



Minds + Machines Group Limited

Annual Report for the year ended
31 December 2020



20
20

About Us

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

The MMX portfolio is currently focused around geographic domains (e.g. .boston, .miami, .bayern, .nrw), professional occupations (e.g. .law, .abogado, .dds), consumer interest (e.g. .fashion, .wedding, .vip), lifestyle (e.g. .fit, .surf, .yoga), outdoor activities (e.g. .fishing, .garden, .horse) and generic names domains (e.g. .work and .casa). For more information on MMX, please visit www.mmx.co.

About Us	1
Executive Summary	4
Strategic Report	11
Directors' Report	16
Corporate Governance Statement	19
Audit Committee Report	24
Remuneration Committee Report	26
Directors' Biographies	27
Independent Auditor's Report	28
Group Statement of Comprehensive Income	35
Company Statement of Comprehensive Income	36
Group Statement of Financial Position	38
Company Statement of Financial Position	39
Group Cash Flow Statement	40
Company Cash Flow Statement	41
Group Statement of Changes in Equity	42
Company Statement of Changes in Equity	43
Notes to the Financial Statements	44
Corporate Information	81

Executive Summary

Before reviewing 2020, perhaps the most important matter is the proposed Asset Sale to GoDaddy Registry

On 7 April 2021, the Company announced that it had conditionally agreed to sell the majority of its assets and business to Registry Services, LLC (“GoDaddy Registry”), an affiliate of GoDaddy Inc., for US\$120m in cash. The sale was approved by the Company’s shareholders at a General Meeting of Shareholders held on 23 April 2021.

Completion of the sale is conditional upon the satisfaction of the following conditions:

- Approval for the transfer of the TLDs to GoDaddy Registry by the Internet Corporation for Assigned Names and Numbers (“ICANN”);
- Approval of Chinese authorities for the change of control of MMX China (including change of control in respect of relevant licenses held by MMX China permitting it to distribute gTLDs in China);
- Approval, as well as the waiver of certain rights of first refusal, by commercial partners for the transfer of certain gTLDs; and
- No material adverse change in the ownership and/or performance of the business in the period prior to completion.

The long-stop date for satisfaction of these conditions is 7 August 2021.



Reasons for sale

Following the Company’s leadership changes in October 2020, the new Executive conducted a thorough review of the underlying profitability of the business and the contribution of each gTLD asset. The conclusions from this review reinforced the view of the Board that our business has strong recurring cash flows but afforded limited opportunity for material organic growth beyond the Company’s AdultBlock services without fundamental changes and significant further investment. Consequently, the Company would need to consider a multi-year transformation, including further inorganic growth and/or pursuing additional revenue opportunities outside the core business, in order to effectively leverage our relatively high fixed costs. Alternatively, the Board concluded, the Company could seek a merger or sale of the business.

Originating from discussions to move our registry back-end service, the Board entered into discussions with GoDaddy Registry for the sale of the Company’s business. Negotiations culminated in the sale transaction discussed above, which was overwhelmingly approved by shareholders. The sale affords the shareholders an attractive valuation of the Company compared to its pre-announcement trading history.

The Board estimates that the offer value per share, after taking into consideration transaction costs, including taxes, represents a premium of:

92%
to the market capitalization of the Company based on the closing share price of Ordinary Shares on AIM on 6 April 2021 (the last day prior to the announcement of the sale);

87%
to the 20-day volume weighted average price (VWAP) of an Ordinary Share up to and including 6 April 2021; and

78%
to the 60-day VWAP of an Ordinary Share up to and including 6 April 2021.

Use of Proceeds

Following completion of the sale the Board will consider the best way to maximise shareholder value, which is likely to include returning a portion of the cash to shareholders together with considering alternative acquisitions as provided under the Aim Rules. As set out below, the Company is obliged to provide certain services for the duration of the transition services period as well as retaining US\$12 million in an escrow account until 31 March 2022. Once the transition services period has completed the Company will no longer have any material operating business and the Company will be regarded as a cash shell under AIM Rule 15.

The timing and method of any distribution or other return of capital remains to be confirmed. The quantum of any distribution or return of capital will take into account the investment and/or acquisition opportunities identified by the Company during the period as an AIM Rule 15 cash shell, and the wishes of shareholders following a consultation process which the Company will commence following completion of the sale and which will include one-to-one discussions with larger shareholders, and use of the ‘Investor Meet Company’ digital platform for an investor call or presentation providing an opportunity for all shareholders to provide their feedback to the Company.

Transition Services

For the period from completion of the sale until no later than 31 January 2022 the Company will provide certain transition services to GoDaddy Registry. These transition services will be provided to facilitate a smooth transition of the assets and certain employees to GoDaddy Registry. The Company will be paid fixed fees by GoDaddy Registry to cover the costs incurred by the Company in providing these services, including the costs of relevant employees. The transition services consist of maintenance of technology infrastructure and registry platforms, customer support to Registrars, back-office support services (including billing, cash-collection and accounting), legal support, and channel sales and marketing support. The transition services period may be terminated or extended by written agreement between the Company and GoDaddy Registry.

The Company expects that during the transition services period it will seek to dispose of or otherwise discontinue operating the retained assets of the Group and wind-up dormant subsidiaries.

Executive Summary

2020 Review

Executive Change

On 29 October 2020, by mutual agreement, Toby Hall and Michael Salazar, Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) respectively, resigned as Executive Officers of the Group and from the Board of Directors.

Concurrently, the Board appointed Tony Farrow as interim CEO. The Board appointed Mr. Farrow to the Board of Directors of the Company in January 2021 and made him permanent CEO at that time. Mr. Farrow had previously been Chief Operating Officer of the Group, with responsibility for overall operations, Registrar channel support, and integration with registry service provider backends. Prior to its acquisition by MMX in May 2018, Mr. Farrow was the Chief Operating Officer of ICM Registry.

Bryan Disher, independent Non-Executive Director, also agreed to oversee the finance function of the Group and assumed the role of interim CFO on 30 October 2020. Mr. Disher is a Chartered Professional Accountant, Chartered Accountant (Canada) who spent 37 years at PwC.

Accounting Investigation

In October 2020, the Board carried out a formal investigation to determine whether certain revenues had been correctly accounted for in the year ended 31 December 2019 and the six months to 30 June 2020. The Board concluded that as a result of management’s override of the Group’s internal controls, accounting errors had been made and on 30 October issued a Regulatory News Service (“RNS”) detailing changes required to the previously issued financial statements. All amounts reported in this Annual Report reflect these restatements.

Financial Review

	2020 \$ 000's	2019 (Restated) \$ 000's
Domains under management	1.99m	2.46m
Revenue	16,829	17,227
Revenue less partner payments	14,571	14,345
Cost of sales	(3,131)	(3,337)
General administrative expenses	(6,288)	(7,217)
Profit on contested gTLD applications	-	588
Profit on disposal of join.law	-	383
Share of results of joint ventures	5	48
Operating EBITDA	5,157	4,810
Other non-operating expense	(1,000)	-
EBITDA	4,157	4,810
Depreciation, amortisation and finance costs	(1,167)	(1,827)
Profit before taxation	2,990	2,983
Income taxes	(7)	(140)
Profit for the year	2,983	2,843
Earnings per share	\$0.33	\$0.31

Revenue

Revenue for 2020 was \$16.8m, down 2% from \$17.2m in 2019.

Whilst we did not achieve revenue growth in 2020, we were successful in improving the quality of the Group’s revenue by continuing to replace one-off brokered sales and low margin bulk transactions with automated renewal revenue and revenue from standard new sales made through the Registrar channel. While renewal revenue remained constant in 2020 at \$11.7m, it increased as a percentage of total revenue and now represents 69% of Group revenue. Coupled with new standard and premium sales, Registrar channel sales now account for 98% of revenues, ending the Group’s historic reliance on one-off brokered and low margin bulk transactions. We believe this establishes a much more predictable revenue base for the Group.

The table below charts the significant change in revenue composition over the last three years.

	2020 %	2019 (Restated) %	2018 %
Renewal revenue	69%	67%	62%
Standard revenue	23%	21%	16%
Premium revenue	6%	8%	4%
Brokered (non-channel) revenue	2%	4%	18%
	100%	100%	100%

Our adult themed gTLDs, including AdultBlock, have renewal rates of approximately 90% and our geographic gTLDs have renewal rates of approximately 80%, whereas .vip and .work have renewal rates of 36% and 18% respectively, highlighting the challenge in this part of our portfolio from our historic reliance on one-off brokered sales and low margin bulk transactions. Brokered revenue decreased by \$368k (58%) in 2020 and is now just \$270k of Group revenue.

Revenue from .vip, .work and .bayern increased 14%, 19% and 18% respectively from 2019. Revenue from our adult themed gTLDs and .law and .lux decreased by 2%, 17% and 56% respectively.

After the initial success of the AdultBlock launch at the end of 2019, when it generated \$0.9m in new revenue, we did not continue to capitalize on this momentum in 2020. AdultBlock revenue in 2020 decreased by \$0.4m to \$0.5m. However, 2021 was always seen as the start of the real opportunity for AdultBlock as we hit the 10-year anniversary of Sunrise B in the last quarter of the year. We remain optimistic in the potential for AdultBlock to drive significant new recurring revenues as we have refocused on this product with our Registrars.

Domains Under Management (“DUMs”) decreased by 19% to 1.99 million. Upon their arrival, the new Executive focused on the net contribution each gTLD was making to the business and reviewed pricing and promotions to ensure the Group pursued only accretive and profitable transactions. This resulted in the discontinuance of several promotions historically run in the 4th quarter, particularly for .vip, resulting in this significant reduction in unprofitable DUMs.

Executive Summary

Expenditures

Cost of Sales

Cost of sales, which are comprised of ICANN fees, direct marketing expenses, back-end registry costs, and validation and domain abuse and protection costs, were \$3.1m in 2020 (19% of gross revenue), a decrease of \$0.2m from \$3.3m in 2019 (19% of gross revenue). This reduction reflects a \$188k decrease in direct marketing costs to \$1.1m in 2020 from \$1.3m in 2019, principally because .vip renewal promotions the Group used in 2018 and 2019 were discontinued in 2020.

General administrative expenses

General administrative expenses are comprised as follows:

	2020 \$ 000's	2019 (Restated) \$ 000's
Salaries and contractors	3,924	4,122
Share-based compensation	(143)	1,272
IT and software	402	305
Administrative expense	1,311	1,550
Bad debt expense	52	1,933
Employee and other termination costs	707	63
Foreign exchange loss (gain)	(148)	(378)
Gain on settlement of onerous contract	-	(1,351)
Gain on settlement of lease	-	(299)
Investigation costs	183	-
General administrative expenses	6,288	7,217

Salary and contractor costs were \$3.9m in 2020, a decrease of \$198k from 2019. The Group's staffing was reduced from 23 at the end of 2019 to 16 at the end of 2020, however much of this reduction occurred in the 2nd half of the year so most of the cost savings, estimated to be approximately \$950k annually, will not be realised until 2021. The Group incurred \$457k of employee termination costs in 2020, including legal fees. No termination costs were paid to the former CEO and CFO. The former CEO and CFO also forfeited an aggregate of 46m share options and RSUs, resulting in a recovery of previously expensed share-based compensation. In 2019 the Company's share-based payment expense was \$1.3m. During 2020, the Company repurchased vested share options and RSUs from employees, No options or RSUs were repurchased from the former CEO or CFO.

IT and software costs are comprised of outsourced IT support services and the annual software fees for the various business software used by the Group. IT support costs increased in the year as the Group undertook some development projects to improve client interfaces and improve internal management reporting and support.

Administration expense, which is comprised of professional fees, insurance, PLC costs, rent and office expenses and corporate travel and marketing, were \$1.3m in 2020 compared to \$1.6m in 2019. The decrease of \$239k results principally from a \$204k reduction in travel costs as corporate travel was curtailed due to the COVID-19 pandemic.

A large rectangle composed of 100 dots arranged in 5 rows and 20 columns.

Bad debt expense in 2020 was \$52k, a decrease of \$1.9m from 2019. In 2018 and 2019 the Group experienced significant bad debt write-offs in respect of initiatives in China. As the Group ended its dependency on brokered sales and bulk transaction, bad debts declined to what management believes are more normal levels. Sales through the Registrar channel have historically resulted in very few bad debts.

Employee and other termination costs of \$707k consist of severance and related costs to former employees and the cost of settling a contractor claim.

At the end of 2019 the Company settled an onerous contract that had obligated the Group to minimum revenue guarantees and marketing costs. This settlement resulted in a gain in the year of \$1.4m as the settlement costs were ultimately less than amounts previously provided for. The Group had no similar amounts in 2020.

Investigation costs are legal fees arising from the Board's accounting investigation in October 2020.

EBITDA and Operating EBITDA

Operating Earnings Before Interest, Taxes, Depreciation, and Amortisation ("Operating EBITDA") was \$5.2m in 2020 compared to \$4.8m in 2019. 2019 Operating EDITDA included gains from contested gTLD applications and the sale of join.law of \$588k and \$383k respectively. EBITDA in 2020 was \$4.2m compared to \$4.8m in 2019, reflecting a \$1.0m settlement with the former shareholders of ICM Registry.

Depreciation and amortisation expense decreased \$481k in 2020 to \$706k, a result of the Company terminating two registry leases in 2019. Finance costs of \$461k are the imputed interest charge in the Group's registry service leases. The decrease of \$188k in finance costs from 2019 is principally the result of the Group settling its \$3m working capital facility in June 2019.

Profit/(loss)

Profit for the year is \$2.9m compared to a profit of \$2.8m in 2019. The profit for the year is after the \$1.0m settlement with the former shareholders of ICM and \$707k of employee and other termination costs. The 2019 profit included a gain of \$1.4m on the settlement of the Group's onerous contract offset by the \$1.9m bad debt write off. Basic and fully diluted earnings per share were \$0.33 in 2020 compared to \$0.31 and \$0.29 respectively in 2019.

The increase in 2020 reflects the higher earnings in 2020 and significant reduction in outstanding shares, share options and restricted share units in 2020.

Capital returns

During 2020 we continued and expanded our share buy-back programme. We acquired 42.99 million shares at a total cost of \$2.8 million (6.6c/5.1p per share) and also repurchased 6.8m vested employee share purchase options and restricted share units ("RSUs") for \$305k (4.4c/3.4p per share). These buy-backs, together with the options and RSUs forfeited by the former Executive Officers, reduced our fully diluted ordinary shares outstanding by 10% in 2020. In 2019 we repurchased 5.84 million shares for \$440k (7.5c/5.9p per share).

Balance sheet

Cash

Cash generated from operating activities increased to \$6.4m from \$481k in 2019. This does not include the \$1.0m ICM settlement as this was paid in 2021.

Cash balances at the end of 2020 were \$8.9m, an increase of \$2.3m from \$6.6m at the end of 2019. The cash increase principally reflects the \$6.4m generated from operations less \$2.8m used in the share buy-back programme and a further \$233k used to repurchase vested employee options and RSUs.

