year	–	–	–	–	(1,330)	(1,330)
Issue of new shares	2	1,472	–	–	–	1,474
Share issue costs	–	(22)	–	–	–	(22)
Share based payments	–	–	222	–	–	222
Dividend received	–	–	–	–	975	975
Balance as at 31 December 2014	61	4,935	964	–	(618)	5,342
Profit for the year	–	–	–	–	(1,585)	(1,585)
Other comprehensive income for the year – cash flow hedge	–	–	–	245	–	245
Issue of new shares	31	12,277	–	–	–	12,308
Share issue costs	–	(690)	–	–	–	(690)
Share based payments	–	–	(222)	–	–	(222)
Share based payments – reclassify lapsed options	–	–	(6)	–	6	–
Dividend received	–	–	–	–	1,810	1,810
Balance as at 31 December 2015	**92**	**16,522**	**736**	**245**	**(387)**	**17,208**

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

The notes on pages 67 to 72 form an integral part of these financial statements.

Company statement of cash flows

for the period ended 31 December 2015

	2015 £'000	2014 £'000
Cash flow from operating activities		
Loss before taxation	(1,340)	(1,330)
Adjustments for:		
Depreciation of property, plant and equipment	–	–
Amortisation of Intangible Assets	–	–
Share based payments	–	–
Operating profit before working capital changes	(1,340)	(1,330)
Increase in other debtors, deposits and prepayments	(11,213)	(2,330)
Increase in other payables and accruals	935	2,186
Net cash outflow from operating activities	(11,618)	(1,474)
Income tax paid	–	–
Net cash outflow from operating activities	(11,618)	(1,474)
Capital expenditure and financial investment		
Purchase of investments	–	–
Net cash outflow from capital expenditure and financial investment	–	–
Financing		
Proceeds from issuance of ordinary shares	11,618	1,474
Net cash inflow from financing	11,618	1,474
Net increase/(decrease) in cash and cash equivalents	–	–
Cash and cash equivalent at beginning of the period	–	–
	–	–
Cash and cash equivalent at end of the period	–	–

The notes on pages 67 to 72 form an integral part of these financial statements.

Notes to the Company financial statements

for the year ended 31 December 2015

1. General information

Nature of operations

CentralNic Group Plc ("the Company") is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The Company is registered in England and Wales. Its registered office and principal place of business is 35-39 Moorgate, London, EC2R 6AR.

2. Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The financial statements have been prepared in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The principal accounting policies are described below. They have all been applied consistently throughout the period.

Information on impact of first-time adoption of FRS 102 is given in note 14.

3. Significant accounting policies

(a) Going Concern

At 31 December 2015, the Company had net current assets of £16,672,000 (2014: £5,090,000) with the main current asset being amounts owed from its subsidiaries CentralNic Ltd and TLD Registrar Solutions Limited amounting to £16,719,000 (2014: £6,377,000). The Company has assessed its ongoing costs with cash generated by its subsidiaries to ensure that it can continue to settle its debts as they fall due.

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

(b) Investments

Investments held as fixed assets are stated at cost less provision for impairment.

(c) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Taxation arising on disposal of a revalued asset is split between the profit and loss account and the statement of total recognised gains and losses on the basis of the tax attributable to the gain or loss recognised in each statement.

Notes to the Company financial statements continued

3. Significant accounting policies continued

(d) Financial instruments
Financial assets and liabilities are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

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

(i) Financial assets
On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Trade and other receivables
Trade and other receivables (including deposits and prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as other receivables, deposits, and prepayments. Other receivables, deposits, and prepayments are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derivative financial instruments
Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affects profit or loss.

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

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

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

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

(e) Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

(f) Creditors
Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

Recognition of deferred tax assets
The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

5. Loss for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented. The Company's loss for the financial period was £1,340,000 (2014: £1,330,000). The Company's loss for the financial year has been arrived at after charging auditor's remuneration payable to Crowe Clark Whitehill LLP for audit services to the Company of £35,126 (2014: £39,758).

