Minds + Machines Group Limited

Annual Report and Accounts for the year ended
31 December 2015

Minds + Machines Group Limited

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

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

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Chairman’s Statement

As a co-founder of the business, I was pleased to be invited back onto the Board in July 2015 and then subsequently appointed non-executive chairman in January 2016.

Looking back on 2015, the year can be characterized as a period of protracted rationalization of the Company – commencing with a first round of headcount reduction in June 2015 which saw overall staffing levels reduced from its peak of 61 down to 43 at the year-end. Post year-end that number had further reductions with an expectation that personnel will drop to below 25 on a like-for-like basis on completion of the Nominet and Uniregistrar agreements announced in April 2016.

However, the area where this rationalisation was most visible was at the Board level. A total of 6 people are no longer with the Board. The end result is that there is now a tight and cohesive Board of four (including a representative from our largest institutional shareholder) in place, which is fully aligned with the interests of our Shareholders. Throughout this process, I wish to thank our institutional shareholders for their support. A direct benefit of this Board restructuring, is that the run-rate for the board of director costs is now $0.7 million compared to a total of $2 million in 2015 and a culture of over-compensation in a period of low revenues has been stopped. More importantly, we now have the right-sized the board in line with our slimmed down operations, and have appointed a CEO who is driving marketing and business development. We now have a board and management team committed to achieving the highest levels of operating efficiency in order to realize value for our shareholders.

“We now have a board and management team committed to achieving the highest levels of operating efficiency”

Setting the foundations for growth

Cost cutting is a necessity, but alone is not a sufficient strategy. Growth requires a coherent strategy, executed with vigor. As shareholders will have seen, following the announcement in February of Toby Hall as CEO and Michael Salazar as COO in January, a clear strategy is being evidenced through a series of defining actions.

1. The effective closure of our registrar business which was not only loss-making but created unnecessary tensions in the registrar channel – the primary channel through which we as a registry can sell our inventory;
2. The outsourcing of our registry operations to Nominet, a world-class operator and ICANN’s only active Emergency Back-end Registry Operator;
3. The effective renegotiation of key contracts that negatively impacted our 2015 results;
4. The roll-out of a coherent launch strategy into China where revenue will not be sacrificed simply for market share;
5. A clear philosophy of partnership as a mechanism through which to drive growth in our underlying domains – the benefits of which, we believe, will start to be evidenced in H2 2016;
6. The aligning of our resources to be a marketing led registry; and
7. The re-branding of the business.

Chairman's Statement

(continued)

For the above reasons, I and the Board have every confidence that business is now in a position where it can start to scale both in terms of domains under management and, most importantly, in terms of revenue and profitability.

Share Buyback Programme

On 22 September 2015, the Company announced a share buy-back programme of up to £15 million ($23 million) over the following twelve months. To date, £6.8 million has been spent repurchasing 79,523,368 ordinary shares, which have all been cancelled. The Company will continue to repurchase ordinary shares when it sees value in doing so, up to a maximum of 15% of the ordinary shares in issue on 22 September 2015 and is allowed to do so under the AIM rules.

To conclude, we have an excellent portfolio of assets; are operating in an industry that is beginning to see remarkable growth; are migrating our back-end onto a rock-solid platform that will allow us to benefit from the large economies of scale already achieved by our partner; and have an extremely strong debt-free balance-sheet.

We look forward to the coming quarters with renewed energy and confidence.

Guy Elliott

Non-executive chairman

Date: 26 April 2016

CEO's Statement

We are operating in exciting times. At the time of this writing registrations in new gTLDs have passed 16.9 million with China accounting for a significant percentage of total growth.

We are seeing major brands readying themselves to launch significant initiatives based around new gTLDs as well as new-start/SME businesses embracing in geo TLDs.

We are also seeing the first signs of corporate activity as fellow portfolio players start casting their eyes over independently owned TLDs that, for whatever reason, may not have performed in line with the original applicant's expectations.

And finally we are seeing the major registrars, a number of whom are now on public exchanges, aggressively competing for sales and customers in the US and Europe with gTLDs increasingly being marketed.

It creates a vibrant back-drop into which to be effectively re-launching MMX as a sales and marketing-led registry.

Core to this strategy of being a pure-play registry is a philosophy of partnership: a strategy of working with the best partners so as to reduce our central overheads and achieve both marketing reach and operational scale at every point along the way.

"It creates a vibrant back-drop into which to be effective re-launching MMX as a sales and marketing-led registry"

Transitioning into a pure-play registry

As shareholders will have noted, early this month we were pleased to announce the transformative agreements to outsource our technical back-end to Nominet, operator of the .uk family of domains, and to transition the client-base of our registrar operations onto Uniregistrar.

These two deals effectively allow us to transition from being a vertically integrated business that owns, operates, and retails domains within our TLDs into a pure-play registry business.

The rationale for this is that we believe that we can return the greatest value to shareholders, both in the short and long-term, as an owner of assets (registry) rather than additionally operating the technical back-end and then retailing names within our domains to the public.

As a pure-play registry, it will allow MMX to be more clearly benchmarked against fellow pure-play registries at a time when we see technical back-end providers increasingly having to operate in an ever-more price competitive, commoditized environment with the inevitable downward pressure on margins.

In relation to our registrar, the registrar models that are winning are sophisticated capital intensive and require a focus and specialization of their own; others are far better placed than ourselves to succeed in that market. More importantly, as an owner of top-level domains, we want to be actively partnering with the retail channel (registrars) internationally – not creating the perception that we are competing with them. By effectively closing our own loss-making registrar, we immediately remove a tension point as well as achieving meaningful operational savings as we look to cross over-over into operational profitability.

On a like-for-like basis, through effectively outsourcing our technical back-end and closing down our registrar operation, we expect to be able to deliver annualized operational savings of approximately $5.5 million from the highs of 2015. These savings, combined with growing revenues and repurposing of resources, will provide us the necessary head-room to invest in registry sales and marketing.

More importantly, by partnering with a world-class operator in Nominet, we can both compete aggressively on price, should we choose, and scale – without compromising on quality.

CEO's Statement

(continued)

Developing domains under management and revenue growth

As of the end of February 22, 2016, the date of my appointment, our domains under management stood at 292,000, up 5 per cent on the year-end, while domain billings for 2015 were $7.9 million. Both domains under management and revenues have to be significantly grown in the current year.

The focus of management is therefore now on rapidly energizing the sales and marketing activity across our portfolio. Launching our first marketing orientated corporate website, mmx, on 8 April 2016, was a clear external signal of this intent.

More meaningfully, I am pleased to report the following sales and marketing progress in key areas of our portfolio in our key regions – Asia, US and UK/Europe.

China

On 17 May 2016, .vip will go into General Availability. Based on the enquiries received during Sunrise and feedback gained through our two recent marketing trips to China, it is clear that there is genuine interest in the domain both within and outside of China. As a result, we will not be using a year-one freemium approach to simply inflate year-one registrations. Instead, we intend to be keenly priced to ensure margin to ourselves - and registrations – as well as protect the integrity of the domain. The volume we anticipate to be generated through keen pricing will then support the sales of our premium names in this domain.