The other key changes to the balance sheet in 2020 are:

- \$1.8m reduction in trade receivables to \$1.4m in 2020 from \$3.2m at the end of 2019. The 2019 balance includes significant AdultBlock billings near the end of the year. Bad debt expense in 2020 was \$52k, down from \$1.9m in 2019. At the end of 2020 the Group had \$487k of receivables greater than 30 days old, compared to \$1.1m at the end of 2019;
- \$1.4m reduction in prepayments and other receivables. The 2019 balance included \$1.0m of VAT receivable related to the onerous contract settlement. This VAT was recovered in the first half of 2020; and
- \$857k reduction in trade and other payables to \$6.1m (2019: \$6.9m). The 2020 payables balance includes the \$1.0m ICM shareholder settlement.

Executive Summary

Current Trading & Outlook

With the arrival of the Group's new Executive at the end of October, Q4 of 2020 was a transitional period for the Company. In addition to immediate actions such as reducing staffing and terminating non-accretive supplier contracts, we considered structural and operational changes that could sustainably improve the business going forward. These changes, guided by a detailed review of the net contribution provided by each of our gTLDs, include:

- Promotions: Promotions must be accretive and lead to profitable renewal revenues. We discontinued several promotions that did not drive profitable renewal billings, resulting in a reduction of DUMs in .vip in Q4 and continuing into Q1 2021. Other promotion contracts were also not renewed and further reductions in DUMs is likely for .work as existing promotions complete their existing business cycle;
- Inventory Control: an extensive review and EstiBot valuation was performed on all domains that were either priced as premium or held as reserved for potential direct sale. This resulted in the release of or price reductions on over 800,000 domain names. The Registrar channel was notified of the pending release of these domains ("The Great Release") and these entered the market on 23 April 2021. To date The Great Release has generated over \$170k in new billings;
- Recurring revenue: The long-term value of our portfolio is recurring revenues. Consequently, all pricing is now determined with a view to maximizing renewal revenues, moving us away from a number of historic pricing structures that had high first year prices and very low renewal pricing;
- AdultBlock: We are continuing to improve and innovate the AdultBlock product so that it now allows for "common law trademark" extensions to the blocking service thereby significantly increasing its potential market beyond the current Trademark Clearing House (TMCH) and Sunrise B customer base.
- Staffing: Our sales staff was restructured to focus more effectively on our Registrar partners, promoting our entire portfolio to the Registrars.

Revenues for the first quarter of 2021 are 4% below those for Q1 2020. While it is early in the AdultBlock Sunrise B renewal period, we are encouraged by Registrar interest and some early sales of this product. We are also seeing an increase in cash generation despite the decrease in revenues as the staffing changes and other cost reduction initiatives put in place at the end of 2020 resulted in EBITDA of \$1.6m for the quarter, a 98% increase over the \$801k generated in Q1 2020.

We continue to work closely with GoDaddy Registry to complete the conditions precedent to the completion of the sale transaction whilst continuing to drive the business forward to maximise near term cash flows.

Tony Farrow
Chief Executive Officer
Date: 17 May 2021

Bryan Disher
Interim Chief Financial Officer
Date: 17 May 2021

Strategic Report

To the members of Minds + Machines Group Limited

Cautionary statement

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

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

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

Review of the Group's Business

The Business Model

Minds + Machines Group Limited operates in the domain name industry. It is the owner and operator of gTLDs. The Company generates revenues through the registration and annual renewal of names by organisations and individuals within each of its gTLDs, sales being processed through the Group's network of global registrar and distribution partners.

In total, 31 of the 32 uncontested domains in which the Group has a commercial interest have entered General Availability, resulting in the Group having over 1.99 million domains under management at the year end.

The Group currently has an interest in one wholly owned contested gTLD.

Registry Business

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

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

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

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

Registry Service Provider

Minds + Machines Group currently has a small number of Registry Service Provider clients however, the systems and processes necessary to manage this function have been outsourced to third parties.

Future developments, strategy and objectives

Following the approval of the sale of the majority of the Company's assets and business to GoDaddy Registry by the Company's shareholders on 23 April 2021, our principal focus is working with GoDaddy Registry to satisfy the conditions precedent to completion of the sale. These conditions are principally: ICANN approval for the transfer of the gTLDs; approval of Chinese authorities for the change of control of MMX China (including change of control in respect of relevant licenses held by MMX China permitting it to distribute gTLDs in China); approval, as well as the waiver of certain rights of first refusal, by commercial partners for the transfer of certain TLDs; and no material adverse change in the ownership and/or performance of the business in the period prior to completion of the sale. Each of these conditions precedent need to be satisfied or waived in accordance with the terms of the sale agreement prior to 7 August 2021. The sale may be completed before 7 August if the conditions have been cleared or GoDaddy Registry elects to waive outstanding ones to effect completion.

To date, the Company has submitted the necessary approval requests with ICANN. We have also begun discussions with our various commercial partners regarding approvals and support for the transition of the gTLDs to GoDaddy Registry.

In the period between now and completion of the sale, the Company is continuing to drive sales and efficiently manage the business to both preserve the value of the Company's assets for the sale and to generate returns between now and completion, which will be retained by the Company.

Strategic Report To the members of Minds + Machines Group Limited

The Company is also putting in place what it believes is an attractive retention package for employees who do not transfer to GoDaddy so that the Company will have the necessary staff to deliver the transition services required after the sale.

Following completion of the sale the Board will consider the best way to maximise shareholder value, which is likely to include returning a portion of the cash to shareholders together with considering alternative acquisitions as provided under Rule 15.

Principal risks and uncertainties

There are several potential risks and uncertainties which could have a material impact on the sale of the Group's assets and business to GoDaddy Registry or the return shareholders ultimately receive from the sale. There are also risks which could have a material impact on the Group's continuing operation of the business and which could cause actual results to differ materially from expected and historical results. The Group's risk management policies and procedures are discussed in the Corporate Governance Statement.

Risks associated with the GoDaddy Registry sale

Sale may not be completed

The sale agreement with GoDaddy Registry contains certain conditions precedent. Each of these conditions precedent need to be satisfied or waived in accordance with the terms of the sale agreement prior to 7 August 2021. If any of the conditions precedent are not satisfied for any reason, and the parties do not waive or agree to extend the relevant condition(s) precedent, the sale will not be completed and the Company will retain all of the assets. Should the sale not be completed the Company will continue to operate the business and there can be no guarantee as to the future performance of the business, or that the Company will agree terms with any other party for a sale of the business in the near future.

Failure to complete the sale may result in the price of the Company's Ordinary Shares decreasing.

Consideration may be adjusted as a result of claims by GoDaddy Registry

Under the terms of the sale agreement the consideration may be adjusted in the event of, amongst others matters, judicially determined or settled claims by GoDaddy Registry against the Company in relation to breach of warranties or under indemnities. If the consideration is adjusted downwards the cash proceeds available to the Company following the sale will be lower than expected and the implied net asset value of Ordinary Shares will be reduced.

The Group will need to pay tax on the consideration in different jurisdictions

The Group will need to pay tax on the consideration received in relation to the sale of the assets in the different jurisdictions where it owns and/or operates the relevant assets. The Company and GoDaddy Registry have not yet apportioned the consideration between the different assets. The Group has significant loss carryforwards in certain jurisdictions which it expects to utilise against the gain from the sale, but which have not been subject to audit or verification by any tax authority. The Company has undertaken initial tax analysis of the expected tax treatment of the consideration, based on its expected allocation of the consideration between assets and the availability of these tax loss carryforwards.

The amount of cash received by the Company for the sale of the assets will be used in part to satisfy any taxes properly due and payable. The amount of taxes ultimately payable may be materially different than estimated by the Company when assessing the sale, and the allocation of consideration between assets remains to be agreed between the parties. If the Group has to pay more taxes than contemplated by the Company, the cash available to the Company following the sale will be lower than expected and the implied estimated offer value per share will be reduced.

Company classified as Passive Foreign Investment Company

A passive foreign investment company ("PFIC") is a corporation, located outside of the United States of America, which exhibits either one of two conditions, based on either income or assets: (a) at least 75% of the corporation's gross income is "passive" - that is, derived investments or other sources not related to regular business operations, or (b) at least 50% of the corporation's assets are investments, which produce income in the form of earned interest, dividends, or capital gains. Following the sale, the Company may be classed as a PFIC which would have significant and potentially prejudicial tax implications for shareholders who are US tax residents.

AIM Rule 15 Deadlines

In accordance with AIM Rule 15, the sale to GoDaddy Registry constitutes a fundamental change of business of the Company. On completion, the Company would cease to own, control or conduct all or substantially all of its existing trading business, activities or assets.

At the end of the transition services period the Company would become an AIM Rule 15 cash shell and, as such, would be required to make one or more acquisitions which constitute a reverse takeover under AIM Rule 14 (including seeking re-admission as an investing company (as defined

under the AIM Rules)) on or before the date falling six months from the end of the Transition Services Period or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million) failing which, the Ordinary Shares would then be suspended from trading on AIM pursuant to AIM Rule 40. Admission to trading on AIM would be cancelled six months from the date of suspension should the reason for the suspension not have been rectified.

Any failure therefore in completing one or more acquisitions which constitute a reverse takeover under AIM Rule 14 (including seeking re-admission as an investing company (as defined under the AIM Rules)) within the relevant timeframe will result in the cancellation of the Company's shares from trading on AIM.

Identifying a suitable target

The Company will be dependent upon the ability of the Board to identify suitable acquisition targets. As at the date hereof, the Directors have not identified any investment opportunities which they have resolved to pursue. There is no assurance that the Company will be able to acquire an identified opportunity at an appropriate price, or at all, as a consequence of which resources might have been expended fruitlessly on investigative work and due diligence.

Market conditions

Market conditions may have a negative impact on the Company's ability to make one or more acquisitions which constitute a reverse takeover under AIM Rule 14. There is no assurance that the Company will be successful meeting the AIM Rule 15 deadline as described above.

Costs associated with potential acquisition or acquisitions

The Company expects to incur certain third-party costs associated with the sourcing of one or more suitable acquisitions. The Company can give no assurance as to the level of such costs and given that there can be no guarantee that negotiations to acquire any given target business will be successful, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Company's performance, financial condition and business prospects.

COVID-19 risk in respect of the sale

The outbreak of COVID-19 has negatively impacted economic conditions globally and there are concerns for a prolonged tightening of global financial conditions. The COVID-19 outbreak could result in protracted volatility in international markets and/or result in a global recession as a consequence of disruptions to travel and retail segments, tourism, and manufacturing supply chains. In March 2020 the COVID-19 outbreak caused stock markets worldwide to lose significant value and impacted economic activity worldwide. COVID-19 may impact the Group's ability to identify potential acquisition targets or, if such targets are identified, may impact the Group's ability to raise funding or negotiate satisfactory acquisition terms.

Fluctuations in the value of the U.S. Dollar against the British Pound could negatively affect the Company

Currency exchange rate fluctuations may affect the value of the consideration paid by GoDaddy Registry for the and/or the value of the Company's Ordinary Shares as, although the Company's Ordinary Shares are listed on AIM in British Pounds, following completion of the sale, the Company's primary asset will be U.S. Dollars. As such, the Company is exposed to translation foreign exchange risk. As a result of volatility, changes in the relevant currency exchange rates have affected and will continue to affect the foreign exchange gains and losses which many companies have experienced. The exchange rates between the U.S. Dollar and the British Pound have fluctuated in recent years, most recently due to the COVID-19 impact, and may fluctuate significantly in the future. Any unfavorable currency fluctuations could have a material adverse effect on the value of the Company's Ordinary Shares and/or the value of the consideration paid by GoDaddy Registry for the assets.

The Company's ability to deliver transition services to GoDaddy Registry

The Company's ability to deliver the transition services to GoDaddy Registry required under the sale agreement is largely dependent on the employees it retains following completion who will not transfer to GoDaddy Registry. Those individuals have developed important industry experience and have knowledge of the assets that cannot be comprehensively shared with any new or temporary staff the Company may have to engage should those existing employees leave during the transition services period. The loss of such individuals could result in delays in delivering, or a failure to deliver, the transition services.

Strategic Report To the members of Minds + Machines Group Limited

Risks to the Group's continuing operations

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

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

The level of demand may decrease due to global events outside of the control of the Group.

The Group closely monitors the industry and global events to judge the potential impact to revenue and cashflow and acts accordingly to ensure that it retains sufficient capital to operate.

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

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

The Group has reviewed the legislation requirements and has taken what it believes are the necessary steps to ensure compliance.

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

The Group derives revenue from China, where as a registry, it is subject to strict reporting requirements and where its customers may be subject to certain currency restrictions. These requirements could impact the Group's ability to pursue business opportunities in the region. The Group maintains its presence in the region with an office in Xiamen and employs highly qualified personnel.

The Group's customers may fail to meet certain contractual obligations

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

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

As a registry, the Group is dependent on the performance of software registry system and underlying databases, together with its back-up systems and disaster recovery plans, to ensure that critical registry functions are available to end users, registrars and other parties that must have access to those functions in the event any circumstance arises that materially impacts the operation of the primary registry system. The integrity, reliability and operational performance of the Group's IT systems, the majority of which are outsourced, are therefore critical to the Group's operations. The Group's IT systems may be damaged or interrupted by increases in usage, human error, unauthorized access, natural hazards or disasters or similarly disruptive events. Furthermore, the Group's current systems may be unable to support a significant increase in online traffic or increased customer numbers, whether as a result of organic or inorganic growth of the business. Any failure of the Group's IT infrastructure or the telecommunications and/or other third-party infrastructure on which such infrastructure relies could lead to significant costs and disruptions that could reduce revenue, harm the Group's business reputation and have a material adverse effect on the operations, financial performance and prospects of the Group. The Group has in place business continuity procedures, disaster recovery systems and security measures to protect against network or IT failure or disruption. However, those procedures and measures may not be effective to ensure that the Group is able to carry on its business in the ordinary course if they fail or are disrupted, and they may not ensure the Group can anticipate, prevent or mitigate a material adverse effect on the Group's operations, financial performance and prospects resulting from such failure or disruption. In addition, the Group's controls may not be effective in detecting any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses and cybercrime.

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

Dependence on key personnel

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

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

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

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

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

COVID-19 risk to ongoing operations

The COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant government responses, business closures and business disruptions can all have an impact on the Group's operations. To date the Group has not experienced any significant business disruption as a result of the pandemic but there can be no assurance that the Group will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic. The extent to which COVID-19 impacts the Group's operations will depend on future developments, which continue to be highly uncertain and cannot be predicted with confidence.

Going concern basis

The Group's projections show that the Group is well funded to continue to operate as normal over the next 12 months. At the year end, the Group had current assets of \$12.4m and current liabilities (excluding deferred revenue) of \$7m and therefore net current assets (excluding deferred revenue) of \$5.4m. This includes \$8.9m held as cash and cash equivalents. Upon completion of the sale to GoDaddy Registry the Group will receive an additional approximately \$120m (of which \$12m will be held in an escrow account until 31 March 2022) plus or minus certain closing adjustments.

The Directors have a reasonable expectation that the Company and the Group have adequate resources, with or without the completion of the GoDaddy Registry sale, to continue operational existence for the foreseeable future. Thus, the Group and Company continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approval

This report was approved by the Board of Directors on 17 May 2021 and signed on its behalf by:

Guy Elliott
Non-Executive Chair
Date: 17 May 2021

Directors' Report

The Directors present their Annual Report on the affairs of the Group, including the financial statements and Independent Auditor's report, for the year ended 31 December 2020. The Corporate Governance Statement set out on page 19 to 23 forms part of this report.