6. Employees and directors' remuneration

Staff costs during the period by the Company were as follows:

	2015 £'000	2014 £'000
Non-executive directors fees	154	152
Executive directors	738	595
	892	747

The average number of employees of the Company during the period was:

	2015 Number	2014 Number
Directors and management	2	2

7. Investments

	£'000
At 31 December 2014	252
Additions	
Share options issued on behalf of subsidiaries	316
Share options – deferred tax	(32)
At 31 December 2015	**536**

The Company owns more than 50% of the following undertakings which are incorporated in the United Kingdom, USA, the Commonwealth of The Bahamas, Germany, Australia and New Zealand:

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests
CentralNic Limited	England and Wales	Domain registry services provider	Ordinary shares	100%
CentralNic USA Limited	USA	US sales office	Ordinary stock	100%
GB.com Limited	England and Wales	Dormant – holds domain name	Ordinary shares	100%
Whois Privacy Limited	England and Wales	Dormant	Ordinary shares	100%
TLD Registrar Solutions Limited	England and Wales	Domain registrar services provider	Ordinary shares	100%
Internet Domain Services BS Corp	Commonwealth of The Bahamas	Domain registrar services provider	Ordinary shares	100%
Whois Privacy Corp	Commonwealth of The Bahamas	Dormant	Ordinary shares	100%
Hoxton Domains Limited	England and Wales	Domain registrar services provider	Ordinary shares	100%
dnsXperts UG*	Germany	Domain management software services	Ordinary shares	100%
Instra Holdings (UK) Ltd**	England and Wales	Intermediate Holding Company	Ordinary shares	100%
Instra Holdings (Aus) Pty Ltd**	Australia	Intermediate Holding Company	Ordinary shares	100%
Instra Holdings (NZ) Ltd**	New Zealand	Intermediate Holding Company	Ordinary shares	100%

* On 1 July 2015, CentralNic Limited completed the acquisition of dnsXperts UG.

** These companies were incorporated during the year for the purpose of acquiring the entire share capital of the Instra Group. The acquisition was completed in January 2016.

8. Debtors

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	**16,719**	6,324
Prepaid finance costs	**350**	–
Other debtors	**26**	51
Deferred tax asset	**–**	20
	17,095	6,395

9. Share capital and share premium

Details of the Company's share capital are set out in Note 19 to the consolidated financial statements.

10. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade Creditors	113	44
Accruals and deferred income	552	102
Accrued Interest	3	–
Deferred Consideration	–	837
Contingent Consideration	–	322
	668	1,305

11. Share based payments reserve

	2015 £'000	2014 £'000
Balance brought forward	964	742
Share based payments expense	(222)	222
Share based payments – reclassify lapsed options	(6)	–
Balance carried forward	736	964

Details of the Company's share options and warrants are set out in Note 26 to the consolidated financial statements.

12. Derivative financial instruments

	2015 £'000	2014 £'000
Forward foreign exchange contracts – cash flow hedges	245	–
	245	–

On 18 December 2015, the Company entered into two forward foreign exchange option contracts in relation to the funding of the acquisition of the Instra Group.

The principal amount of the first contract was to purchase AU$30m at an effective exchange rate of AU$2.068 per pound sterling with an expiry date of 7 January 2016. In the event that the prevailing spot rate at the date of expiration was favourable to this rate then the contract would effectively purchase AU$15m with a strike price of AU$2.068 per pound sterling and the remaining AU$15m would be purchased at the prevailing spot rate.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were AU$30m (2014: Nil).

As at 31 December 2015, the hedged transactions denominated in a foreign currency were considered highly probable to occur in January 2016 and subsequently did so.

Notes to the Company financial statements continued

13. Financial instruments

	2015 £'000	2014 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost:		
Other debtors, deposits and prepayments	17,095	6,395
	17,095	6,395
Financial liabilities		
Financial liabilities measured at amortised cost:		
Creditors – amounts falling due within one year	668	1,305
	668	1,305

14. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

Shareholder information

Financial calendar

Annual General Meeting

The Annual General Meeting will be held on Tuesday, the 28 June 2016 at 10.00am at the offices of the Company's solicitors:

DWF LLP
20 Fenchurch Street
London EC3M 3AG

Announcements

- Half-year results for 2016 are expected in September 2016.
- Full year results for 2016 are expected in April 2017.

Dates are correct at the time of printing, but are subject to change.