I would also like to take this opportunity, on behalf of the Board, to thank our China Special Advisor, David Weill, our Chairman, Guy Elliott, and in-country partners Allegravita and ZDNS for their valuable support in the formulation and execution of the .vip launch strategy in China.

US

The US remains a major, but in comparative terms, untapped market for new gTLDs. We are therefore encouraged by the increasing activity by major registrar groups in the US to promote new gTLDs and their willingness to explore new business models currently being developed by MMX to grow customer bases across our portfolio of domains.

We also believe our two geo domains in the US, .miami and .boston, significantly enhance our reputation and leverage in the local market. We therefore look forward to the launch of .boston, expected in H2 following the completion of the ICANN requirements.

.law

Billings from .law sales to 31 December 2015 were $2.4 million. Based on Q1 sales of 2016 – it is evident there there is a need to commit greater sales resources to the project to continue to drive standard registrations. To that end, I am pleased to report additional sales resources for .law are now being deployed.

UK

Following the signing of the Nominet RSP agreement on 8 April, I am pleased to report we are already seeing additional scope for marketing collaboration with Nominet across our portfolio given its extensive membership comprising over 2,800 registrars and resellers in the UK. We are therefore hopeful to be able to see the first buds from such a collaboration in H2. It is also encouraging to see an increasingly commercial and flexible approach from London & Partners, our Dot London partners, which bodes well for the future development of this domain.

CEO's Statement

(continued)

Continental Europe

A characteristic of the local German market is the strength of regionally focused media groups – as well as businesses. The opportunity in Germany is therefore to develop commercial relationships into these groups to develop awareness for .nrw and .bayern so as to complement the year one registrations achieved to date.

Right-sizing our internal resources and office locations

It is evident that transitioning a technically-focused, vertically-integrated registry-to-registrar business to a sales and marketing led registry company, will require our human resources to be prudently transitioned as sales & marketing initiatives and revenues grow. We likewise need to recognize that our resources should be located to allow us to both operate in the most efficient manner so as to best serve the needs of clients and distribution partners in our core markets in Asia, the US and Europe. To that end a full operational review is already underway and will conclude in Q2.

Growing our portfolio

At the year-end our cash reserves stood at $34.7 million. We currently have 8 contested applications, a number of which we anticipate will be resolved via private auction. We also continue to monitor the progress of TLDs already launched to identify opportunities where we believe we have the ability to add value. Similarly, we will look to monetize assets via third parties assets where the Board can see no strategic importance in these assets to the development of our portfolio.

Conclusion

We see partnership as the governing principle by which we, as a registry business, can engage with the appropriate audiences to grow our domains under management and revenues. We are confident that the major steps we have taken over the last eight weeks to transform our business provides us with an exceptional platform to exploit the true potential of our portfolio. It is a privilege to have the full support of the Board and our investors as we embark on this journey.

Toby Hall

CEO

Date: 26 April 2016

COO's / CFO's Statement

As announced in the interims, the expectations for a significant revenue increase in the operating part of our business in H2 2015, were broadly realized. Total billings for the second half increased to $5.9 million, up from $2 million in the first half of the year, buoyed by the annual renewals for a number of our top-level domains (TLDs) in the period, including .london, as well as our successful launches of .law and .miami.

However, billings of $7.9 million for the year were simply not of a sufficient scale to cover the associated cost of sales ($6.2 million) and operating expenses ($12.2 million), which combined reached $18.4 million for 2015. Similarly, the $0.6 million savings achieved in the period by the decisions mid-year to stream-line the existing operational set-up were not of a magnitude to have any material impact in the year under review. That said, forfeited cost of sales and operational expenses as a result of the 2015 cost-cutting decisions will amount to $2.7 million in 2016 (see notes 3 & 4).

It is for these reasons that the newly constituted executive team has aggressively moved forward, post year-end, with the restructuring of the business through the Nominet and Uniregistrar agreements. We believe these two agreements will deliver more than $2 million of savings in relation to the running of our technical operations on a like-for-like basis when fully implemented. This will in turn provide us scope to resource-up in the appropriate areas as revenues grow. However, we do not anticipate the migrations onto the two new platforms to complete before Q4.

"The newly constituted executive team has aggressively moved forward, post-year end, with restructuring of the business"

In 2015 we also settled 9 contested gTLDs, losing 6 private auctions and 1 ICANN auction, which resulted in a gain of $7.9 million while growing our portfolio by adding .dds. We also lost an ICANN auction for .app, which sold for over $25 million to Google. During the year we reached a cash peak of just over $49 million as a result of billings, private auction proceeds, and our cash balances coming out of 2014.

The substantial cash balance has allowed the Board to implement a share buyback program while continuing to maintain enough funds to possibly acquire additional TLDs via future private auctions or as other opportunities arise. In September 2015 the Board earmarked $23 million (£15 million) to buyback shares in the open market over the following twelve months. By year end the Company had spent $9.05 million (£6.05 million) to repurchase 68,864,800 shares. Post year-end, a further $1.17 million (£0.81 million) was spent repurchasing 10,658,568 shares lowering our issued share capital from 835,969,485 to 756,446,117 ordinary shares. The Company will continue to repurchase ordinary shares when it sees value in doing so, up to a maximum of 15% of the ordinary shares in issue on 22 September 2015.

Restructuring

The engineering investments made in 2014 carried over into 2015 as the Group continued at that time to focus on being a vertically integrated company and building all of its systems in-house. As a result of this approach the group saw ongoing overall costs increase significantly to an annualized peak rate in May of $11.7 million of which personnel costs alone accounted for $7.0 million.

Spurred by investors, the Board began the process of re-evaluating the Company's overall strategy and defining its core business post the board changes last May.

COO’s / CFO’s Statement

(continued)

In June 2015, the first round of headcount reduction began as total personnel went from its peak of 61 personnel in May to 43 personnel at year-end. Post year-end, with outsourcing plans now being put in place, the Company has already begun to further reduce systems & engineering/development overhead by removing additional personnel, removing equipment-leasing costs, lowering rents, and consolidating third party software costs. Once the migration is complete the Company expects to have reduced annualized costs by approximately $4.7 million on a like-for-like basis and by approximately $5.5 million from our May peak.

As part of the above rationalization and subsequent restructuring, customer support processes, systems, and personnel have also been re-evaluated resulting in the streamlining of certain processes ahead of the impending outsourcing of registry and registrar customer service functions.

As indicated in the CEO’s statement, there are also clear areas of under resourcing - particularly in our registrar development and marketing support teams - where investment will be required. Wherever relevant, we will be adopting a partnering model so that we can access highly skilled third party resources as well as utilizing short term contracts to reduce long-term overhead/personnel costs. This is already proving a successful formula as we are now seeing promising results with our Chinese partners as we grow our presence in China.