Details of significant events since the balance sheet date are contained in the Strategic Report. An indication of likely future developments in the business is included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in Note 27 to the financial statements.

Dividend

The Directors do not recommend payment of a dividend.

Capital Structure

The Company has one class of ordinary shares of an unlimited number of no par value shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The issue and outstanding of the Company as of 31 December 2020 was as follows:

	#
Called up, allotted, issued and fully paid ordinary shares	876,028,996
Employee and director stock options and RSUs	13,003,226
Share purchase warrants	650,000
Diluted ordinary shares	889,682,222

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

Details of employee share equity plans are set out in Note 26 to the financial statements.

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

The Company is governed by its Articles of Association, the BVI Companies Act and related legislation with respect to the appointment and replacement of Directors.

Directors

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

Director's Name	
Guy Elliott	
Henry Turcan	
Tony Farrow	(appointed 25 January 2021)
Bryan Disher	
Toby Hall	(resigned 29 October 2020)
Michael Salazar	(resigned 29 October 2020)

Directors' Remuneration

Directors' emoluments

	Fees / Basic Salary \$000s	Benefits in Kind	Bonus \$000s	2020 Total \$000s	2019 Total \$000s
Non-executive					
Guy Elliott	58	-	-	58	58
Henry Turcan	58	-	-	58	58
Bryan Disher	58	-	-	58	43
	174	-	-	174	159
Executive					
Bryan Disher	30	-	-	30	-
Michael Salazar	275	67	135	477	352
Toby Hall	275	-	135	410	368
	580	67	270	917	720
Total	754	67	270	1,091	879

Directors' share options

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

	1 Jan 2020	Granted	Forfeited	Exercised	Expired	31 Dec 2020
Michael Salazar (1)	21,000,000	5,000,000	23,000,000	-	(3,000,000)	-
Toby Hall (2)	21,000,000	5,000,000	23,000,000	-	(3,000,000)	-
Bryan Disher (3)	-	400,000	-	-	-	400,000
Total	42,000,000	10,400,000	46,000,000	-	(6,000,000)	400,000

- (1.) At the beginning of the year 21,000,000 RSUs were outstanding, of which 3,000,000 expired during the year. During the year, 5,000,000 RSUs were granted which would vest based on a combination of three-year (2020 through 2022) operating cash generation targets and a measure of total shareholder returns and become exercisable on the publication of the Group's 2022 financial statements. Concurrent with his resignation on 29 October 2020, all outstanding RSUs were forfeited.
- (2.) At the beginning of the year 21,000,000 nil priced share purchase options were outstanding, of which 3,000,000 expired during the year. During the year, 5,000,000 nil price options were granted which would vest based on a combination of three-year (2020 through 2022) operating cash generation targets and a measure of total shareholder returns and become exercisable and become exercisable on the publication of the Group's 2022 financial statements. Concurrent with his resignation on 29 October 2020, all outstanding share options were forfeited.
- (3.) Bryan Disher was appointed interim CFO on 29 October 2020. As part of his compensation, he is granted 200,000 nil priced options per month. These options vest upon issue.

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

Directors' Interests

The total beneficial interests of the serving Directors as at 31 December in shares and options/RSUs of the Company were as follows:

Director	31 December 2020		31 December 2019	
	Shares	Options/RSUs*	Shares	Options/RSUs*
Toby Hall	N/A	N/A	500,000	21,000,000
Michael Salazar	N/A	N/A	1,975,050	21,000,000
Guy Elliott	20,750,000	-	20,750,000	-
Henry Turcan	-	-	-	-
Bryan Disher	-	400,000	-	-

* Terms of the options/RSUs are disclosed in the Directors' Remuneration Report.

Directors' Indemnities

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

Corporate Governance

A statement on Corporate Governance is set out on pages 19 to 23.

Environmental Responsibility

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

Directors' Report

Employment Policies

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

Health and Safety

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

Annual General Meeting (“AGM”)

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

Statement of disclosure of information to Independent Auditor

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

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

Independent Auditor

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

Statement of Directors' Responsibilities

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

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

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

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

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

Electronic communication

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

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

On behalf of the Board:

Bryan Disher
Interim Chief Financial Officer
Date: 17 May 2021

Corporate Governance

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

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

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

The Company is not in compliance with the QCA Code. With the resignations of Toby Hall and Michael Salazar as CEO and CFO respectively on 29 October 2020, and Bryan Disher (previously independent Non-Executive Director and Chair of the Audit Committee), stepping in temporarily as Chief Financial Officer, the Board does not have a balanced board per the QCA Code due to a lack of independent Non-Executive Directors. Given the pending sale to GoDaddy Registry, the Board believes this is not the appropriate time to consider changes or additions to the Board by adding independent directors. Following completion of the sale the Board will reconsider its composition to ensure it is appropriate for evaluating the investment and/or acquisition opportunities available to the Company under Rule 15.

Each director uses their judgement and challenges matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively. Further, an explanatory report of how we have applied the QCA Code guidance, and disclosures of any areas of non-compliance, can be found on our website at: www.mmx.co.

Strategy and Business Model

For the last few years, the Board supported a three-point strategy designed to drive long-term value for the Company's shareholders:

- drive profitable growth through operational efficiencies and organic business development initiatives within the Company's current gTLD portfolio;
- accelerate scale and earnings through strategic acquisitions; and
- Look to drive additional revenue through innovative uses of domain names.

There have been and continue to be risks in executing on this strategy, some of which are highlighted in Principal Risks and Uncertainties on page 12. Many of these risks are outside the control of the Company and the Board. So, the Board recognized that the Company needed to also consider market forces and trends such as industry consolidation, long-term industry growth rates, and the availability of strategic acquisitions at prices that make sense given the size of the Company, in considering whether continuing this strategy that provide returns to shareholders.

Corporate Governance

Those considerations, among others, led us to the discussions with GoDaddy Registry that resulted in the sale agreement the Company entered into with GoDaddy Registry that has now been approved by our shareholders.

The Company's strategy is to now complete the sale, and then deliver the transition services and consider cash distributions and/or investment and/or acquisition opportunities for the Company under Rule 15 to maximise value for the Company's shareholders.

Risk Management

The Board recognizes the need for an effective and well-defined risk management process, and it oversees and regularly reviews the current risk management and internal control mechanisms. The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

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

The Board considers that in light of the control environment described above, an internal audit function is not practical due to the size of the Company. The Board has established reporting and control mechanisms to monitor the effectiveness of its control systems. The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness.

The Company's key risks are highlighted under Principal Risks and Uncertainties on page 12.

The Board

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

At the date of this Report, the Board has four members, whose biographies are set out on page 27 and whose roles are set out below:

Director's Name	Position(s)
Guy Elliott	Director – Non-Executive Chair and Chair of the Remuneration Committee
Henry Turcan	Non-Executive Director – Chair of the Audit Committee
Tony Farrow (1)	Director - Chief Executive Officer
Bryan Disher (2)	Director – Interim Chief Financial Officer

- (1.) Tony Farrow was appointed to the Board and appointed Chief Executive Officer on 25 January 2021. He was interim Chief Executive Officer from 30 November 2020 until 25 January 2021.
- (2.) Bryan Disher assumed the role of Chief Financial Officer on an interim basis effective 29 October 2020.

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

In 2020 there were 8 official Board meetings, all of which were attended by all Directors. In addition there were other periodic meetings, also attended by all Directors, to update the Board on performance and management issues. Eleven meetings, attended by only the non-Executive Directors, were held in October in respect of the formal investigation into the Group's accounting. Due to travel restrictions associates with the COVID-19 pandemic, all but one meeting of the Directors was held by telephone.

Guy Elliott is the Company's Chair. Guy Elliott and Henry Turcan, as significant shareholders and representatives respectively, are not considered to be independent. Bryan Disher and Tony Farrow, as Executives of the Company are also not considered independent. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Executive Directors work full time for the Company.

The Executive Directors are responsible for the day-to-day running of the business, as well as implementing plans and budgets approved by the Board of Directors. The Executives also propose, implement and develop corporate strategy, as well as managing and overseeing staff development and corporate responsibility.

The Non-Executive Directors are tasked with constructively challenging the decisions of Executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The Board has adopted the following matters which are reserved for the Board:

- responsibility for the overall management of the Group and for its strategic direction;
- approval of the Group's strategy;
- annual business plans and budgets; - interim and full year financial statements and reports;
- investments or disposals;
- succession plans; and
- monitoring of financial performance against budget and forecast.

The Board delegates authority to two Committees to assist in meeting its business objectives; the Audit Committee and the Remuneration Committee. These Committees meet independently of Board meetings.

The Board notes that the QCA recommends and independent Non-Executive Chair and a balance between Executive and Non-Executive Directors and recommends that there be two Independent Non-Executives. The Board will take this into account when considering future appointments but given the proposed sale to GoDaddy Registry, no change to the Board composition is being considered at this time. All Directors are encouraged to use their judgement and to challenge matters, whether strategic or operational. We believe this enables the Board to discharge its duties and responsibilities effectively.

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

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

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

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

Board Committees

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

Audit Committee

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. Prior to the appointment of Bryan Disher as the Interim Chief Financial Officer, the Audit Committee was comprised of one Non-Executive Director, Henry Turcan and one Independent Non-Executive Director, Bryan Disher, who served as the Chair of the Audit Committee. With Bryan Disher currently operating in an Executive role, Henry Turcan has assumed the Chair of the Audit Committee and Bryan Disher continues as a member of the Committee.

The Audit Committee is responsible for ensuring that the financial reporting and performance of the Group is properly monitored and reported on.

During 2020, the Committee formally met three times with all Audit Committee members present at all meetings. The Audit Committee also met informally during the year, both with and without management present.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations in respect of the Board of Directors' and Executive management's remuneration. Until Bryan Disher assumed the role of interim Chief Financial Officer, the Committee was comprised of all the Non-Executive Directors with Guy Elliott as Chairman. The Committee is now comprised of Guy Elliott and Henry Turcan. The Committee's remuneration recommendations and conditions are considered and agreed by the Board.

Corporate Governance

Financial compensation packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee will also have regard to the terms, which may be required to attract an equivalent experienced executive to join the Board from another company.

During 2020, the Committee formally met once with all Committee members present. The Remuneration Committee also met informally during the year.

Accounting investigation

In addition to these standing committees, in October 2020 the Non-Executive Directors carried out a formal investigation to determine whether certain revenues had been correctly accounted for in the year ended 31 December 2019 and the six months ended 30 June 2020. The Board concluded that as the result of management's override of the Group's internal controls, accounting errors had been made and on 30 October issued a RNS detailing changes required to the previously issued financial statements.

Advisers

The Directors have access to the Company's NOMAD and lawyers as and when required and can obtain advice from other external bodies when necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Further details of the Company's advisers can be found on page 81.

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

Board Evaluation

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

Culture

The Board recognizes that its decisions regarding strategy and risk impact the corporate culture of the Company as a whole and that this will in turn impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company's operations and the way that employees behave. The importance of sound ethical values and behaviors is crucial to the ability of the Company to successfully achieve its objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board expects that the Company's activities are centered upon an open and respectful dialogue with employees, clients and other stakeholders.

The Board does not believe the Company lived up to these expectations in 2020. With the appointment of new Executive Officers, the Board recommitted to these standards of respect, ethics, and transparency. The Directors assess various options to engage with the Group's employees and has ensured that the new Executive has engaged with the entire workforce to understand employee sentiment and to rebuild a culture of teamwork and openness that will enable honest dialogue and constructive challenge to all aspects of our business.

The Company has a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Group also has in place a whistleblowing policy that provides employees direct access to the Board, through a private email account monitored by the Chair of the Audit Committee, to facilitate the reporting by employees of suspected misconduct, illegal acts or failure to otherwise act appropriately within the Group. The aim of this Policy is to encourage employees and others who have serious concerns about any aspect of the Group's work to come forward and voice those concerns.

The Directors seek to align their interests with shareholders. The corporate governance arrangements that the Board has adopted are designed to help the Company deliver long term value to its shareholders, and for shareholders to have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

Board Induction and Training

All new Directors participate in an induction programme when they join the Board. The Board also ensures that ongoing training is provided for Directors on, among other things, the Group's business, environmental, social, corporate governance, regulatory developments and investor relations matters.

Internal controls

The Board is responsible for ensuring that the Group maintains a system of internal financial controls including suitable monitoring procedures. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Internal financial control monitoring procedures undertaken by the Board include the review of monthly financial reports and monitoring of performance, setting of annual budgets and monthly forecasts and the prior approval of significant expenditure. The Board also approves the Group's and the Company's annual and half year financial statements prior to release and approves all public announcements that include financial or related information.

In October 2020, the Board carried out a formal investigation to determine whether certain revenues had been correctly accounted for in the year ended 31 December 2019 and the six months to 30 June 2020. The Board concluded that as a result of management's override of the Group's internal controls, accounting errors had been made that required changes to the previously issued financial statements. The Board, through a RNS issued 9 October 2020, advised of its initial concerns in respect to the Group's accounting and reporting and the initiation of the formal investigation and, through a RNS issued 30 October 2020, announced the results of that investigation and provided shareholders with revised financial information for 2019 and the six months ended 30 June 2020. The Board is satisfied that the results of the investigation indicate that the issues that caused the errors have been addressed and that the Group's internal financial controls were and are fit for purpose.

Going concern

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

Treasury Policy

The Group finances its operations principally through cash generated by operations and equity. The Group holds its cash as a liquid resource to fund the obligations of the Group. The Board approves decisions regarding the management of these assets. Refer to Note 27 of the financial statements for further information.

Securities Trading

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

Relations with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda. Whilst face to face meetings have not been permissible due to COVID 19 restrictions the Company has explored electronic communication via the Investor Meet platform.

The Directors speak regularly with the Company's institutional and other major shareholders in order to communicate mutual understanding of objectives.

Each year shareholders receive a full Annual Report and an interim report.

Guy Elliott
Chair
Date 17 May 2021

Audit Committee Report

As the Chair of MMX’s Audit Committee, I present my Audit Committee Report for the year ended 31 December 2020, which has been prepared by the Committee and approved by the Board.

The Audit Committee currently consists of Henry Turcan and Bryan Disher. Until he assumed an Executive Role as interim Chief Financial Officer at the end of October, Bryan Disher chaired the Audit Committee.

Roles and Responsibilities

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

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

Achievement of its Roles and Responsibilities

The Audit Committee met formally three times this year to consider and recommend to the Board of Directors for approval the prior year annual financial statements and Annual Report and the Company’s half-year interim financial statements. Additional informal meetings were held as necessary during the year, both with and without management present, to monitor progress and discuss issues arising from the external audits and reviews.

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

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

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

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

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

The Company has in place a whistleblowing policy and procedures that is overseen by the Audit Committee to allow staff to raise, in confidence, any concerns about how the Company conducts its business practices, accounting and reporting. This procedure complements established internal reporting processes.

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

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

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

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

Financial Statements

During 2020, the Audit Committee:

- met with the Independent Auditor to review and approve the annual audit plan and receive their findings and report on the 2019 annual audit;
- met with the Independent Auditor to review and receive their findings and report on their review of the Group’s half-year interim financial statements;
- considered significant issues and areas of judgement with the potential to have a material impact on the financial statements;
- considered the integrity of the published financial information and whether the 2019 Annual Report and Financial Statements and 2020 half-year interim financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Group’s position and performance, business model and strategy;
- reviewed and recommended to the Board of Directors for approval, the 2020 interim and 2019 year-end results and financial statements; and
- considered whether the findings from the Board’s investigation necessitated any changes to the Group’s internal controls.