Directors

Mike Turner (Chairman)

Benjamin Crawford (Chief Executive Officer)

Glenn Hayward (Executive Director)

Desleigh Jameson (Executive Director)

Samuel Dayani (Non-Executive Director)

Thomas Rickert (Non-Executive Director)

Thomas Pridmore (Non-Executive Director)

Iain McDonald (Non-Executive Director)

Registered office

35-39 Moorgate
London EC2R 6AR

Company Secretary

Glenn Hayward

Company website

www.centralnic.com

Nominated Adviser and Broker

Zeus Capital Limited
82 King Street
Manchester M2 4WQ

41 Conduit Street
London W1S 2YQ

3 Brindleyplace
Birmingham B1 2JB

Joint Broker

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Auditors

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Solicitors to the Company

DWF LLP
20 Fenchurch Street
London EC3M 3AG

Solicitors to the Nominated Adviser and Broker

DAC Beachcroft LLP
100 Fetter Lane
London EC4A 1BN

Financial PR

Abchurch Communications
125 Old Broad St
London EC2N 1AR

Bankers

Silicon Valley Bank
Alphabeta
14-18 Finsbury Square
London EC2A 1BR

HSBC Bank plc
89 Buckingham Palace Road
London SW1W 0QL

Shareholder information continued

Company Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Capita Asset Services is our registrar and they offer many services to make managing your shareholding easier and more efficient.

Share portal

The Share Portal is a secure online site where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation
- Change your address
- Arrange to have dividends paid into your bank account
- Request to receive shareholder communications by email rather than post
- View your dividend payment history
- Make dividend payment choices
- Buy and sell shares and access a wealth of stock market news and information
- Register your proxy voting instruction
- Download a stock transfer form.

To register for the Share Portal just visit www.capitashareportal.com. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

Customer support centre

Alternatively, you can contact Capita's Customer Support Centre which is available to answer any queries you have in relation to your shareholding:

By phone – UK – 0871 664 0300 (UK calls cost 10p per minute plus network extras). From overseas – +44 20 8639 3399. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

By email – shareholderenquiries@capita.co.uk

By post – Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Sign up to electronic communications

Help us to save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email.

Registering for electronic communications is very straightforward. Just visit www.capitashareportal.com. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity10528686). Find out more at www.sharegift.org.uk or by telephoning 020 7930 3737.

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at http://www.fca.org.uk/ to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search our list of unauthorised firms and individuals to avoid doing business with.

REMEMBER: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at http://www.fca.org.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Identity theft

Tips for protecting your shares in the Company:

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee.
- Keep correspondence from us and Capita in a safe place and destroy any unwanted correspondence by shredding.
- If you change address, inform Capita in writing or update your address online via the shareholder portal. If you receive a letter from Capita regarding a change of address but have not moved, please contact them immediately.
- Consider having your dividend paid directly into your bank. This will reduce the risk of the cheque being intercepted or lost in the post. If you change your bank account, inform Capita of the details of your new account. You can do this by post or online via the shareholder portal.
- If you are buying or selling shares, only deal with brokers registered and authorised to carry out that type of business.
- Be wary of phone calls or e-mails purporting to come from us or Capita asking you to confirm personal details or details of your investment in our shares. Neither we nor Capita will ever ask you to provide information in this way.

Glossary

Top Level Domain or 'TLD'
The suffix attached to internet domain names e.g., .com, .net

Second Level Domain or 'SLD'
A domain that is directly below a top-level domain e.g. uk.com

Country Code Top Level Domain or 'ccTLD'
An Internet top-level domain generally used or reserved for a country, a sovereign state, or a dependent territory e.g., .uk, .jp

Domain Name System or 'DNS'
A hierarchical distributed naming system for computers, services, or any resource connected to the Internet or a private network

Domain Name Registrar
An organisation or commercial entity that manages the reservation of Internet domain names

Registry Service Provider
A company that runs the operations of a TLD on behalf of the TLD owner or licensee. The registry service provider keeps the master database and generates zone files to allow computers to route Internet traffic using the DNS

The Internet Corporation for Assigned Names and Numbers or 'ICANN'
A non profit private organisation that was created to oversee a number of Internet-related tasks previously performed directly on behalf of the U.S. government

Registry Operator
An entity that maintains the database of domain names for a given top-level domain and generates the zone files which convert domain names to IP addresses. It is responsible for domain name allocation and technically operates its top-level domain

Designed and produced by **fourth**quarter

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