Premium names

In H2 2015 the Company began to focus more heavily on sales of its substantial premium name inventory. In early H2 the Company made a significant investment to staff up its sales teams growing personnel from 4 in May 2015 to just over 13 individuals during the year. However, as with any sales teams, clear sales objectives must be met and sales personnel held accountable. Accordingly, since the year-end, the Executive team has removed a number of non-performers while retaining its best performers to continue to stimulate sales. However, much of their focus is now on stimulating third party channels to drive inbound enquiries rather than outbound selling. At the year-end, premium sales accounted for 38% of total billings ($2.6m), up $1.3 million on 2014 – the majority of sales resulting from inbound enquiries rather than outbound sales activity. We expect to grow the premium sales-team as sales goals are surpassed.

2015 Financial Highlights

	FY 2015 $’000	**FY 2014 $’000**	**Percentage change**
Billings (1)	**7,922**	5,028	58%
Cost of sales	**(6,223)**	(4,659)	34%
Gross cash profit	**1,699**	369	360%
Cash expenditure			
Operating expenditure	**(12,156)**	(13,142)	(8%)
Profit on gTLD auctions	**7,943**	33,721	(76%)
Adjusted EBITDA (2)	**(2,514)**	20,948	(112%)

COO's / CFO's Statement

(continued)

As reported in the Group Statement of Comprehensive Income	FY 2015 $'000	FY 2014 $'000	Percentage change
Operating EBITDA	**(5,500)**	23,167	(124%)
Total (loss) / profit	**(9,997k)**	22,057	(145%)
Basic (loss) / earnings per share	**(1.20) cents**	2.73 cents	(144%)
Diluted (loss) / earnings per share	**(1.20) cents**	2.67 cents	(145%)

As reported in the Group Statement of Financial Position	FY 2015 $'000	FY 2014 $'000	Percentage change
Intangible assets	**41,291**	40,597	2%
Other Long Term Assets	**3,448**	5,982	(42%)
Cash & Cash Equivalents	**34,651**	45,796	(24%)
Net Assets	**79,027**	94,685	(17%)

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

(2) Earnings before interest, tax, depreciation & amortisation and other non-cash charges where earnings are calculated on the basis of billings as opposed to accounting revenue

In 2015, billings increased by 58% to $7.9 million from $5 million the previous year, which reflects new gTLD launches in the year and a full year of operation for TLDs launched in 2014. Cost of sales, however, also increased as a result of increased activity resulting in a gross cash profit of $1.7 million representing a 21% gross cash profit margin, an increase of 360% over 2015 (where gross cash profit margin was 7%).

Meanwhile, operating expenditure decreased by 8% to $12.2 million, an effect of the initial round of restructuring within the year, which will deliver a $2.7 million saving in the current year.

However, revenue from private auctions in the year fell to $7.9 million compared to $33.7 million in 2014 reflecting the reduced number of our gTLD applications being resolved via the private auction process in the period.

The decline in adjusted EBITDA to a loss of $5.5 million is primarily as a result of the decrease in profit on gTLD auctions. Excluding the auctions, EBITDA on operating activities effectively improved by $2.3 million to a loss of $10.5 million in 2015 compared to a loss of $12.8 million in 2014.

On a consolidated basis, the total loss for the year is $10 million compared to a profit of $22.1 million in 2014.

Regarding the Group's cash reserves, as a result of the share buyback and net outflow from operating activities, cash reserves as at 31 December 2015 stood at $34.7 million compared to $45.8 million as at 31 December 2014. This reduction primarily reflects the $9.1 million committed towards the share buy back programme in the period and net outflows of $10.7 million to cover operating activities. In 2014, net outflows from operating activities were $0.8 million higher at $11.5 million. Cash inflows in the year were boosted by $9.2 million as a result of our participation in six private auctions.

COO's/CFO's Statement

(continued)

Looking Ahead

We still have an interest in 8 contested TLDs and would expect some of these to be resolved via private auction process in the year. We likewise have several new top-level domains to launch such as .vip and .boston, and are confident about the contribution new markets such as China can deliver in the near term. We also will be investing to build up our distribution partner and registrar partner network so as to drive sales in H2 and throughout 2017. Most importantly, we look forward to the cost reductions coming into play as a result of our focus on being a pure-play registry business. As a result, we believe we are now structurally well placed to convert into a business with a low ongoing cost base, and a clear strategy for driving profitable growth across our key regional markets.

Michael Salazar

COO / CFO

Date: 26 April 2016

Summary Information

About Us

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

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Strategic Report

To the members of Minds + Machines Group Limited

Cautionary statement

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

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

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

Strategic Report

(continued)

Review of the Group's Business

The Business Model

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

In total, 23 of the 34 uncontested domains in which the Group has a commercial interest have entered General Availability, resulting in the Group having over 279,000 domains under management at the year end.

The Group currently has an interest in 8 contested generic top-level domains (gTLDs). The Group:

- Wholly-owns, or majority owns, 7 contested gTLDs; and
- Is in partnership for one gTLD.

Registry Business

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

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

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

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

Registry Service Provider

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

Strategic Report

(continued)

Minds + Machines Group provides RSP services to its external new gTLD clients as well as for its own new gTLDs. Minds + Machines Group's RSP third-party clients typically pay the greater of a minimum annual fee and/or a per domain name fee for standard registrations, an additional fee for premium names, as well as other services.

Post-year end, the subsidiary of the Group providing RSP services whilst still remaining the RSP of the group has entered into an agreement to outsource its technical platform (software registry systems and underlying databases, together with its back-up systems and disaster recovery plans) to Nominet under the Group's on-going restructuring plan.

Registrar Business

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

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

As the Group transitions into a pure-play registry, post balance sheet, the Group has entered into an agreement with Uniregistrar to transition the client-base of our registrar operations to theirs.

As part of the registrar business, the Group has also built its own platform as a 'Reseller' to sell .law and .abogado second level domain names. The Group will continue to provide 'Reseller' services for .law and .abogado second level domain names, however it will outsource the back-end platform to a third-party provider. The Company is currently in negotiations with a preferred provider for its reseller business.

Future developments, strategy and objectives

Please see the Executive Statements.

Strategic Report

(continued)

Key performance indicators

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

Premium Name Sales Growth:

We have invested in the building of our premium name portfolio and are investing in building a dedicated sales team to sell those premium names. We evaluate two key components to determine the success of our Premium names:

- Total Premium Names sold each year – we anticipate a 1.75 to 2.5 times target growth rate in 2016 and 2017. Growth in 2015 was 1.84 times (2014: N/A).
- Average Revenue Per Premium Name – the target KPI range for premium annual revenues per name has been set at $200 to $225. (2015 average: $242, 2014 average: $184).

Standard Name Sales Growth:

This measures the underlying popularity of each individual top-level domain and the success of our registrar channel sales team. We evaluate two key components with KPI targets set for each covering 2016 and 2017:

- Total Standard Names sold each year – we anticipate a 1.5 to 2 times target growth rate each year for the next 2 years. Growth in 2015 was 2.74 times (2014: N/A).