In 2021 the Audit Committee:

- met with the Independent Auditor to review and approve the 2020 annual audit plan, including considering the principal risks applicable to the Group and the completeness of risks identified by the Independent Auditor, and receive their findings and report on the 2020 annual audit;
- considered significant issues and areas of judgement with the potential to have a material impact on the financial statements;
- considered the integrity of the published financial information and whether the 2020 Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group’s position and performance, business model and strategy; and
- reviewed and recommended to the Board of Directors for approval, the 2020 year-end results and financial statements.

Henry Turcan
Chair of the Audit Committee
Date: 17 May 2021

Remuneration Committee Report

As the Chair of MMX's Remuneration Committee, I present the Remuneration Committee Report for the year ended 31 December 2020, which has been prepared by the Committee and approved by the Board.

Remuneration policy

The Company's remuneration policy is focused on being able to attract, retain and incentivize management with the skills and expertise necessary to realize the Group's objectives and ensure management's interests are aligned with shareholders' interests. The Directors also recognize the importance of ensuring that all employees are engaged, incentivized and identify closely with the results achieved by the Company.

Roles and Responsibilities

The Remuneration Committee is responsible for determining the remuneration of the Company's Executive Directors based on agreed on goals and objectives set out each year. In addition, the Remuneration committee seeks to link remuneration to individual and Company performance thereby creating a performance culture within the business. The Committee is responsible for overseeing the Company's long-term incentive plans to ensure the sustained growth of the company by attracting and retaining the necessary talent to delivery of shareholder value.

The Committee also monitors market trends and developments in order to assess those relevant for the Group's future remuneration arrangements.

Governance Process

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

Main Activities

In 2020 and to date in 2021 the Committee:

- Set the former CEO and CFO 2020 remuneration packages and performance goals;
- Reviewed and recommended for approval by the Board of Directors stock option and RSU awards to employees and the former Executive Directors, including established vesting criteria for these equity awards that were based on a combination of three-year operating cash generation targets and a measure of total shareholder returns; and
- Set remuneration packages for the newly appointed Executive Directors, including bonus incentives for the successful sale of the business.

Guy Elliott
Chair of the Remuneration Committee
Date 17 May 2021

Directors' Biographies



Guy Elliott

Non-Executive Chairman

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



Henry Turcan

Non-Executive Director

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



Bryan Disher

Director and Interim Chief Financial Officer

Bryan trained as a Chartered Professional Accountant, (Chartered Accountant) in Canada and had a career spanning over 37 years at PricewaterhouseCoopers (PwC), which he joined in 1978 and where he was admitted to partnership in 1991. He held a number of senior positions in PwC Canada including Chair of the Partnership Board and Managing Partner of PwC's Ottawa office. His final role at PwC was Managing Partner of its Ukrainian practice between 2012 and 2015. He is a member of the Chartered Professional Accountants Canada, Chartered Professional Accountants of British Columbia, and the Institute of Corporate Directors (ICD.D).



Director and Chief Executive Officer

Tony Farrow combines an entrepreneurial spirit and business acumen with an extensive technology background, having operated as a founder, angel investor, business broker, and buyer/seller of several dozen companies. He has worked in the domain name industry since 2011 when he joined ICM Registry as Chief Operating Officer ("COO"). He became COO of MMX in May 2018 upon ICM's acquisition by the Company. As COO he was responsible for overall operations, Registrar channel support, and integration with registry service provider backends. He became interim CEO of the Company on 30 November 2020 and was appointed CEO and Director on 25 January 2021.

Independent Auditor's Report

Opinion

We have audited the financial statements of Minds + Machines Group Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Group and Company Statements of Comprehensive Income, Group and Company Statements of Financial Position, Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's profit and the Company's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In addition to those matters set out in the “Key audit matters” section below, we have identified the use of the going concern basis of preparation of the financial statements as a key audit matter. As stated in Note 1 on page 44 of the financial statements, the Group has conditionally agreed to sell majority of its assets and business to GoDaddy Registry. The directors have applied judgement in concluding that it is appropriate to adopt the going concern basis of preparation of the financial statements.

Our audit procedures to evaluate the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand their period of assessment, the assumptions they considered, including the proposed conditional sale to GoDaddy Registry and the implications of those assumptions when assessing the Group's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow projections, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios;
- Testing the accuracy and functionality of the model used to prepare the directors' projections;
- Assessing the historical accuracy of financial forecasts prepared by the directors;
- Considering the consistency of the directors' projections with other areas of the financial statements and our audit;
- Assessing the impact of the planned disposal of the majority of the Group's assets and business subject to conditions being fulfilled and the appropriateness of applying the going concern basis of preparation; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent Auditor's Report

Key audit matters

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

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key audit matters	The Group's accounting policy in respect of revenue recognition is set out in note 1(h) 'Revenue Recognition' on page 48.
Revenue recognition (Group and Company)	<p>There is a risk of fraud in revenue recognition due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. For the Group, we consider this significant risk to arise as follows:</p> <ul style="list-style-type: none">The Group records revenue immediately for the initial premium arising on the sale of certain domain names, while ongoing registry service fees are recognized over the period covered by the fee. Fees for brand protection services are allocated to service initiation (recognized as performed) and ongoing blocking (recognized over the period covered). There is a risk that inappropriate allocation of fees leads to inappropriate revenue recognition;The Group recognizes both domain registry and brand protection ongoing blocking service revenue evenly over the relevant registration period. There is a risk that revenue relating to future periods is not appropriately deferred;The Group enters into brokered deal bulk sales that can include complex arrangements involving supplementary services. Judgements are required in assessing the most appropriate accounting treatment for these arrangements. The Group has restated brokered deal revenue originally reported in the prior year, resulting in a reduction in revenue of \$1.7m for the year ended 31 December 2019.
How our scope addressed this matter	Our principal audit procedures were:
Our response	<ul style="list-style-type: none">Assessing the appropriateness of adopted revenue recognition accounting policies, and the basis for allocation of fees;On a sample basis, testing the split of domain name sale revenue between the initial premium arising on sale of the domain name and the ongoing registry service;On a sample basis, testing both domain registry and brand protection ongoing blocking service revenue recognized in the period and revenue deferred at the year-end by reference to the registration period covered by the contractual terms of service;Reviewing management's analysis supporting the prior year adjustment to brokered deal revenue for the year ended 31 December 2019, challenging the completeness of the analysis and the conclusions reached in the light of additional evidence on the nature of certain brokered deal bulk sales.
Our observations	On the basis of our audit procedures, we consider the Group's revenue recognition policies to be appropriate and that revenue has been appropriately recognized in accordance with those policies.

Key audit matters	As described in note 4 to the financial statements, the Group has made a prior period adjustment in relation to brokered deal bulk sales in the financial statements for the year ended 31 December 2019, resulting in a \$1.9 million reduction in reported profit and net assets.
Prior period adjustment (Group and Company)	<p>The prior period adjustment corrects identified misstatements in relation to the accounting for certain contracts and is an indication that, as a result of management override, controls over revenue recognition and the financial reporting close process failed to prevent and detect a material misstatement.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>There is a risk that these control issues could recur in the current financial reporting period, and we have identified the risk of management override of controls as a key audit matter.</p>
How our scope addressed this matter	Our principal audit procedures were:
Our response	<ul style="list-style-type: none">Assessing the appropriateness of the Group's response to the identified prior period misstatements, and the factors that resulted in those misstatements.Extending the scope of our audit through lowering our performance materiality, and applying additional challenge and scepticism in performing our audit procedures.Assessing the appropriateness of journal entries recorded in the general ledger by testing a sample of journal entries to supporting documentation.Challenging key judgements and estimates made by management in the preparation of the financial statements, applying professional scepticism, benchmarking against external data where relevant, and performing a retrospective review of prior year estimates.
Our observations	Our audit procedures did not identify evidence of management override of controls over the application of revenue recognition accounting policies or over the financial statements close process for the year under review.
Key audit matters	Included on the Group statement of financial position is goodwill with a carrying value of \$2.8m and intangible assets with a carrying value of \$81.5m. The Group's accounting policies in respect of the intangible assets are set out in note 2(f) 'Goodwill' on page 47, note 2(k) 'Intangible assets' on page 50, note 2(l) 'De-recognition of intangible assets' on page 51 and note 2(n) 'Impairment of fixtures & equipment and intangible assets excluding goodwill' on page 51.
Valuation of intangible assets	<p>As the intangible assets are not amortized, the Directors are required to perform an impairment review on an annual basis. In performing their review, the Directors assess the recoverable amount of each Cash Generating Unit (CGU) to which the intangible assets have been allocated. The recoverable amount is assessed as the higher of fair value less costs of disposal, and value in use.</p> <p>The Directors' commentary on the judgements and estimates involved in the impairment assessment is set out in note 3 on page 54.</p> <p>A key judgement made by the Directors is the determination of CGUs, being the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In the current year, the Directors have determined that all gTLDs constitute a single CGU, which is a change from the prior year when four CGUs were identified.</p> <p>The Directors have concluded that the planned sale of the majority of the Group's assets and business to GoDaddy provides appropriate evidence that the recoverable amount of the intangible assets, based on fair value less costs of disposal, exceeds their carrying value, and that no impairment is therefore required.</p>
How our scope addressed this matter	Our principal audit procedures were:
Our response	<ul style="list-style-type: none">challenging and evaluating management's basis for the change in the determination of CGUs in the current year resulting in one single identified CGU;assessing whether the planned sale of the majority of the Group's assets and business to GoDaddy provides adequate appropriate evidence of the recoverable amount of the intangible assets;viewing the related disclosures in the financial statements, including the rationale for the change in determination of CGUs.
Our observations	On the basis of our audit procedures, we conclude that the Directors have performed an appropriate impairment assessment and concur with their conclusion that no impairment is required,

Independent Auditor's Report

Our application of materiality and an overview of the scope of our audit

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

OverallGroup and Company overall materiality	\$1.2m
How we determined it	The Group’s strategy is to generate increasing revenues through exploitation of its asset base, which largely comprises intangible assets in the form of gTLDs. We therefore consider the Group total asset value to be an appropriate basis for determining materiality.
Rationale for benchmark applied	Having considered factors such as the Group's AIM listing and the absence of external debt at the year end, we determined materiality at 1.25% of the group total asset value.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the Group's control environment and the identified prior period misstatements, we set performance materiality at \$0.6m (50% of overall materiality).
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$0.04m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Group and the Company, their environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our Group audit scope included an audit of the Group and Company financial statements of Minds + Machines Group Limited. Based on our risk assessment, all entities within the Group were subject to a full scope audit performed by the Group audit team. We considered the Group to be a single component for purposes of determining materiality, as all of the entities are engaged in the same business and use the same systems, processes and controls. All Group entities were therefore audited to the Group materiality thresholds as set out in ‘Our application of materiality and an overview of the scope of our audit’ above.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors’ Responsibilities statement set out on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Group and the Company and their industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, the BVI Companies Act, AIM rules, and ICANN regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- Discussing with the Directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the Company which were contrary to the applicable laws and regulations, including fraud.

Independent Auditor's Report

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Procedures as set out above under Key audit matters – period year adjustment relating to the identification of misstatements requiring correction by way of prior period adjustment; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including risks related to irregularities and fraud, are discussed under 'Key audit matters' within this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with the terms of our engagement letter dated 9 February 2021. 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.

William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

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

Date: 17 May 2021

Group Statement of Comprehensive Income

for the year ended 31 December 2020

		Year Ended 31 December 2020	Year Ended 31 December 2019 (Restated)
	Notes	\$000's	\$000's
Revenue		16,829	17,227
Less: Partner payments		(2,258)	(2,882)
Revenue less partner payments		14,571	14,345
Cost of sales	6	(3,131)	(3,337)
Gross Profit		11,440	11,008
Gross Profit Margin %		79%	77%
General administrative expenses	7	(6,288)	(7,217)
Profit on contested gTLD applications		-	588
Profit on disposal of join.law		-	383
Share of results of joint ventures		5	48
Operating earnings before interest, taxation, depreciation and amortisation (Operating EBITDA)		5,157	4,810
Other non-operating expenses	8	(1,000)	-
Earnings before interest, taxation, depreciation, and amortisation (EBITDA)	9	4,157	4,810
Depreciation and amortisation charge	16/17/24	(706)	(1,187)
Finance revenue		-	9
Finance costs	11	(461)	(649)
Profit before taxation		2,990	2,983
Income tax charge	12	(7)	(140)
Profit for the year		2,983	2,843

Company Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	Year Ended 31 December 2020 \$000's	Year Ended 31 December 2019 (Restated) \$000's
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(182)	(680)
<i>Items that will not be reclassified to profit or loss:</i>			
Loss on fair value through other comprehensive income financial assets		-	(57)
Other comprehensive income for the year net of taxation		(182)	(737)
Total comprehensive income for the year		2,801	2,106
Retained profit for the year attributable to:			
Equity holders of the parent		2,983	2,843
Non-controlling interests		-	-
		2,983	2,843
Total comprehensive income for the year attributable to:			
Equity holders of the parent		2,801	2,106
Non-controlling interests		-	-
		2,801	2,106
Earnings per share (cents)			
<i>From continuing operations</i>			
Basic	14	0.33	0.31
Diluted	14	0.33	0.29

All operations are considered to be continuing.

The Notes set out on pages 44 to 80 form an integral part of these financial statements.

	Notes	Year Ended 31 December 2020 \$000's	Year Ended 31 December 2019 (Restated) \$000's
Revenue		9,029	7,148
Less: Partner payments		(1,162)	(1,505)
Revenue less partner payments		7,867	5,643
Cost of sales	6	(2,318)	(2,316)
Gross Profit		5,549	3,327
Gross Profit Margin %		71%	59%
General administrative expenses	7	(5,972)	(6,115)
Profit on contested gTLD applications		-	588
Operating earnings before interest, taxation, depreciation and amortisation (Operating EBITDA)		(423)	(2,200)
Impairment of investment in subsidiaries/inter-company balances	18	(9,673)	(10,757)
Loss before interest, taxation, depreciation, and amortisation (EBITDA)	9	(10,096)	(12,957)
Depreciation and amortisation charge	16/17/24	(140)	(287)
Finance revenue		-	9
Finance costs	11	(114)	(250)
Loss before taxation		(10,350)	(13,485)
Income tax	12	-	-
Loss for the year		(10,350)	(13,485)
Other comprehensive income			
Loss on fair value through other comprehensive income financial assets		-	(57)
Other comprehensive loss for the year net of taxation		-	(57)
Total comprehensive loss for the year		(10,350)	(13,542)

All operations are considered to be continuing.

The Notes set out on pages 44 to 80 form an integral part of these financial statements.