Principal risks and uncertainties

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

The new gTLD launch is vulnerable to delays or amendment

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

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

Strategic Report

(continued)

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

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

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

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

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

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

The Group may fail to meet certain contractual obligations

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

The Group is currently renegotiating its current contractual commitments with a view towards ensuring that their requirements are reasonably met and the impact of such commitments to the Group's overall profitability is minimized.

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

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

Strategic Review

(continued)

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

Dependence on key personnel

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

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

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

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

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

Going concern basis

The Group's forecasts and projections, taking account of the gTLD program being managed by ICANN, show that the Group should be able to operate within the level of its current funding. At the year-end, the Group had $34.7 million held as cash and cash equivalents (excluding letters of credits required by ICANN).

The Group will use these resources to both fund operations, to secure additional gTLD assets and where appropriate return cash to shareholders.

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

Approval

This report was approved by the Board of Directors on 26 April 2016 and signed on its behalf by:

Michael Salazar

COO/CFO

Date: 26 April 2016

Directors' Report

The Directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 December 2015. The Corporate Governance Statement set out on pages 21 to 24 forms part of this report.

Details of significant events since the balance sheet date are contained in note 29 to the financial statements. An indication of likely future developments in the business of the company and details of research and development activities are included in the Strategic Report.

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

Dividends

The Directors do not recommend payment of a dividend (2014: nil).

Capital Structure

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

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

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

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

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

Directors

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

Executive Directors	Date of Appointment	Date of Resignation
Toby Hall	26 April 2016	
Frederick Krueger (Chairman)		24 May 2015
Antony Van Couvering (CEO)		19 February 2016
Michael Salazar (CFO)*		
Caspar von Veltheim		2 February 2016

*appointed COO on 2 February 2016

Directors' Report

(continued)

Non-Executive Directors	Date of Appointment	Date of Resignation
Guy Elliott**	16 July 2015	
Keith Teare		2 February 2016
Elliot Noss		2 February 2016
David de Jongh Weill	16 July 2015	2 February 2016
Henry Turcan	2 February 2016	

**Promoted to non-executive Chairman on 2 February 2016

Directors' Remuneration

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

Directors' Interests

The total beneficial interests of the serving Directors at the year-end in the shares and options of the Company during the period to 31 December 2015 were as follows:

	31 December 2015		31 December 2014	
Director	Shares	Options*	Shares	Options*
Frederick Krueger	N/A	N/A	128,481,604	5,000,000
Antony Van Couvering	1,017,689	23,000,000	898,674	12,500,000
Michael Salazar	1,630,000	8,500,000	1,210,375	1,250,000
Caspar Veltheim	916,613	2,512,500	854,613	312,500
Guy Elliott	21,650,000	-	N/A	N/A
Keith Teare	-	750,000	-	
Elliot Noss	-	750,000	-	-
David Weill	-	-	-	-

* Terms of the options have been disclosed in Note 24 to the financial statements.

Directors' Report

(continued)

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 21 to 24.

Environmental Responsibility

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

Employment Policies

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

Health and Safety

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

Annual General Meeting ("AGM")

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

Statement of disclosure of information to auditor

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

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

Directors' Report

(continued)

Auditor

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

Statement of Directors' Responsibilities

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

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

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

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

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

Electronic communication

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

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

By order of Board:

Michael Salazar

COO/CFO

Date: 26 April 2016

Corporate Governance

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

Board of Directors

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

Board Meetings

The Board meets regularly throughout the year. For the year ended 31 December 2015, the Board met twenty-three times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

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

Board Committees

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

Audit Committee

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

Remuneration Committee

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

Corporate Governance

(continued)

Internal controls

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

Risk Management

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

Risks and uncertainties

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

Business risk

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

General and economic risks

Contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;

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

Corporate Governance

(continued)

Funding risk

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

Content risk

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

Intellectual property

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

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

Market risk

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

Key personnel

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

Treasury Policy

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

Corporate Governance

(continued)

Securities Trading

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

Relations with Shareholders

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

Independent Auditor's Report

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

We have audited the financial statements of Minds + Machines Group Limited for the year ended 31 December 2015 which comprise the Group and Company Statements of Comprehensive Income, Group and Company Statements of Financial Position, Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's and the parent company's results for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs.

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

Group Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	**Year Ended 31 December 2015 $ 000's**	Year Ended 31 December 2014 $ 000's
Revenue	2	**6,324**	1,922
Cost of sales	3	**(6,223)**	(4,659)
Gross profit / (loss)		**101**	(2,737)
Operating expense	4	**(12,156)**	(13,142)
Foreign exchange loss	6	**(1,240)**	(1,427)
Profit on disposal of intangible assets	15	**-**	7,048
Profit on gTLD auctions	19	**7,943**	33,721
Loss on withdrawal of gTLD applications	19	**(148)**	(296)
Operating (Loss) / Earnings before interest, depreciation, taxation and amortisation (Operating EBITDA)	2/5	**(5,500)**	23,167
Share based payment expense	24	**(3,235)**	(612)
Profit on disposal of subsidiaries		**-**	21
Loss on disposal of fixed assets		**(161)**	-
Share of results of joint venture	18	**1**	(9)
(Loss) / Earnings before interest, depreciation, taxation and amortisation (EBITDA)		**(8,895)**	22,567
Depreciation and amortisation charge	15/16	**(1,218)**	(496)
Finance revenue	9	**82**	62
Finance costs	10	**(18)**	(76)
(Loss) / profit before taxation		**(10,049)**	22,057
Income tax	11	**52**	-
Retained (loss) / profit		**(9,997)**	22,057

Group Statement of Comprehensive Income

for the year ended 31 December 2015 (continued)

	Note	**Year Ended 31 December 2015 $ 000's**	Year Ended 31 December 2014 $ 000's
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**732**	543
Other comprehensive income for the year net of taxation		**732**	543
Total comprehensive (loss) / income for the year		**(9,265)**	22,600
Retained (loss) / profit for the period attributable to:			
Equity holders of the parent		**(9,978)**	22,287
Non-controlling interests		**(19)**	(230)
		(9,997)	22,057
Total comprehensive (loss) / income for the period attributable to:			
Equity holders of the parent		**(9,281)**	22,795
Non-controlling interests		**16**	(195)
		(9,265)	22,600
(Loss) / Earnings per share (cents)			
Basic	13	**(1.20)**	2.73
Diluted	13	**(1.20)**	2.67

All operations are considered to be continuing.

The notes set out on pages 39 to 93 form an integral part of these financial statements

Company Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	**Year ended 31 December 2015 $ 000's**	Year ended 31 December 2014 $ 000's
Revenue		**2,092**	114
Cost of sales		**(1,987)**	(916)
Gross profit / (loss)		**105**	(802)
Operating expenses		**(2,747)**	(3,079)
Foreign exchange loss	6	**(2,781)**	(2,838)
Profit on disposal of intangible assets	15	**-**	7,048
Profit on gTLD auctions	19	**7,943**	33,721
Loss on withdrawal of gTLD applications	19	**(148)**	(296)
Operating earnings before interest, depreciation, taxation and amortisation (Operating EBITDA)		**2,372**	33,754
Share based payment expense	24	**(2,017)**	(612)
Loss on disposal of subsidiaries	17	**-**	(16)
Earnings before interest, depreciation, taxation and amortisation (EBITDA)		**355**	33,126
Depreciation and amortisation charge	15	**(61)**	(9)
Finance revenue	9	**82**	57
Profit before taxation		**376**	33,174
Income tax	11	**-**	
Retained profit for the period		**376**	33,174
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**-**	-
Other comprehensive income for the year net of taxation		**-**	-
Total comprehensive income for the year		**376**	33,174

All operations are considered to be continuing.

The notes set out on pages 39 to 93 form an integral part of these financial statements.

Group Statement of Financial Position

as at 31 December 2015

	Notes	**31 December 2015 $ 000's**	31 December 2014 $ 000's
ASSETS			
Non-current assets			
Goodwill	14	**2,828**	2,828
Intangible assets	15	**41,291**	40,597
Fixtures & equipment	16	**189**	871
Interest in joint ventures	18	**835**	833
Other-long term assets	19	**3,448**	5,982
Total non-current assets		**48,591**	51,111
Current assets			
Trade and other receivables	20	**4,759**	4,434
Cash and cash equivalents		**34,651**	45,796
Total current assets		**39,410**	50,230
TOTAL ASSETS		**88,001**	101,341
LIABILITIES			
Current liabilities			
Trade and other payables	21	**(8,972)**	(6,314)
Obligations under finance lease	22	**(2)**	(342)
Total current liabilities		**(8,974)**	(6,656)
NET ASSETS		**79,027**	94,685

Group Statement of Financial Position

as at 31 December 2015 (continued)

	Notes	**31 December 2015 $ 000's**	31 December 2014 $ 000's
EQUITY			
Share capital	23	**-**	-
Share premium	23	**73,816**	82,866
Foreign exchange reserve		**1,403**	707
Retained earnings		**4,140**	11,461
		79,359	95,034
Non-controlling interests		**(332)**	(349)
TOTAL EQUITY		**79,027**	94,685

The notes set out on pages 39 to 93 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 April 2016 and signed on its behalf by:

Toby Hall

Director

Michael Salazar

Director

Company Statement of Financial Position

as at 31 December 2015

	Notes	**31 December 2015 $ 000's**	31 December 2014 $ 000's
ASSETS			
Non-current assets			
Intangible assets	15	**39,463**	38,835
Investment in subsidiaries	17	**4,189**	3,548
Interest in joint ventures	18	**911**	911
Other-long term assets	19	**3,448**	5,982
Total non-current assets		**48,011**	49,276
Current assets			
Trade and other receivables	20	**39,245**	39,384
Cash and cash equivalents		**23,990**	26,952
Total current assets		**63,235**	66,336
TOTAL ASSETS		**111,246**	115,612
LIABILITIES			
Current liabilities			
Trade and other payables	21	**(3,852)**	(2,201)
Total current liabilities		**(3,852)**	(2,201)
NET ASSETS		**107,394**	113,411

Company Statement of Financial Position

as at 31 December 2015 (continued)

	Notes	**31 December 2015 $ 000's**	31 December 2014 $ 000's
EQUITY			
Share capital	23	**-**	-
Share premium	23	**73,816**	82,866
Retained earnings		**33,578**	30,545
TOTAL EQUITY		**107,394**	113,411

The notes set out on pages 39 to 93 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 April 2016 and signed on its behalf by:

Toby Hall

Director

Michael Salazar

Director

Group Cash Flow Statement

for the year ended 31 December 2015

	Notes	**Year ended 31 December 2015 $ 000's**	Year ended 31 December 2014 $ 000's
Cash flows from operating activities			
Operating EBITDA		**(5,500)**	23,167
Decrease in trade and other receivables including long term receivables		**826**	1,383
Increase in trade and other payables		**205**	5,631
Profit on the sale of intangible assets		**-**	(7,048)
Profit on gTLD auctions		**(7,943)**	(33,721)
Loss on withdrawal of gTLD applications		**148**	296
Foreign exchange loss / (gain)		**1,572**	(1,163)
Net cash flow used in operating activities		**(10,692)**	(11,455)

	Notes	**Year ended 31 December 2015 $ 000's**	Year ended 31 December 2014 $ 000's
Cash flows from investing activities			
Interest received	9	**82**	62
Interest paid	10	**(18)**	(76)
Amounts transferred from restricted cash		**684**	411
Payments to acquire intangible assets		**(1,139)**	(45,975)
Receipts from the disposal of intangible assets		**47**	16,944
Payments to acquire fixtures & equipment		**(108)**	(398)
Amounts received in gTLD auctions		**9,155**	37,493
Investment in interest in joint ventures		**-**	-
Net cash flow from investing activities		**8,703**	8,461

Group Cash Flow Statement

for the year ended 31 December 2015 (continued)

	Notes	**Year ended 31 December 2015 $ 000's**	Year ended 31 December 2014 $ 000's
Cash flows from financing activities			
Repayments of obligations under finance lease		**(360)**	(363)
Issue of ordinary shares	23	**-**	35,678
Share issue costs	23	**-**	(2,293)
Purchase of own shares	23	**(9,050)**	-
Repurchase of vested equity instruments	24	**(577)**	-
Net cash flow from financing activities		**(9,987)**	33,022
Net (decrease) / increase in cash and cash equivalents		**(11,976)**	30,028
Cash and cash equivalents at beginning of period		**45,796**	14,884
Exchange gain on cash and cash equivalents		**831**	884
Cash and cash equivalents at end of period		**34,651**	45,796

The notes set out on pages 39 to 93 form an integral part of these financial statements.

Company Cash Flow Statement

for the year ended 31 December 2015

	Notes	**Year ended 31 December 2015 $ 000's**	Year ended 31 December 2014 $ 000's
Cash flows from operating activities			
Operating EBITDA		**2,372**	33,754
(Decrease) / Increase in trade and other receivables including long term receivables		**1,290**	(26,949)
Increase / (decrease) in trade and other payables		**(169)**	2,041
Profit on the sale of intangible assets		**-**	(7,048)
Profit on gTLD auctions		**(7,943)**	(33,721)
Loss on withdrawal of gTLD applications		**148**	296
Foreign exchange loss		**502**	2,330
Net cash flow used in operating activities		**(3,800)**	(29,297)
Cash flows from investing activities			
Interest received	9	**82**	57
Amounts transferred from restricted cash		**684**	411
Payments to acquire intangible assets		**(500)**	(44,326)
Receipts from the disposal of intangible assets		**-**	16,944
Amounts received in gTLD auctions		**9,155**	37,493
Net cash flow from investing activities		**9,421**	10,579
Cash flows from financing activities			
Issue of ordinary shares	23	**-**	35,678
Share issue costs	23	**-**	(2,293)
Purchase of own shares	23	**(9,050)**	-
Net cash flow from financing activities		**(9,050)**	33,385

Company Cash Flow Statement

for the year ended 31 December 2015 (continued)

	Notes	**Year ended 31 December 2015 $ 000's**	Year ended 31 December 2014 $ 000's
Net (decrease) / increase in cash and cash equivalents		**(3,429)**	14,667
Cash and cash equivalents at beginning of period		**26,952**	12,285
Exchange gain on cash and cash equivalents		**467**	-
Cash and cash equivalents at end of period		**23,990**	26,952

The notes set out on pages 39 to 93 form an integral part of these financial statements.