Group Statement of Financial Position

as at 31 December 2020

	Notes	31 December 2020 \$000's	31 December 2019 (Restated) \$000's
ASSETS			
Non-current assets			
Goodwill	15	2,828	2,828
Intangible assets	16	81,530	81,394
Fixtures and equipment	17	41	68
Right-of-use assets	24	2,132	2,543
Interest in joint ventures		184	480
Other long-term assets	19	185	185
Total non-current assets		86,900	87,498
Current assets			
Trade receivables	21	1,427	3,239
Prepayments and other receivables	21	2,054	3,496
Cash and cash equivalents	20	8,904	6,583
Total current assets		12,385	13,318
TOTAL ASSETS		99,285	100,816
LIABILITIES			
Current liabilities			
Trade and other payables	22	(6,062)	(6,919)
Deferred revenue	22	(13,427)	(13,488)
Lease liabilities	24	(972)	(907)
Total current liabilities		(20,461)	(21,314)
Non-current liabilities			
Lease liability	24	(2,855)	(3,040)
Total non-current liabilities		(2,855)	(3,040)
Total liabilities		(23,316)	(24,354)
NET ASSETS		75,969	76,462
EQUITY			
Share premium	25	77,371	80,217
Other reserves		(500)	(500)
Foreign exchange reserve		722	904
Retained earnings		(1,624)	(4,159)
TOTAL EQUITY		75,969	76,462

The Notes set out on pages 44 to 80 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 17 May 2021 and signed on its behalf by:

Tony Farrow,
Chief Executive Officer

Bryan Disher,
Interim Chief Financial Officer

Company Statement of Financial Position

as at 31 December 2020

	Notes	31 December 2020 \$000's	31 December 2019 (Restated) \$000's
ASSETS			
Non-current assets			
Intangible assets	16	39,425	39,443
Investment in subsidiaries	18	35,515	41,697
Right-of-use assets	24	579	672
Interest in joint ventures		219	520
Other-long term assets	19	185	185
Total non-current assets		75,923	82,517
Current assets			
Trade and other receivables	21	917	1,136
Prepayments and other receivables	21	2,588	6,277
Cash and cash equivalents		5,342	3,589
Total current assets		8,847	11,002
TOTAL ASSETS		84,770	93,519
LIABILITIES			
Current liabilities			
Trade and other payables	22	(19,426)	(15,501)
Deferred revenue	22	(5,674)	(5,094)
Lease liability	24	(197)	(197)
Total current liabilities		(25,297)	(20,792)
Non-current liabilities			
Lease liability	24	(784)	(797)
Total non-current liabilities		(784)	(797)
Total Liabilities		26,081	21,590
NET ASSETS		58,689	71,930
EQUITY			
Share premium	25	77,371	80,217
Other reserves		(500)	(500)
Retained earnings		(18,182)	(7,787)
TOTAL EQUITY		58,689	71,930

The Notes set out on pages 44 to 80 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 17 May 2021 and signed on its behalf by:

Tony Farrow,
Chief Executive Officer

Bryan Disher,
Interim Chief Financial Officer

Group Cash Flow Statement
for the year ended 31 December 2020

	Notes	Year Ended 31 December 2020 \$000's	Year Ended 31 December 2019 (Restated) \$000's
Cash flows from operations			
Operating EBITDA		5,157	4,810
Adjustments for:			
Bad debt provision	21	52	1,933
Share-based payment expenses	26	(143)	1,272
Share of results of joint ventures		(5)	(48)
Gain on termination of lease		-	(299)
Profit on disposal of join.law		-	(383)
Decrease in trade and other receivables		3,168	976
Increase in trade and other payables		(1,707)	(974)
Onerous contract final settlement	23	-	(6,676)
Withdrawal of gTLD applications		-	148
Foreign exchange loss		(109)	(277)
Net cash flow from operating activities		6,413	481
Cash flows from investing activities			
Sale of join.law		-	383
Payments to acquire intangible assets	16	(196)	(93)
Payments to acquire fixtures and equipment	17	(30)	(38)
Interest received		-	9
Net cash flow from investing activities		(226)	261
Cash flows from financing activities			
Interest paid	11	-	(137)
Repurchase of vested employee options and RSUs		(233)	
Repayment of borrowings		-	(3,000)
Share buyback	25	(2,846)	(440)
Principal elements of lease payments	24	(787)	(949)
Net cash flow from financing activities		(3,866)	(4,526)
Net increase / (decrease) in cash and cash equivalents		2,321	(3,784)
Cash and cash equivalents at beginning of period		6,583	10,367
Cash and cash equivalents at end of period	20	8,904	6,583

The Notes set out on pages 44 to 80 form an integral part of these financial statements

Company Cash Flow Statement
for the year ended 31 December 2020

	Notes	Year Ended 31 December 2020 \$000's	Year Ended 31 December 2019 (Restated) \$000's
Cash flows from operations			
Operating EBITDA		(423)	(2,200)
Adjustments for:			
Bad debt provision	21	52	1,933
Share based payments		194	969
Gain On lease		-	(59)
Decrease in trade and other receivables		472	1,446
Increase in trade and other payables		4,712	281
Withdrawal of gTLD applications		-	148
Foreign exchange loss		(249)	(316)
Net cash flow from operating activities		4,758	2,202
Cash flow from investing activities			
Interest received		-	9
Payments to acquire intangible assets	16	(25)	(59)
Payments to acquire fixtures & equipment	17	(7)	-
Net cash flow from investing activities		(32)	(50)
Cash flows from financing activities			
Repayment of borrowings		-	(3,000)
Interest paid	11	-	(137)
Share buyback	25	(2,846)	(440)
Principal elements of lease payments	24	(127)	(383)
Net cash flow from financing activities		(2,973)	(3,960)
Net increase / (decrease) in cash and cash equivalents		1,753	(1,808)
Cash and cash equivalents at beginning of period		3,589	5,397
Cash and cash equivalents at end of period		5,342	3,589

The Notes set out on pages 44 to 80 form an integral part of these financial statements

Group Statement of Changes in Equity

for the year ended 31 December 2020

	Share Capital	Share premium reserve	Shares to be issued	Other Reserves	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interest	Total equity
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
At 1 January 2019	-	68,912	11,745	(443)	1,584	(8,277)	73,521	(326)	73,195
Profit for the year	-	-	-	-	-	2,843	2,843	-	2,843
Other comprehensive income	-	-	-	(57)	(680)	-	(737)	-	(737)
Total comprehensive (loss) / income	-	-	-	(57)	(680)	2,843	2,106	-	2,106
Shares issued	-	11,745	(11,745)	-	-	-	-	-	-
Share buy back	-	(440)	-	-	-	-	(440)	-	(440)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	1,275	1,275	-	1,275
Adjustments arising from change in non-controlling interest	-	-	-	-	-	-	-	326	326
As at 31 December 2019 (Restated)	-	80,217	-	(500)	904	(4,159)	76,462	-	76,462
Profit for the year	-	-	-	-	-	2,983	2,983	-	2,983
Other comprehensive income	-	-	-	-	(182)	-	(182)	-	(182)
Total comprehensive income	-	-	-	-	(182)	2,983	2,801	-	2,801
Share buy back	-	(2,846)	-	-	-	-	(2,846)	-	(2,846)
Repurchase of vested equity instruments	-	-	-	-	-	(305)	(305)	-	(305)
Movement to equity for equity-settled share-based payments	-	-	-	-	-	(143)	(143)	-	(143)
As at 31 December 2020	-	77,371	-	(500)	722	(1,624)	75,969	-	75,969

- Share premium – This reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium.
- Shares to be issued – This reserve represents shares to issued arising from the acquisition of ICM Registry, LLC. The shares were issued in January 2019 (Note 25).
- Other reserves – This reserve represents the gains and losses arising from assets designated as held for sale and marked at fair value through OCI.
- Foreign currency reserve – This reserve represents gains and losses arising on the translation of foreign operations into the Group's presentation currency.
- Retained earnings – This reserve represents the cumulative profits and losses of the Group.
- Non-controlling interests reserve – This reserve represents the share of the interest held by the non-controlling shareholders of the subsidiary undertakings.

The Notes set out on pages 44 to 80 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2020

	Share Capital	Share premium reserve	Shares to be issued	Other Reserves	Retained earnings	Total
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
At 1 January 2019	-	68,912	11,745	(443)	4,424	84,638
Loss for the year	-	-	-	-	(13,485)	(13,485)
Other comprehensive loss	-	-	-	(57)	-	(57)
Total comprehensive loss	-	-	-	(57)	(13,485)	(13,542)
Shares issued	-	11,745	(11,745)	-	-	-
Share buy back	-	(440)	-	-	-	(440)
Credit to equity for equity-settled share-based payments	-	-	-	-	1,274	1,274
As at 31 December 2019 (Restated)	-	80,217	-	(500)	(7,787)	71,930
Loss for the year	-	-	-	-	(10,350)	(10,350)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(10,350)	(10,350)
Share buyback	-	(2,846)	-	-	-	(2,846)
Repurchase of vested equity instruments	-	-	-	-	(239)	(239)
Movement to equity for equity-settled share-based payments	-	-	-	-	194	194
As at 31 December 2020	-	77,371	-	(500)	(18,182)	58,689

- Share premium – This reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium.
- Shares to be issued – This reserve represents shares to issued arising from the acquisition of ICM Registry, LLC. The shares were issued in January 2019 (Note 25).
- Other reserves – This reserve represents the gain and losses arising from assets designated as held for sale and marked at fair value through OCI.
- Retained earnings – This reserve represents the cumulative profits and losses of the Company.

The Notes set out on pages 44 to 80 form an integral part of these financial statements

Notes to Financial Statements

for the year ended 31 December 2020

1. Nature of Operations

Minds + Machines Group Limited is a company registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1412814. The address of the Company's registered office is Craigmur Chambers, Road Town, Tortola, British Virgin Islands VG1110.

The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange.

The Group is the owner and operator of a portfolio of generic top level domain names (“gTLD’s”) licensed to it by the Internet Corporation for Assigned Names and Numbers (“ICANN”). Its principal business is generating revenues through the registration and renewal of domain names within its gTLDs (“Registry”). It also is a registry service provider (“RSP”) providing back-end services for the owners of other gTLDs.

On 7 April 2021, the Company entered into an asset purchase agreement with Registry Services, LLC (the “GoDaddy Transaction”) whereby Registry Services, LLC (“GoDaddy Registry”) will acquire, subject to certain conditions precedent, substantially all the Group’s Registry assets and business for cash of \$120 million. The GoDaddy Transaction was approved by the Company’s shareholders on April 23, 2021. Closing of the GoDaddy Transaction, which must occur on or before 7 August 2021 unless an extension is mutually agreed to by the Company and GoDaddy Registry, requires approval by ICANN and certain commercial partners for the transfer of the gTLD’s, and Chinese government approval for the transfer of the Company’s Chinese subsidiary and license.

These financial statements have been prepared on the going concern basis which assumes the Group and the Company will continue to operate and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As the Group will continue to operate in the normal course until such time as the GoDaddy Transaction closes and for a period thereafter providing transition services to GoDaddy Registry, the Directors believe that the continued use of the going concern assumption is appropriate.

The COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant government responses, business closures and business disruptions can all have an impact on the Group's operations. To date the Group has not experienced any significant business disruption from the pandemic but there can be no assurance that the Group will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic. The extent to which COVID-19 impacts the Group's operations will depend on future developments, which continue to be highly uncertain and cannot be predicted with confidence. Management is closely monitoring the impact of the pandemic on all aspects of its business.

2. Significant Accounting Policies

(a) Basis of preparation

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These financial statements are presented in US Dollars and rounded to the nearest thousand. Foreign operations are included in accordance with the policies set out in *Note 2(j)*.

New and amended standards adopted by the Group

In the current year, the Group has applied the amendments to IFRS Standards and Interpretations issued by the IASB that were effective from 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and amended standards not yet adopted by the Group

At the date of authorization of these financial statements, several new, but not yet effective, new IFRS Standards and amendments to existing IFRS Standards, and Interpretations have been published by the IASB. None of these IFRS Standards or amendments to existing IFRS Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New IFRS Standards, amendments and Interpretations not adopted in the current year are not expected to have a material impact on the Group's financial statements.

(b) Basis of consolidation

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

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

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / permitted by applicable IFRS).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

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

(c) Going concern

The financial statements have been prepared on going concern basis.

The Group's projections show that the Group is well funded to continue to operate as normal over the next 12 months. At the year end, the Group had current assets of \$12.4m and current liabilities (excluding deferred revenue) of \$7m and therefore net current assets (excluding deferred revenue) of \$5.4m. This includes \$8.9 million held as cash and cash equivalents.

The Directors have a reasonable expectation that the Company and the Group have adequate resources, with or without the completion of the GoDaddy Registry sale, to continue operational existence for the foreseeable future. Thus, the Group and Company continue to adopt the going concern basis of accounting in preparing the annual financial statements.

As set out in Note 1, the Company entered into an asset purchase agreement with GoDaddy Registry to sell substantially all the Group's Registry assets and business for cash of \$120 million. The Directors have considered the impact of the GoDaddy Transaction on the basis of preparation and have concluded that, as the sale remains conditional upon the satisfaction of conditions precedent, it is appropriate to continue to adopt the going concern basis of preparation.

(d) Business combinations

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

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

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

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

(e) Joint ventures

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

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

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

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

(f) Goodwill impairment

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

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

(g) **Leases (the Group as a lessee)**

For any new contracts entered into the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

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

(k) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets –research and development expenditure

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

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

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

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

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

Useful lives and amortisation

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

- Generic Top Level Domains – indefinite life (not amortized)
- Contractual based intangible assets – indefinite life (not amortized)
- Software and development costs – straight-line basis over useful life of three years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed when circumstances indicate a change to its useful life. Changes in the expected useful life are treated as a change in accounting estimate.

(l) De-recognition of intangible assets

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

(m) **Fixtures and equipment**

Fixtures and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method over 3 to 5 years.

(n) Impairment of fixtures and equipment and intangible assets, excluding goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

(o) Financial instruments

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

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

Financial assets

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

Financial assets are classified into the following specified categories: 'investments in equity instruments designated at fair value through other comprehensive income' ("FVTOCI") and 'financial assets at amortized cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Financial assets at amortized cost

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

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

Investments in equity instruments designated as FVTOCI

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

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

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investment in debt instruments that are measured at amortized cost or at FVTOCI, trade receivables and other financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For financial assets carried at amortized cost, the amount of the impairment is based on expected credit losses assessed on the management's historic experience of losses, adjusted for factors that are specific to the debtors and general economic conditions.

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

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

De-recognition of financial assets

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

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as trade and other payables.

Trade and other payables

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

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

De-recognition of financial liabilities

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

(p) Taxation

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

Current tax

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

Deferred tax

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

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

Current and deferred tax for the year

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

(g) Provisions

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

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

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

(r) Share-based compensation

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument issued at the grant date. The fair value excludes the effect of non-market based vesting conditions. The fair value is determined by using the Black-Scholes model.

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

The dilutive effect, if any, of outstanding equity instruments is reflected in the computation of diluted earnings per share.

(s) Investment in subsidiary

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

3. Significant accounting judgements, estimates and assumptions

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

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

- Financial instruments risk management and policies *Note 27*
- Sensitivity analysis *Note 27*

In the process of applying the Group's accounting policies, management has made the following judgements and estimates and assumptions. The key assumptions concerning

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

Judgements and estimates and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Judgements

Intangible assets

Intangible assets are comprised of gTLD assets and contract based intangible assets.

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

The most significant judgement involved in the impairment review of intangible assets is the determination of CGUs. The Directors have grouped the Company's portfolio of gTLDs into a single CGU, a change from 2019. In 2019, gTLD assets were allocated to various CGUs based on shared characteristics and interdependence of cash inflows within those CGUs. In 2020 the Group completed a move away from managing its gTLDs as clusters. It now manages all gTLDs as a single group when marketing them to its Registrar partners, highlighting the interdependence of their cash flows. The CGUs are detailed in *Note 16*.