Group Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital	Share premium reserve	Shares to be issued	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
At 1 January 2014	-	49,481	-	199	(10,232)	39,448	(154)	39,294
Profit for the year	-	-	-	-	22,287	22,287	(230)	22,057
Currency translation differences	-	-	-	508	-	508	35	543
Total comprehensive income / (loss)	-	-	-	508	22,287	22,795	(195)	22,600
Share capital issued	-	34,801	-	-	-	34,801	-	34,801
Share options & warrants exercised	-	877	-	-	-	877	-	877
Cost of share issue	-	(2,293)	-	-	-	(2,293)	-	(2,293)
Credit to equity for equity-settled share based payments	-	-	-	-	114	114	-	114
Share-based payments (repurchase of vested equity instruments)	-	-	-	-	(708)	(708)	-	(708)
As at 31 December 2014	-	82,866	-	707	11,461	95,034	(349)	94,685
Loss for the year	-	-	-	-	(9,978)	(9,978)	(19)	(9,997)
Currency translation differences	-	-	-	696	-	696	36	732
Total comprehensive income / (loss)	-	-	-	696	(9,978)	(9,281)	16	(9,265)
Acquisition of own shares	-	(9,050)	-	-	-	(9,050)	-	(9,050)
Credit to equity for equity-settled share based payments	-	-	-	-	3,223	3,223	-	3,223
Share based payments (repurchase of vested equity instruments)	-	-	-	-	(566)	(566)	-	(566)
As at 31 December 2015	**-**	**73,816**	**-**	**1,403**	**4,140**	**79,359**	**(332)**	**79,027**

The notes set out on pages 39 to 93 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital	Share premium reserve	Shares to be issued	Retained earnings	Total
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At 1 January 2014	-	49,481	-	(2,035)	47,446
Profit for the year	-	-	-	33,174	33,174
Total comprehensive income	-	-	-	33,174	33,174
Share capital issued	-	34,801	-	-	34,801
Share options & warrants exercised	-	877	-	-	877
Cost of share issue	-	(2,293)	-	-	(2,293)
Credit to equity for equity-settled share based payments	-	-	-	114	114
Share based payments (repurchase of vested equity instruments)	-	-	-	(708)	(708)
As at 31 December 2014	-	82,866	-	30,545	113,411
Profit for the year	-	-	-	376	376
Total comprehensive income	-	-	-	376	376
Acquisition of own shares	-	(9,050)	-	-	(9,050)
Credit to equity for equity-settled share based payments	-	-	-	3,223	3,223
Share based payments (repurchase of vested equity instruments)	-	-	-	(566)	(566)
As at 31 December 2015	**-**	**73,816**	**-**	**33,578**	**107,394**

The notes set out on pages 39 to 93 form an integral part of these financial statements.

Notes to Financial Statements

for the year ended 31 December 2015

1 Summary of Significant Accounting Policies

(a) General information

Minds + Machines Group Limited is a company is registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1412814. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in note 2 and in the Strategic Report on pages 11 to 16.

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

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

(b) Statement of compliance with IFRS

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

Adoption of new and revised standards

The Group's and Company's financial statement have been prepared on the basis of accounting policies consistent with those applied in the financial statement for the year ended 31 December 2014 except for the implementation of a number of minor adjustments issued which applied for the first time in 2015. These new pronouncements do not have a significant impact on the accounting policies, methods of computation or presentation applied by the Group and Company and therefore prior-year financial statements have not been restated for these pronouncements.

Future changes in accounting policies

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

Mandatory for 2016	
Amendments to IAS 1	Amendment to IAS 1 Presentation of Financial Statements – Disclosure Initiative. The amendment provides clarification of guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies
Amendments to IAS 16 and IAS 38	The amendment provides clarification of acceptable methods of depreciation and amortisation
Annual improvements	Annual improvement to IFRS 2012 – 2014 cycle
Amendments to IFRS 11	Amendments to IFRS 11 Joint Arrangements. The amendments deal with the accounting for acquisition of interest in joint operations.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

Mandatory for 2017

Amendments to IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Asset for Unrealised Losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value
IAS 7	IAS 7 Statement of Cash flows, Narrow-scope amendments. The amendments introduce an additional disclosure that will enable users of financial statement to evaluate changes in liabilities arising from financial activities

Mandatory for 2018

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

Mandatory for 2019

IFRS 16	IFRS 16 Leases. Under the new standard, a lessee is in essence required to: a) Recognise all lease assets and liabilities (including those currently classed as operating leases) on the balance sheet, initially measured at the present value of unavoidable lease payments; b) Recognise amortisation of lease assets and interest on lease liabilities in the income statement over the lease term; and Separate the total amount of cash paid into a principal portion (presented within financial activities) and interest (which companies can choose to present within operating or financing activities consistent with presentation of any other interest paid) in the cash flow statement.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that:

a) IFRS 9 will impact both the measurement and disclosure of Financial Instruments; and

b) IFRS 16 will impact on the recognition of those leases currently classified as operating leases. Information on the undiscounted amount of the Group's operating lease commitments under IAS 17, the current lease standard, is disclosed in note 26. Under IFRS 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right of use.

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

(c) Basis of accounting

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

(d) Basis of consolidation

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

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

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

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

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

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

(e) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 16.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

(f) Business combinations

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

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

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

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

(g) Joint Ventures

A joint venture is an entity where the group has joint control and have 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 venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. The income statement reflects the share of the results of operations of the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

(h) Goodwill

Goodwill is initially recognised and measured as set out above.

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

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

(i) Leases (the group as a lessee)

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

(j) Revenue Recognition

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

Registry revenue

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

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

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

Registrar revenue

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

(k) Foreign Currencies

Functional and presentation currency

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

Transactions and balances

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

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

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

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

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

(l) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets –research and development expenditure

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

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

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

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

Useful live and amortisation

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

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

Software and development costs are amortised over their useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed when circumstances indicate a change to its useful life. Changes in the expected useful life are accounted for by charging the amortisation period and treated as a change in accounting estimate. As a consequence, certain software and development costs are amortised over eight months (previously over 3 years).

(m) Derecognition of intangible assets

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

(n) Fixtures & equipment

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

- Fixtures & equipment – over 3 to 7 years

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If 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.