Details of goodwill and intangible assets are set out in *Note 15 and 16* respectively.

Revenue recognition

Revenue from the sale of domain names

Revenue is primarily driven from fixed fees charged to registrars for initial registrations or renewal of domain names. Determining whether a single or multiple performance obligations exist requires judgement, in this case considered to be a single performance obligation. Consideration has been given whether to recognize this revenue on a straight-line basis over the period of the contract, on an input method (i.e., based on the costs incurred) or output method (i.e., based on direct measurement of the value to the customer of the services transferred to date) as prescribed by IFRS 15.

The output method, including using certain milestones identified (the sale of a premium name and the ongoing obligation to a registered domain name) as the measure of determining the relevant output is considered to best depict the value of the service provided to the end customer. Revenue is therefore recognized as the milestones are achieved either at a point in time once the milestone is achieved or over a period of time on a straight-line basis where the milestone is provided over a period of time.

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

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

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

Any fees charged on a variable basis is not recognized as revenue until each party's performance obligations are met.

Revenue from the sale of brand protection services

Revenue includes revenue from the sale of brand protection services, which arises from fixed fees charged to registrars both for the initial registration and renewals. The fee from the initial registration typically matches the fee from the renewal, subject to promotional discounts.

In considering the revenue recognition for brand protection services, the Group's and Company's existing revenue recognition policy, pursuant to the requirements of IFRS 15 is applied. That policy includes the identification of performance obligations in the contract. Determining whether a single or multiple performance obligations exists requires judgement. The contract with the underlying customer is considered to be a single performance obligation as the benefit of providing contract elements on their own do not provide the intended benefit of brand protection. The entire transaction price as determined is therefore allocated to this performance obligation.

Consideration has been given whether to recognize this revenue on a straight-line basis over the period of the contract, on an input method (i.e., based on the costs incurred) method or output (i.e., based on direct measurement of the value to the customer of the services transferred to date) as prescribed by IFRS 15.

The output method, including using certain milestones identified (verification, creation of variants and blocking) as the measure of determining the relevant output is considered to best depict the value of the service provided to the end customer. The value of each milestone is estimated based on the information available, including third party data.

Revenue is therefore recognized as the milestones are achieved either at a point in time once the milestone is achieved or over a period of time on a straight-line basis where the milestone is provided over a period of time.

In the year, the Directors reviewed the estimates and assumptions that formed the basis of attributing a value to such milestones, resulting in a change in estimate. The change, applied with effect from 1 July 2020, was necessitated by developments in the year that suggested that the values attributable to such milestones is lower than initially estimated. The effect of the change in estimate has been recognized prospectively as the revision of this estimate does not relate to prior periods as it is not the correction of an error.

The change in accounting estimate reduces net profit for the year by \$184k which comprise a reduction in revenue of \$241k and cost of goods sold of \$57k. The impact of this change to future periods is unknown as it is dependent on the billings from such services.

Going concern

The Directors have adopted the going concern basis of accounting in preparing the annual financial statements. Determining whether it is appropriate to adopt the going concern basis requires significant judgement. In making this judgement, the Directors have considered current trading results, the Group's funding level, the asset purchase agreement with GoDaddy Registry to sell, subject to certain conditions precedent, substantially all the Group's Registry assets and business for cash of \$120m and external factors such as the impact of COVID-19.

Leases

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimates and assumptions

Taxes

Deferred tax assets or liabilities are recognized, where appropriate, for unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized, or temporary differences will be subject to future taxes. Significant management judgement is required to determine the amount of deferred tax assets or liabilities that can be recognized, based upon the likely timing, level of future taxable profits and temporary differences subject to future taxes. The carrying value of deferred tax assets or liabilities is nil (2019: \$Nil). Further details on taxes are disclosed in Note 12.

4. Prior period adjustment

In October 2020, the Company determined that as the result of management's override of the Group's internal controls, certain contracts had not been accounted for correctly in 2019, as follows:

- The Company billed \$1,125k in connection with a contract amendment and recognized revenue of \$938k. The Company concluded that the cash sums received pursuant to this contract amendment should have been classified as a deposit against future sales and then recognized as revenue as the Company's partner made sales to end-users. Consequently, the revenue of \$938k that was originally recognized has been reversed and revenue only recognized to the extent that the Company's partner has made sales to end-users.
- Two other contracts totaling \$790k were incorrectly recognized as revenue. These contracts had offsetting payment contracts and as such, the contracts should have been recognized based on the net proceeds received by the Group. The payment contracts had been initially recorded as deferred charges or capital expenditures (Intangible assets and Right-of-use-assets), thereby impacting the timing of earnings. Consequently, the revenue and the associated deferred charges and capital expenditures of \$790k have been reversed.
- Payments made by the Group in 2019 under service contracts totaling \$500k were returned to the Group and incorrectly categorized as a collection of overdue trade receivables. The payment contracts were recorded as deferred charges or capital expenditures, thereby impacting the timing of earnings. The deferred charges and capital expenditures (Intangible assets and Right-of-use-assets) of \$500k have been reversed and the write-off of the overdue receivable recorded as a bad debt expense.

There is no correction or adjustment required to the 2018 financial statements and as such the opening 2019 balance sheet has not been presented. The impact to the 2019 financial statements is summarised below.

GROUP

Impact on the 2019 Profit and Loss account

	As reported \$000's	Adjustment \$000's	As adjusted \$000's
Statement of Profit and Loss (extract)			
Revenue	18,942	(1,715)	17,227
Cost of sales	(3,637)	300	(3,337)
Bad debt expense	(1,433)	(500)	(1,933)
Depreciation and amortisation charge	(1,207)	20	(1,187)
Profit for the year	4,738	(1,895)	2,843
Earnings per share (cents)			
Basic	0.51	(0.20)	0.31
Diluted	0.49	(0.20)	0.29

Impact on the 2019 Balance Sheet

	As reported \$000's	Adjustment \$000's	As adjusted \$000's
Balance Sheet (extract)			
Non-current assets			
Intangible assets	81,494	(100)	81,394
Right-of-use assets	2,673	(130)	2,543
Current assets			
Trade receivables	3,863	(625)	3,238
Prepayments and other receivables	3,626	(131)	3,495
Current liabilities			
Trade and other payables	(5,835)	(1,084)	(6,919)
Deferred revenue	(13,662)	174	(13,488)
Retained earnings and net assets	78,357	(1,896)	76,462

Impact on the 2019 Statement of Cash Flows

	As reported \$000's	Adjustment \$000's	As adjusted \$000's
Cash flow (extract)			
Net cash from operating activities	731	(250)	481
Net cash flows from investing activities	161	100	261
Net cash flows from financing activities	(4,676)	150	(4,526)
Net increase / (decrease) in cash and cash equivalents	(3,784)	-	(3,784)

COMPANY

Impact on the 2019 Profit and Loss account

	As reported \$000's	Adjustment \$000's	As adjusted \$000's
Statement of Profit and Loss (extract)			
Revenue	7,788	(640)	7,148
Cost of sales	(2,585)	269	(2,316)
Bad debt expense	(1,433)	(500)	(1,933)
Loss for the year	(12,614)	(871)	(13,485)

Impact on the 2019 Balance Sheet

	As reported \$000's	Adjustment \$000's	As adjusted \$000's
Balance Sheet (extract)			
Non-current assets			
Intangible assets	39,543	(100)	39,443
Current assets			
Prepayments and other receivables	6,408	(131)	6,277
Current liabilities			
Trade and other payables	(14,861)	(640)	(15,501)
Retained earnings and net assets	72,801	(871)	71,930

Impact on the 2019 Statement of Cash Flows

	As reported \$000's	Adjustment \$000's	As adjusted \$000's
Cash flow (extract)			
Net cash from operating activities	2,302	(100)	2,202
Net cash flows from investing activities	(150)	100	(50)
Net cash flows from financing activities	(3,960)	-	(3,960)
Net increase / (decrease) in cash and cash equivalents	(1,808)	-	(1,808)

5. Operating segments - Group

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and monitoring segment performance is focused on the Group's two business lines: Registry and RSP. These categories are considered the Group's segments under IFRS 8.

Segment revenues and results

	Registry \$000's	RSP \$000's	Unallocated \$000's	Total \$000's
2020				
Revenue				
External sales	16,141	688	-	16,829
Total Revenue	16,141	688	-	16,829
Operating EBITDA	5,536	(396)	17	5,157
Non-operating cost	(1,000)	-	-	(1,000)
EBITDA	4,536	(396)	17	4,157
Amortisation and depreciation				(706)
Finance revenue				0
Finance costs				(461)
Profit before tax				2,990
Income tax				(7)
Profit after tax				2,983
2019 (Restated)	Registry \$000's	RSP \$000's	Unallocated \$000's	Total \$000's
Revenue				
External sales	16,558	669	-	17,227
Total Revenue	16,558	669	-	17,227
Operating EBITDA / EBITDA	4,662	1,042	(894)	4,810
Amortisation and depreciation				(1,187)
Finance revenue				9
Finance costs				(649)
Profit before tax				2,983
Income tax				(140)
Profit after tax				2,843

Other segment information

	Segment assets		Depreciation and amortization	
	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	(Restated) 2019 \$000's
Registry	97,225	97,455	348	714
RSP	2,059	3,361	358	473
Total	99,285	100,816	706	1,187

All assets are allocated to reportable segments. Goodwill has been allocated to the Registry segment as described further in *Note 15*.

Geographic information

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

	Revenue from external customers		Non-current assets		Additions to Non-current assets	
	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	2019 \$000's
British Virgin Islands	8,044	7,887	39,683	40,086	-	-
Ireland	-	-	1,322	1,558	-	-
United Kingdom	688	735	-	-	-	-
Germany	1,037	1,074	394	385	-	-
Hungary	-	-	203	185	-	-
USA	7,060	7,531	45,281	45,253	196	231
China	-	-	17	31	-	-
Total	16,829	17,227	86,900	87,498	196	231

Included in revenues arising from the Registry segment are \$2,869k (2019: \$2,558k) of sales to the Group's largest customer.

The timing of revenue recognition is detailed below:

	GROUP		COMPANY	
	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	(Restated) 2019 \$000's
Timing of revenue recognition				
At a point in time (i.e., 'premium name revenue')	1,251	1,953	1,107	1,779
Over time	15,578	15,274	7,922	5,369
Total	16,829	17,227	9,029	7,148

6. Cost of sales

	GROUP		COMPANY	
	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	(Restated) 2019 \$000's
Third party fees	459	378	264	131
ICANN fees	1,212	1,239	993	866
Marketing	1,081	1,341	958	1,250
Commissions	379	379	103	69
Total	3,131	3,337	2,318	2,316

7. General administrative expenses

		GROUP		COMPANY	
	Notes	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	(Restated) 2019 \$000's
Operating expenses		5,637	5,977	5,574	3,502
Bad debt expense	21	52	1,933	52	1,933
Share-based payment (credit) / expense	26	(143)	1,272	194	969
Employee and other termination costs		707	63	109	-
Foreign exchange (gain) / loss		(148)	(378)	(140)	(230)
Onerous contract provision credit / (charge)	23	-	(1,351)	-	-
Gain on termination of lease	24	-	(299)	-	(59)
Investigation costs		183	-	183	-
Total		6,288	7,217	5,972	6,115

Termination costs consist of severance paid to employees during the year and costs related to supplier contract terminations. No severance or other separation amounts were paid to the Group's former CEO and CFO.

Investigation costs are legal costs in relation to the Board's formal investigation concluded on 29 October 2020 to determine the appropriateness of accounting treatment of certain revenue contracts. The investigation resulted in the restatement of prior year results (Note 4).

8. Other non-operating expenses

The \$1,000k settlement to the vendors of ICM Registry, LLC ('ICM') was pursuant to alleged warranty claims under the acquisition agreement entered into with ICM in 2018. Whilst the Company believes that the alleged claims are without merit, the Directors' concluded a settlement was in the best interest of the Company, allowing it to focus on restoring shareholder value without the distractions of potentially expensive and time-consuming litigation. The amount was paid after the year-end.

9. EBITDA

EBITDA is arrived at after charging/(crediting):

	GROUP		COMPANY	
	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Auditors' remuneration				
- Audit of these financial statements	156	103	156	103
- Review of Interim financial statements	15	15		
- Audit of the financial statements of subsidiaries	5	5	-	-
- Tax compliance	11	11	-	-
- Other services	1	1	-	-
Directors' emoluments – fees and salaries	1,091	818	573	619
Foreign exchange gain/(loss)	148	378	140	230

10. Employee information (excluding directors)

	GROUP		COMPANY	
	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Staff costs comprise:				
Wages and salaries	2,060	2,453	-	-
Monthly average number of employees:				
Back office (Operations, Finance / Legal and IT)	8	14	-	-
Sales and marketing	8	9	-	-
Total average	16	23	-	-

11. Finance costs

	GROUP		COMPANY	
	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Interest on working capital facility	-	137	-	137
Interest and finance charges related to lease liability (refer Note 24)	461	512	114	113
	461	649	114	250

The working capital facility of \$3m was entered into in 2018 and was repaid in full in 2019.

12. Income tax expense

GROUP

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

	2020 \$000's	2019 \$000's
Current tax (charge) / credit	(7)	(140)
Deferred tax	-	-
	(7)	(140)
	2020 \$000's	(Restated) 2019 \$000's
Profit / (loss) before tax	2,990	2,983
Tax at the BVI tax rate of 0%	-	-
Income tax (charge) / credit	(7)	(140)
	2,983	2,843

COMPANY

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

	2020 \$000's	(Restated) 2019 \$000's
Current tax	-	-
Deferred tax	-	-
	2020 \$000's	(Restated) 2019 \$000's
Loss before tax on continuing operations	(10,350)	(13,485)
Tax at the BVI tax rate of 0%	-	-

The British Virgin Islands imposes no corporate taxes or capital gains. However, the Company may be liable for taxes in the jurisdictions where it is operating. The Group tax charge of \$7K (2019: \$140k) relates to operations taxed in their local jurisdiction.

A deferred tax asset or liability has not been recognized in respect of the US and Germany as any deferred tax liabilities from temporary differences are offset by the availability of tax losses.

No deferred tax assets have been recognized in other jurisdictions because there is insufficient evidence of the timing of suitable future profits against which they can be recovered. Tax losses carried forward, which may be utilized indefinitely against future taxable profits amount to \$5.7m (2019: \$6.5m) in Ireland and \$16.4m (2019: \$16.7m) in the United Kingdom.

13. Dividends

No dividends were paid or proposed by the Directors in 2020 and 2019.

14. Earnings per share

The calculation of earnings per share is based on the profit after taxation divided by the weighted average number of shares in issue during the period. Average and diluted number of ordinary shares are as follows:

Number of shares	2020	(Restated) 2019
Profit for the year	2,983	2,843
	2020 million	2019 million
Weighted average number of ordinary shares used in calculating basic loss per share	905.18	922.04
Effect of dilutive potential ordinary shares – share options and warrants	12.35	48.69
Weighted average number of ordinary shares for the purpose of diluted earnings per share	917.53	970.73
Earnings per share	2020	2019
Basic	\$0.33	\$0.31
Diluted	\$0.33	\$0.29

15. Goodwill

GROUP

	Group \$ 000's
31 December 2020 and 31 December 2019	2,828

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination as a result of expected synergies from combined operations. Goodwill has been allocated to the 'Registry' segment (a single 'CGU').

Impairment review

As at 31 December 2020, the Directors carried out an impairment review of goodwill and concluded that no impairment charge is required. The recoverable amount of the CGU that includes goodwill was initially determined from value in use calculations, which included assumptions regarding discount rates and growth rates, using cash flow forecasts based on the most recent financial budgets and extrapolated cash flows into perpetuity.

Following the Groups' announcement on 7 April 2021 that it has conditionally agreed to sell the majority of its assets and business to GoDaddy Registry for \$120m, the Directors concluded that this third party transaction provides stronger evidence that the recoverable amount of the CGU exceeds its carrying value, and that no impairment is therefore required.

16 Intangible assets**GROUP**

	gTLDs \$000's	Software & development costs \$000's	Contract based intangible assets \$000's	Other \$000's	Total \$000's
Cost					
At 1 January 2019	81,210	2,707	4,206	170	88,293
Additions	-	93	-	-	93
Exchange differences	(12)	36	-	-	24
At 31 December 2019 (Restated)	81,198	2,836	4,206	170	88,410
Additions	171	24	-	-	195
Disposal / scrapped	-	(2,490)	(4,206)	(170)	(6,866)
Exchange differences	49	39	-	-	88
At 31 December 2020	81,418	409	-	-	81,827
Accumulated Amortisation and Impairment charges					
At 1 January 2019	-	(2,459)	(4,206)	(170)	(6,835)
Amortisation charge for the year	-	(209)	-	-	(209)
Exchange differences	-	28	-	-	28
At 31 December 2019 (Restated)	-	(2,640)	(4,206)	(170)	(7,016)
Amortisation charge for the year	-	(117)	-	-	(117)
Disposal / scrapped	-	2,490	4,206	170	6,866
Exchange differences	-	(30)	-	-	30
At 31 December 2020	-	(297)	-	-	(297)
Carrying amount					
At 31 December 2020	81,418	112	-	-	81,530
At 31 December 2019 (Restated)	81,198	196	-	-	81,394

COMPANY

	gTLDs \$000'	Software & development costs \$000's	Other \$000's	Total \$000's
Cost				
At 1 January 2019	39,379	106	99	39,584
Additions	-	59	-	59
At 31 December 2019 (Restated)	39,379	165	99	39,643
Additions	-	24	-	24
Disposal / scrapped	-	(54)	(99)	(153)
At 31 December 2020	39,379	135	-	39,514
Accumulated amortisation				
At 1 January 2019	-	(78)	(99)	(177)
Amortisation charge for the year	-	(23)	-	(23)
At 31 December 2019 (Restated)	-	(101)	(99)	(200)
Amortisation charge for the year	-	(42)	-	(42)
Disposal / scrapped	-	54	99	153
At 31 December 2020	-	(89)	-	(89)
Carrying amount				
At 31 December 2020	39,379	46	-	39,425
At 31 December 2019 (Restated)	39,379	64	-	39,443

The Group applies for new gTLDs to ICANN. Successful applications are transferred from other long-term assets to Intangible assets. The Group capitalizes the full cost incurred to pursue the rights to operate gTLDs, including amounts paid at auction to gain this right where there is more than one applicant to ICANN for the same gTLDs.

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

The Group tests its gTLDs annually for impairment, or more frequently if there are indicators that the asset might be impaired.

Impairment review

In 2020 the Group completed a move away from managing its gTLDs as 'clusters', and now manages all gTLDs as a single group to its Registrar partners, highlighting the interdependence of their cash inflows. As a result, all gTLD assets with indefinite lives are allocated to a single CGU.

As at 31 December 2020, the Directors carried out an impairment review of the other intangible assets in the Group's portfolio and concluded that no impairment charges were required. The recoverable amounts of the Group's gTLDs, software, and other intangible assets were initially determined from value in use calculations, which included assumptions regarding discount rates and growth rates, using cash flow forecasts based on the most recent financial budgets and extrapolated cash flows into perpetuity.

Following the Group's announcement on 7 April 2021 that it has conditionally agreed to sell the majority of its assets and business to GoDaddy Registry for \$120m, the Directors concluded that this third party transaction provides stronger evidence that the recoverable amount of the intangible assets exceeds their carrying value, and that no impairment is therefore required.

17. Fixtures and equipment

GROUP

	\$000's
Cost	
At 1 January 2019	391
Additions	38
Exchange differences	(2)
At 31 December 2019	427
Additions	32
Disposals	(405)
Exchange differences	15
At 31 December 2020	69
Accumulated Depreciation	
At 1 January 2019	(332)
Depreciation charge for the year	(28)
Exchange differences	1
At 31 December 2019	(359)
Depreciation charge for the year	(58)
Disposals	405
Exchange differences	(16)
At 31 December 2020	(28)
Carrying amount	
At 31 December 2020	41
At 31 December 2019	68

18. Investment in subsidiaries

COMPANY

	2020 \$000's	2019 \$000's
Investments in subsidiary		
Cost		
At the beginning of the year	41,697	44,269
Movement in the year	10	290
At 31 December	79,606	79,596
Impairment		
At the beginning of the year	37,899	35,037
Charge in the year	6,192	2,862
At 31 December	44,091	37,899
Carrying amount		
At 31 December	35,515	41,697

During the year, the Company attributed \$10k (2019: \$290k) of share option expense to its subsidiaries.

The carrying value of the Investment in subsidiaries exceed the net asset position of the respective subsidiary suggesting an impairment. Of the impairment charge of \$6,192k in 2020 (2019: \$2,862k), \$3,318k (2019: \$1,438k) was allocated to the Registry CGU and \$2,874k (2019: \$1,424k) was allocated to the RSP CGU. The investment in these subsidiaries was impaired to reflect the recoverable amounts, being their net asset positions.

In addition to the impairment charge of \$6,192k (2019: \$2,862k), the Company also impaired inter-company balances of \$3,481k (2019: \$7,894k) giving rise to a total impairment charge of \$9,673k (2019: \$10,757k).

Details of the Company's subsidiaries are as follows:

Name	Place of Incorporation (or registration) and operation	Principal activity	Proportion of ownership interest (%)	Proportion of voting power (%)
Minds + Machines US, Inc. (DE)	US	Holding company	100	100
Minds + Machines LLC (1)	US	Registry	100	100
Minds + Machines LLC (FL) (1)	US	Registry	100	100
Bayern Connect GmbH	Germany	Registry	100	100
Minds and Machines GmbH	Germany	Registry	100	100
Minds + Machines Ltd (Ireland)	Ireland	RSP	100	100
Minds and Machines Ltd (UK)	England & Wales	RSP	100	100
Minds + Machines Registrar Ltd (IE) (2)	Ireland	Dormant	100	100
Minds and Machines Registrar UK Ltd	England & Wales	Dormant	100	100
Minds + Machines Hungary	Hungary	Registry	100	100
Emerald Names Inc (3)	US	Dormant	100	100
Boston TLD Management LLC	US	Registry	99	99
LW TLD Ltd	BVI	Registry	100	100
Beijing MMX Tech Co. Ltd	China	Registry	100	100
ICM (BVI) Ltd.	BVI	Registry	100	100
ICM Registry, LLC (1, 4)	US	Registry	100	100
ICM Registry AD, LLC (5)	US	Registry	100	100
ICM Registry PN, LLC (5)	US	Registry	100	100
ICM Registry SX, LLC (5)	US	Registry	100	100

- (1) Minds + Machines LLC (CA), Minds + Machines LLC (FL), ICM Registry, LLC, ICM Registry AD, LLC, ICM Registry PN, LLC and ICM Registry SX, LLC are direct subsidiaries of Minds + Machines US, Inc (DE).
- (2) Minds + Machines Registrar Limited (Ireland) is a direct subsidiary of Minds + Machines Ltd (Ireland).
- (3) During the year Emerald Names Inc was dissolved.
- (4) ICM Registry, LLC was acquired by the parent entity Minds + Machines Group Limited in 2018. In 2020, as part of a group reorganization, ICM Registry, LLC is now a subsidiary of Minds + Machines US, Inc (DE).
- (5) ICM Registry AD, LLC, ICM Registry PN, LLC and ICM Registry SX, LLC are direct subsidiaries of ICM Registry, LLC.

19. Other long-term assets

GROUP AND COMPANY

	2020 \$000's	2020 \$000's
Application process payments for gTLD applications	185	185

During the gTLD application process payments for gTLD applications are recorded as other long-term assets. These are reclassified as intangible assets once the gTLD strings are available for their intended use, which generally occurs following the delegation of gTLD strings by ICANN.

There is no assurance that MMX will be awarded gTLDs it applies for. In general, MMX does not withdraw its gTLD applications unless the application has not passed the evaluation process and there is no further recourse or there is an agreement to sell or dispose of its interest in the application. If MMX withdraws its application, a portion of the application fee is refundable. Any un-refundable portion is accounted for as an expense. If MMX sells its interest in an application, the profit, net of the un-refundable application fee, is recognized in the profit and loss account as gain on gTLDs auction. In 2019 MMX realized a gain of \$588k.

20. Cash and cash equivalents

Of the Group's total cash balances, \$722k (2019: \$1,741k) are restricted funds, of which \$572k (2019: \$1,592k) is held to fund letters of credit required by ICANN.

Of the Company's total cash balances, \$600k (2019: \$1,620k) are restricted funds, of which \$450k (2019: \$1,470k) is held to fund letters of credit required by ICANN.

21. Trade and other receivables

GROUP AND COMPANY

	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	(Restated) 2019 \$000's
Trade receivables	1,479	3,239	969	1,136
Allowance for doubtful debts	(52)	-	(52)	-
	1,427	3,239	917	1,136
Other receivables (including VAT)	144	1,420	-	187
Prepayments (including partner payments and marketing)	1,910	1,967	1,066	1,663
Accrued revenue	-	59	-	-
Balances due from subsidiaries	-	-	1,522	4,377
Due from joint ventures	-	50	-	50
	2,054	3,496	2,588	6,277
Total	3,481	6,734	3,505	7,413

The loans to subsidiaries are interest free and are repayable on demand. The loans have been classified as current receivables as the directors assess these balances to be recoverable in 2021. The difference between the carrying value and the fair value of the loan at the reporting date is deemed to be immaterial.

	2020 \$000	(Restated) 2019 \$000
Provision for doubtful debt		
At 1 January	-	2,107
Bad debt provision	52	-
Utilization of provision	-	(2,107)
At 31 December	52	-
Additional bad debt write-off	-	1,933

GROUP

	2020 \$000	(Restated) 2019 \$000
Ageing of receivables		
0 – 30 days	992	2,129
31 – 60 days	300	756
61 – 90 days	57	89
91 days and over	130	265
Total	1,479	3,239

COMPANY

	2020 \$000	(Restated) 2019 \$000
Ageing of receivables		
0 – 30 days	687	665
31 – 60 days	117	412
61 – 90 days	54	34
91 days and over	111	25
Total	969	1,136

22. Trade and other payables

	2020 \$000's	(Restated) 2019 \$000's	2020 \$000's	(Restated) 2019 \$000's
Trade payables	181	1,863	72	297
Registrar prepayments	2,333	2,052	195	850
Other liabilities	215	524	118	35
Accruals	3,267	2,234	1,368	1,132
Due to joint ventures	66	246	66	241
Due to subsidiaries	-	-	17,607	12,946
Trade and other payables	6,062	6,919	19,426	15,501
Deferred revenue	13,427	13,488	5,674	5,094
Trade and other payables including deferred revenue	19,489	20,407	25,100	20,595

Deferred revenue references the transactions price allocated to unsatisfied performance obligation. Management expects that 68% (2019: 63%) of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2020 will be recognized as revenue in the next reporting period. The remaining 32% (\$4.3m, 2019: \$5.0m) will be recognized in the years 2022 and beyond.

Of the \$13,488k deferred revenue as at 31 December 2019, \$8.4m was recognized as revenue in 2020.

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

23. Provisions

	Onerous contract provision \$000's
At 1 January 2019	5,774
Payment during the year	(1,396)
Foreign exchange	155
Settlement of onerous contract	(4,533)
At 31 December 2019 and 2020	-

In December 2019, the Group reached a settlement in respect of an onerous contract and paid a full and final settlement of \$5.3m. The settlement removed any obligations for future minimum revenue guarantees and marketing liabilities under the contract.

	2019 \$000'
Release of onerous contract provision	4,533
Release of liabilities relating to onerous contract	2,098
Total liabilities released	6,631
Payment to settle onerous contract	(5,280)
Gain on settlement of onerous contract	1,351

24. Leases

	Right-of-use Assets			Lease Liabilities	Right-of-use Assets	Lease Liabilities
	GROUP			COMPANY		
	Registry Platform \$000's	Property Leases \$000's	Total \$000's	Lease Liabilities \$000's	Registry Platform \$000's	Lease Liabilities \$000's
A 1 January 2019	2,328	119	2,447	3,574	678	1,065
Additions	865	244	1,109	1,259	258	258
Depreciation and amortisation expense	(874)	(76)	(950)	-	(264)	-
Gain on termination of lease				(299)		(59)
Interest expense	-	-	-	512		113
Lease payments	-	-	-	(1,036)		(383)
Foreign exchange	(19)	(44)	(63)	(63)	-	-
At 31 December 2019 (Restated)	2,300	243	2,543	3,947	672	994
Additions	-	-	-	-	-	-
Depreciation and amortisation expense	(434)	(81)	(515)	-	(93)	-
Interest expense	-	-	-	456	-	114
Lease payments	-	-	-	(787)	-	(127)
Foreign exchange	110	(6)	104	211	-	-
At 31 December 2020	1,976	156	2,132	3,827	579	981

	GROUP		COMPANY	
Lease Liabilities	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Current	972	907	197	197
Non-current	2,856	3,040	784	797
Total	3,827	3,947	981	994

25. Share capital and premium

Called up, allotted, issued and fully paid ordinary shares of no par value	Number of shares	Price per share (cents/pence)	Total \$ 000
As at 1 January 2019	796,556,797		68,912
Shares issued:			
Issued for the acquisition of ICM Registry, LLC	128,300,765	9.2c/6.9p	11,745
Share buy back	(5,837,160)	7.5c/5.9p	(440)
31 December 2019	919,020,402		80,217
Share buy back	(42,991,406)	6.6c/5.1p	(2,846)
31 December 2020	876,028,996		77,371

Subsequent to the year end the Company bought back a further 545,988 ordinary shares at an average price of 7.3c/5.6p for an aggregate of \$30k.

26. Share-based payments

Share-based payment expense	2020 \$000's	2019 \$000's
Equity settled share-based compensation	(143)	1,272

Directors and Employees Share Option and RSU Plans

	2020		2019	
	Number of share options/ RSUs	Weighted average exercise price (cents/pence)	Number of share options/ RSUs	Weighted average exercise price (cents/pence)
Outstanding at 1 January	63,900,000	1.5c/1.2p	50,700,000	2.2c/1.7p
Granted	25,168,600	Nil	28,500,000	Nil
Forfeited	(47,862,399)	Nil	(300,000)	Nil
Repurchased	(6,840,475)	0.4c/0.3p	-	N/A
Expired	(21,362,500)	4.1c/3.1p	(15,000,000)	Nil
Outstanding at 31 December	13,003,226	0.6c/0.5p	63,900,000	1.5c/1.2p
Exercisable at 31 December	3,593,226	2.3c/1.7p	9,150,000	1.2c/0.9p

The weighted average remaining contractual life of outstanding options and RSUs at 31 December 2020 is 2.8 years (2019: 1.2 years).