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

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

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

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

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

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

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

Critical judgements in applying the Group's accounting policies

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

Key sources of estimation uncertainty

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

(q) Impairment of goodwill and intangible assets

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

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

(r) Finance costs/revenue

Interest expenses are recognised on an effective yield basis.

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

(s) Financial instruments

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

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

Financial assets

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

Effective interest method

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

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

Loans and other receivables

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

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

Impairment of financial asset

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

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

De-recognition of financial assets

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

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

Financial liabilities and equity

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

(I) Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

(II) Other financial liabilities

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

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

De-recognition of financial liabilities

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

(t) Taxation

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

Current tax

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

Deferred tax

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

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

Current and deferred tax for the year

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

(u) Provisions

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

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

(v) Share-based payment transactions

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

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

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

(w) Investment in subsidiary undertakings

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

2 Operating segments – Group

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

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

Segment revenues and results

2015	**Registry $ 000's**	**RSP $ 000's**	**Registrar $ 000's**	**Elimination $ 000's**	**Total $ 000's**
Revenue					
External sales	3,282	2,606	1,028	(592)	6,324
Total Revenue	3,282	2,606	1,028	(592)	6,324
Operating EBITDA	3,292*	(8,118)**	(674)	-	(5,500)
Depreciation and amortisation					(1,218)
Finance revenue					82
Finance costs					(18)
Loss on disposal of tangible assets					(161)
Share based payment expense					(3,235)
Share of loss of joint venture					1
Profit before tax					(10,049)
Income tax					52
Profit after tax					(9,997)

*Included within Operating EBITDA is Profit on gTLD auctions of $7,943k allocated to the Registry segment and loss on withdrawl of gTLD applications $148k allocated to RSP.

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

Inter-segment sales are charged at prevailing market prices.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

2014	**Registry $ 000's**	**RSP $ 000's**	**Registrar $ 000's**	**Elimination $ 000's**	**Total $ 000's**
Revenue					
External sales	298	1,388	236	-	1,922
Total Revenue	298	3,728	236	(2,340)	1,922
Operating profit / (loss)	32,595*	(9,327)	(210)	109	23,167
Depreciation and amortisation					(496)
Finance revenue					62
Finance costs					(76)
Profit on disposal of subsidiaries					21
Share based payment expense					(612)
Share of loss of joint venture					(9)
Profit before tax					22,057
Income tax					-
Profit after tax					22,057

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

Other segment information

	Segment assets		Depreciation and amortisation	
	2015	2014	**2015**	2014
	$ 000's	$ 000's	**$ 000's**	$ 000's
Registry	**72,267**	75,939	**61**	9
RSP	**9,446**	21,553	**558**	279
Registrar	**5,360**	3,016	**211**	208
Other	**928**	833	**-**	-
Total	**88,001**	101,341	**830**	496

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

Geographical information

The Group's information about its segment assets by geographic location are detailed below.

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	$ 000's	$ 000's	**$ 000's**	$ 000's
British Virgin Islands	**2,092**	104	**43,745**	45,651
Ireland	**331**	373	**640**	1,800
United Kingdom	**2,434**	1,136	**14**	359
Germany	**1,143**	194	**333**	370
Hungary	**-**	-	**181**	-
USA	**324**	115	**3,678**	2,931
Total	**6,324**	1,922	**48,591**	51,111

Included in revenues arising from the RSP segment are revenues of $589k (2014: $800k), which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue in either 2015 or 2014.

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

3 Cost of sales

Cost of sales have been presented to reflect the costs associated with 'on-going' expenditure and 'forfeited' expenditure.

On-going 'current' employee costs reflect the cost associated with current employees defined as employees retained by the group as at 31 December 2015. Other on-going cost represent costs incurred in 2015, whether contractual or not, for which costs are expected to incur in 2016.

Forfeited 'former' employee costs reflect the costs associated with former employees defined as employees that were not retained by the group as at 31 December 2015. Other forfeited cost of sales represent costs incurred in 2015, whether contractual or not, for which costs are not expected to incur in 2016. Such forfeited costs are due to the Group's restructuring in the year.

	Group	
	2015 **$ 000's**	2014 $ 000's
Ongoing cost of sales		
Current employees*	**1,279**	-
Other ongoing cost of sales	**3,929**	4,659
	5,208	4,659
Forfeited cost of sales		
Former employees*	**714**	-
Other forfeited cost of sales	**301**	-
	1,015	-
Total	**6,223**	4,659

*As of 31 December 2015

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

4 Operating expenses

Operating expenses have been presented to reflect the costs associated with 'on-going' expenditure and 'forfeited' expenditure.

On-going 'current' employee costs reflect the cost associated with current employees defined as employees retained by the group as at 31 December 2015. Other on-going cost represent costs incurred in 2015, whether contractual or not, for which costs are expected to incur in 2016.

Forfeited 'former' employee costs reflect the costs associated with former employees defined as employees that were not retained by the group as at 31 December 2015. Other forfeited operating expenses represent costs incurred in 2015, whether contractual or not, for which costs are not expected to incur in 2016. Such forfeited costs are due to the Group's restructuring in the year.

	Group	
	2015	2014
	$ 000's	$ 000's
Ongoing operating expenses		
Current employees*	**2,637**	3,408
Current directors*	**1,743**	1,290
Other ongoing operating expenses	**6,123**	8,444
	10,503	13,142
Forfeited operating expenses		
Former employees*	**951**	-
Former directors*	**428**	-
Other forfeited operating expenses	**274**	-
	1,653	-
Total	**12,156**	13,142

*As of 31 December 2015

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

5 Operating EBITDA

Operating EBITDA is arrived at after charging:

	Group		Company	
	2015	2014	**2015**	2014
	$ 000's	$ 000's	**$ 000's**	$ 000's
Auditors' remuneration – current year auditors				
Audit of these financial statements	**71**	74	**69**	74
Audit of the financial statements of subsidiaries	**36**	36	**-**	-
Fees in relation to re-listing	**-**	51	**-**	51
Tax compliance	**5**	20	**-**	-
Other services	**4**	41	**-**	38
Directors' emoluments – fees and salaries	**2,172**	1,291	**226**	91
Operating lease rentals	**770**	467	**-**	-
Foreign exchange loss	**(1,240)**	(1,427)	**(2,781)**	(2,838)

6 Foreign exchange loss

	Group		Company	
	2015	2014	**2015**	2014
	$ 000's	$ 000's	**$ 000's**	$ 000's
Foreign exchange gain / (loss) on trading activities	**1,233**	1,188	**(204)**	(183)
Foreign exchange loss on inter company balances	**(2,473)**	(2,615)	**(2,577)**	(2,655)
Total	**(1,240)**	(1,427)	**(2,781)**	(2,838)

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

7 **Employee information** (Excluding Directors)

Staff costs comprised	Group 2015 $ 000's	Group 2014 $ 000's	Company 2015 $ 000's	Company 2014 $ 000's
Wages and salaries				
Current*	**3,916**	3,408	**-**	-
Former*	**1,665**	-	**-**	-
Share based payments expense	**1,539**	44	**-**	44
Total	**7,120**	3,452	**-**	44