Granted

During the year, 25,168,600 (2019: 28,500,000) options and RSU's were issued to the Executive and employees. The aggregate estimated fair value of these options and RSUs is \$2,024k (2019: \$2,122k) which was determined by reference to the share price on the date of grant as the exercise price of such options is nil. The weighted average fair value of the options/RSUs granted is 8.1c/6.3p (2019: 7.4c/6.0p).

Options and RSUs issued under the Company's plans generally vest over a 3 year period subject, in part, to achieving certain cash generation or share price targets. 400,000 share options issued during the year vested immediately. Some options and RSUs become exercisable on a change of control, including the sale of substantially all the Group's assets.

Forfeited

During the year, 46,000,000 options and RSU's were forfeited upon the departure of the former Executive team and a further 1,862,399 were forfeited on termination of certain employees as part of restructuring the business. The associated share-based payment charge was reversed through the profit and loss.

Repurchased

During the year, the Group repurchased 6,840,475 share options and RSUs at 4.4c/3.4p per option/RSU for an aggregate amount of \$305k. This buy back was treated as a modification of share-based payments from equity settled to cash settled. The amount payable under this settlement had been recognized as an expense in prior years and therefore does not impact the profit and loss account in the current year. Instead, the amounts paid directly reduce retained earnings.

After year end the Group repurchased a further 2,343,226 employee options and RSUs at 6.6c/5.9p per option for an aggregate of \$154k.

Expired

During the year 21,362,500 options and RSUs expired unexercised.

Warrants

During the year nil (2019:10,500,000) warrants to purchase ordinary shares expired unexercised. No warrants were exercised in 2020 and 2019.

As of 31 December 2020, there were 650,000 outstanding unexercised warrants in issue, which expired on 18 March 2021, with an exercise price of 15p.

27. Financial instruments

Capital risk management

The Group and Company manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity ratio.

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

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

The Group and Company's strategy is to ensure availability of capital that matches the profile of the Group and Company's expenditures. To date the Group has principally relied on cash flows from operations and equity fund the business.

The Group and Company do not use derivative financial instruments for hedging purposes and therefore are exposed to changes in market rates in respect of foreign exchange risk. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

Categories of financial instruments

GROUP

Financial Instruments	2020 \$000's	2019 \$000's
Cash and bank balances	8,904	6,583
Financial assets at amortized cost	2,991	8,903
Investments in equity instruments at FVTOCI	-	-
Financial liabilities at amortized cost	396	3,335

COMPANY

Financial Instruments	2020 \$000's	2019 \$000's
Cash and bank balances	5,342	3,589
Financial assets at amortized cost	3,646	7,731
Investments in equity instruments at FVTOCI	-	-
Financial liabilities at amortized cost	17,829	13,456

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

Financial risk management objectives

The Group and Company's finance function provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages financial risks related to the operations of the Group and Company.

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

Market risk

The Group and Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. This risk is managed by maintaining cash and cash equivalents in the foreign currencies it operates in. Management has not established a financial instruments policy for managing the Group and Company's exposure to interest rates and foreign currency risk.

Foreign currency risk

The Group and Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group and Company aims to maintain foreign currencies sufficient to match expenditures in foreign currencies. The carrying amount of the Group and Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows.

GROUP

	Liabilities		Assets	
	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Sterling	-	1,055	1,667	53
USD	263	2,216	8,704	13,896
Euro	133	64	1,429	1,509
CNY	-	-	95	29
At 31 December	396	3,335	11,895	15,487

COMPANY

	Liabilities		Assets	
	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Sterling	-	-	1,653	1,180
USD	16,572	12,326	6,313	8,914
Euro	1,257	1,131	1,022	939
CNY	-	-	-	287
At 31 December	17,829	13,457	8,988	11,320

Foreign currency sensitivity analysis

The following table details the Group and Company's sensitivity to a 10% increase and decrease in the US Dollar against relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. A negative number below indicates a decrease in profit or loss and other equity if the US Dollar strengthens 10% against the relevant currency. For a 10% weakening of the US Dollar against the relevant currency, there would be a comparable inverse impact on the profit or loss and other equity.

GROUP

	Pound Sterling impact		Euro impact		CNY impact	
	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Profit or loss (i)	(167)	(111)	(157)	(157)	(9)	(3)
Other equity (ii)	-	-	-	-	-	-
	(167)	(111)	(157)	(157)	(9)	(3)

COMPANY

	Pound Sterling impact		Euro impact		CNY impact	
	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's	2020 \$000's	2019 \$000's
Profit or loss (i)	(165)	(118)	(228)	(207)	-	(29)
Other equity (ii)	-	-	-	-	-	-
	(165)	(118)	(228)	(207)	-	-

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

Interest rate risk

The Group and Company's exposure to interest rate risk is limited to cash and cash equivalents held in interest-bearing accounts. As at 31 December 2020 the Group has no borrowings.

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and the Company's financial assets are comprised of receivables, cash and cash equivalents, and other long-term assets and the exposure of the Group and the Company to credit risk arises from default of its counterparties, with maximum exposure equal to the carrying amount of these assets.

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

The credit risk on other long-term assets is limited as the amount is a deposit with a well-funded, government sponsored global organization that is contractually required to return a portion of these deposits if requested.

The credit risk on receivables is relatively low due to the fact that the business either deals with customers who pay in advance or that are known to the business (i.e., ICANN accredited domain name registrars). The level of receivables is controlled through regular monitoring. Management reviewed and assessed the Group's and the Company's financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort, in accordance with the requirements of IFRS 9, to determine the credit risk of the respective items at the date they were initially recognized. See Note 21 for further details on the Group and Company's bad debt provision.

The Group and Company do not hold any collateral as security other than as disclosed in Note 20.

Liquidity risk management

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

Cash forecasts are regularly produced to identify the liquidity requirement for the Group and Company. The Group has relied on its profitability to finance its operations. The Group and Company have no borrowings as at 31 December 2020 and 2019. A \$3 million working capital facility entered into in 2018 was repaid in full in 2019.

The Group and Company had no derivative financial instruments as at 31 December 2020 and 2019.

28. Commitments

As at 31 December 2020 and 31 December 2019, the Group and Company have no capital commitments.

29. Related party transactions

Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties, have been eliminated on consolidation. Transactions between the Group and its Joint ventures are disclosed below.

Joint ventures

During the year, the Group and the Company entered into transactions with its Joint Ventures that resulted in amounts owed to or due from the Joint Ventures as set out below. The balances are repayable on demand.

GROUP AND COMPANY	2020 \$000	2019 \$000
Due to Entertainment Names Inc	-	212
Due to Dot Country LLC	(66)	(66)

Remuneration of Key Management Personnel

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

Executive Directors' Remuneration

Executive Directors' emoluments

	Fees / Basic Salary \$ 000's	Benefits in kind \$ 000s	Bonus \$ 000's	2020 Total \$ 000s	2019 Total \$ 000s
Bryan Disher	30	-	-	30	-
Michael Salazar	275	67	135	477	352
Toby Hall	275	-	135	410	368
	580	67	270	917	720

Executive Directors' share options

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

	1 Jan 2020	Granted	Forfeited	Exercised	Expired	31 Dec 2020
Michael Salazar (1)	21,000,000	5,000,000	23,000,000	-	(3,000,000)	-
Toby Hall (2)	21,000,000	5,000,000	23,000,000	-	(3,000,000)	-
Bryan Disher (3)	-	400,000	-	-	-	400,000
Total	42,000,000	10,400,000	46,000,000	-	(6,000,000)	400,000

- (1) At the beginning of the year 21,000,000 RSUs were outstanding, of which 3,000,000 expired during the year. During the year, 5,000,000 RSUs were granted which would vest based on a combination of three-year (2020 through 2022) operating cash generation targets and a measure of total shareholder returns and become exercisable on the publication of the Group's 2022 financial statements. Concurrent with his resignation on 29 October 2020, all outstanding RSUs were forfeited.
- (2) At the beginning of the year 21,000,000 nil priced share purchase options were outstanding, of which 3,000,000 expired during the year. During the year, 5,000,000 nil price options were granted which would vest based on a combination of three-year (2020 through 2022) operating cash generation targets and a measure of total shareholder returns and become exercisable and become exercisable on the publication of the Group's 2022 financial statements. Concurrent with his resignation on 20 October 2020, all outstanding share options were forfeited.
- (3) Bryan Disher was appointed interim CFO on 29 October 2020. As part of his compensation, he is granted 200,000 nil priced options per month. These options vest upon issue.

Recharged costs and services

During the year, the Company and its subsidiaries provided services to the Company and recharged certain costs to the Company as follows:

Recharged costs and services from	2020 \$000's	2019 \$000's
Minds and Machines LLC	3,166	2,878
Minds + Machines Limited (IE)	1,452	180
Minds and Machines Group Limited	1,482	134

Intercompany Balances

In addition, during the year, the Company provided financing to its subsidiaries. The net balances due to the Company / (to its subsidiaries) are detailed below. The balances are repayable on demand.

Company	2020 \$000's	2019 \$000's
Minds and Machines LLC	(2,247)	(4,237)
Bayern Connect GmbH	407	377
Minds and Machines GmbH	615	560
Minds + Machines Limited (IE)	(1,257)	(1,130)
Minds + Machines Registrar Limited (IE)	-	-
Minds and Machines Limited (UK)	139	1,097
Minds and Machines Registrar UK Limited	-	9
Emerald Names, Inc	-	86
Minds + Machines (FL)	(814)	(682)
Minds + Machines, Inc.	-	5
Minds + Machines Hungary	-	329
Dot Law, Inc.	-	-
Boston TLD Management LLC	-	1,539
Beijing MMX Tech Co. Ltd	-	287
ICM Registry, LLC	(11,726)	(6,863)
ICM Registry AD, LLC	116	29
ICM Registry PN, LLC	129	29
ICM Registry SX, LLC	115	29
ICM BVI, LLC	(1,563)	-

Corporate Information

Registered number

1412814 registered in
British Virgin Islands

Directors

Tony Farrow
Chief Executive Officer

Bryan Disher
Interim Chief Finance Officer

Guy Elliott
Interim Executive Chairman

Henry Turcan
Non-Executive Director

Company Secretary

One Advisory
201 Temple Chambers
3-7 Temple Avenue
London EC4Y 0DT
United Kingdom

Registered Office

Craigmuir Chambers
Road Town, Tortola
British Virgin Islands
VG 1110

Website

www.mmx.co/about/overview

Auditor

Mazars LLP
Tower Bridge House
St. Katharine's Way
London E1W 1DD
United Kingdom

Solicitors

Hill Dickinson LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2EW
United Kingdom

Nominated Advisor and Broker

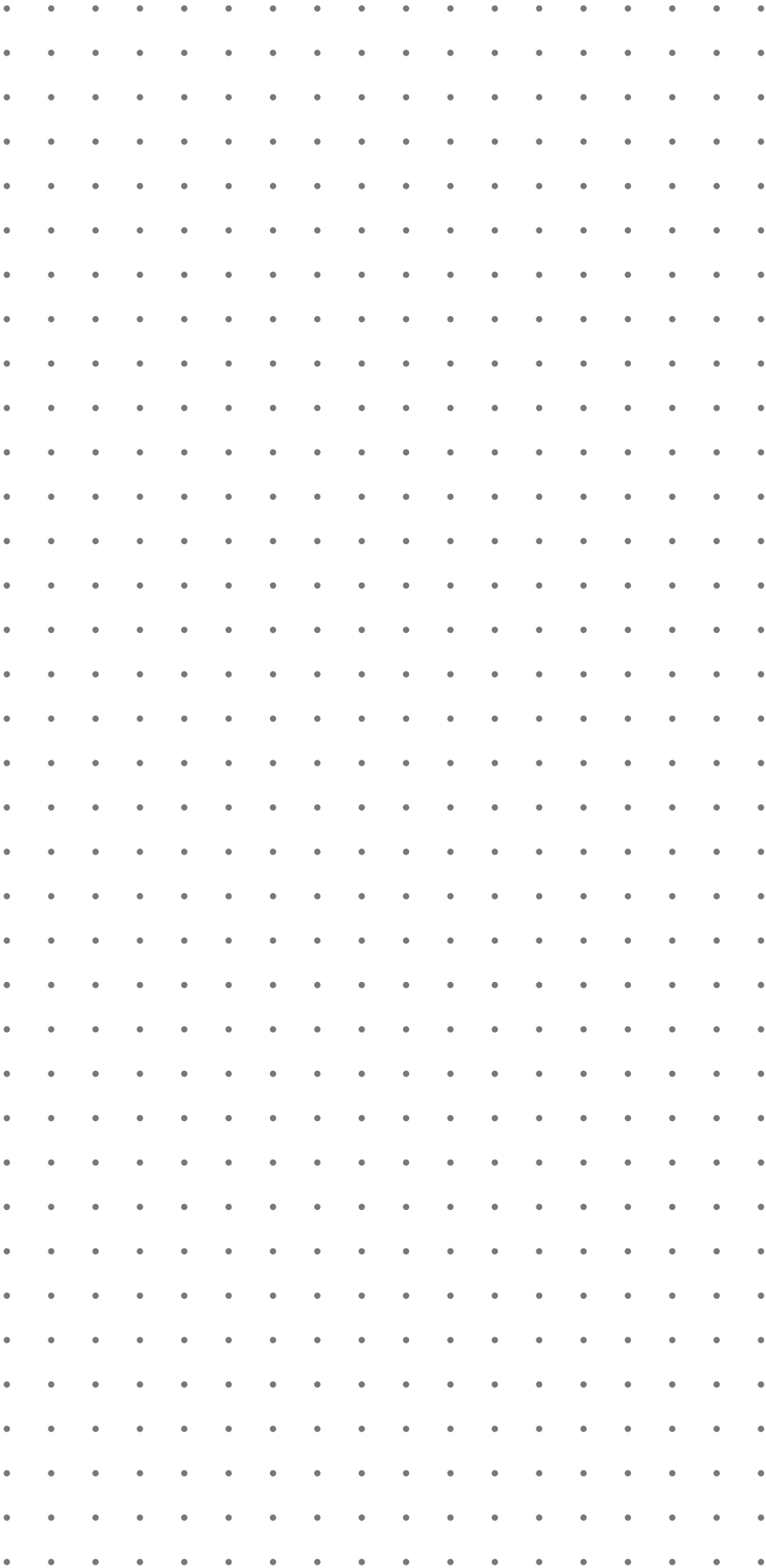
finnCap
60 New Broad Street
London
England
EC2M 1JJ

Registrars

Computershare Investor Services
(Channel Islands) Ltd
PO Box 83
Ordnance House,
31 Pier Road
St Helier JE4 8PW
Channel Islands

Principal Bankers

Silicon Valley Bank
15260 Ventura Blvd #1800
Sherman Oaks
CA 91403
United States of America



Minds + Machines Group Limited

2505 2nd Ave
Suite 520
Seattle, WA 98121
investors@mmx.co