*As of 31 December 2015

Monthly average number of employees	Group 2015	Group 2014	Company 2015	Company 2014
Administration	**13**	10	**-**	-
Finance	**5**	3	**-**	-
Sales & Marketing	**9**	6	**-**	-
Engineering	**21**	17	**-**	-
Total	**48**	36	**-**	-

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

8 Directors' emoluments

	Group		Company	
	2015 $ 000's	2014 $ 000's	**2015 $ 000's**	2014 $ 000's
Directors' emoluments	**2,172**	1,290	**226**	91
Share based payments expense (Note 24)	**1,597**	567	**96**	567
Total	**3,769**	1,857	**322**	658

2015				**Group**
	Salaries & Fees $ 000's	**Bonus* $ 000's**	**Benefits in kind $ 000s**	**Total $ 000's**
Executive Directors				
Frederick Krueger (#)	149	260	19	428
Antony Van Couvering	373	325	28	726
Michael Salazar	330	152	50	532
Caspar Veltheim	152	88	20	260
Non-Executive Directors				
Guy Elliott (#)	21	-	-	21
David Weill (#)	21	-	-	21
Keith Teare (#)	92	-	-	92
Elliot Noss	92	-	-	92
Total	1,230	825	117	2,172

(#): These Directors were not employed for the full 2015 financial period.

(*): Bonuses relate to 2014 performace.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

8 Directors' emoluments (continued)

				Group
2014	**Salaries & Fees $ 000's**	**Bonus $ 000's**	**Benefits in Kind $ 000s**	**Total $ 000's**
Executive Directors				
Frederick Krueger	300	50	-	350
Antony Van Couvering	300	50	-	350
Michael Salazar	260	18	38	316
Caspar Veltheim	138	45	-	183
Non-Executive Directors				
Guy Elliott (#)	3	-	-	3
Keith Teare	52	-	-	52
Elliot Noss (#)	36	-	-	36
Total	1,089	163	38	1,290

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

No pension benefits were provided for any Director in 2015 or 2014.

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

8 Directors' emoluments (continued)

				Company
2015	**Salaries & Fees $ 000's**	**Bonus $ 000's**	**Benefits in kind $ 000's**	**Total $ 000's**
Executive Directors				
Frederick Krueger (#)	-	-	-	-
Antony Van Couvering	-	-	-	-
Michael Salazar	-	-	-	-
Keith Teare	-	-	-	-
Caspar Veltheim	-	-	-	-
Non-Executive Directors				
Guy Elliott (#)	21	-	-	21
David Weill (#)	21	-	-	21
Keith Teare (#)	92	-	-	92
Elliot Noss	92	-	-	92
Total	226	-	-	226

(#): These Directors were not employed for the full 2015 financial period.

				Company
2014	**Salaries & Fees $ 000's**	**Bonus $ 000's**	**Benefits in kind $ 000's**	**Total $ 000's**
Executive Directors				
Frederick Krueger	-	-	-	-
Antony Van Couvering	-	-	-	-
Michael Salazar	-	-	-	-
Caspar Veltheim	-	-	-	-
Non-Executive Directors				
Guy Elliott (#)	3	-	-	3
Keith Teare	52	-	-	52
Elliot Noss (#)	36	-	-	36
Total	91	-	-	91

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

8 Directors' emoluments (continued)

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

No pension benefits are provided for any Director.

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

9 Finance revenue

	Group		Company	
	2015 $ 000's	2014 $ 000's	**2015 $ 000's**	2014 $ 000's
Bank interest	**82**	57	**82**	57
Other interest received	**-**	5	**-**	-
Total	**82**	62	**82**	57

Finance revenues relate to assets classified as loans and receivables.

10 Finance costs

	Group		Company	
	2015 $ 000's	2014 $ 000's	**2015 $ 000's**	2014 $ 000's
Interest on obligations under finance lease	**18**	76	**-**	-

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

11 Income tax expense - Group

	2015 $ 000's	2014 $ 000's
Current tax credit	**52**	-
Deferred tax	**-**	-
	52	-

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

	2015 $ 000's	2014 $ 000's
(Loss) / Profit before tax on continuing operations	**(10,049)**	25,196
Tax at the BVI tax rate of 0%	**-**	-
Research and development tax credit	**52**	
	52	-

Income tax expense - Company	**2015 $ 000's**	2014 $ 000's
Current tax	**-**	-
Deferred tax	**-**	-
	-	-

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

	2015 $ 000's	2014 $ 000's
Profit before tax on continuing operations	**376**	33,176
Tax at the BVI tax rate of 0%	**-**	-
	-	-

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

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered. Tax losses carried forward, which may be utilised indefinitely against future taxable profits amount to $12,946k (2014: $5,314k) in the USA, $2,161k (2014: $1,852k) in Germany, $5,937k (2014: $3,169k) in Ireland and $6,631k (2014: $6,331k) in the United Kingdom.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

12 Dividends

No dividends were paid or proposed by the Directors (2014: $Nil).

13 (Loss) / Earnings per share

(Loss) / Earnings	**2015 $ 000's**	2014 $ 000's
(Loss) / Earnings for the purpose of basic (loss) / earnings per share being net (loss) / profit attributable to owners of the Company	**(9,978)**	22,287

Number of shares	**2015 million**	2014 million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**829.34**	815.01
Effect of dilutive potential ordinary shares:		
Share options and warrants	**-**	19.07
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**829.34**	834.08

(Loss) / Earnings per share	**2015 cent**	2014 cent
Basic	**(1.20)**	2.73
Diluted	**(1.20)**	2.67

In 2015, all potential shares were anti-dilutive as the group was in a loss making position. As a result, diluted loss per share for the year ended 31 December 2015 is disclosed at the same value as basic loss per share. Potential dilutive shares comprise of share options as disclosed in note 24.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

14 Goodwill

Cost	Group $ 000's
At 1 January 2014	2,983
Exchange differences	(155)
As at 31 December 2014	2,828
Exchange differences	-
As at 31 December 2015	**2,828**

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

Impairment review

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

At 31 December 2015, the Directors have carried out an impairment review and have concluded that no impairment is required.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity based on an estimated growth rate of 5% (2014: 3%). The growth rate of 5% is appropriate to the new gTLD market that the Group operates in. The rate used to discount the forecast cash flows is 9% (2014: 9%).

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

15 Intangible assets

Group

	generic Top Level Domains $ 000's	**Software & development costs $ 000's**	**Development costs (Assets under construction) $ 000's**	**Other $ 000's**	**Total $ 000's**
Cost					
At 1 January 2014	2,186	181	-	193	2,560
Additions	42,889	1,552	148	43	44,632
Transfer from other long terms assets	3,885	-	-	-	3,885
Disposals	(9,897)	-	-	(74)	(9,971)
Exchange differences	-	(310)	-	-	(310)
At 31 December 2014	39,063	1,423	148	162	40,796
Additions	500	88	541	10	1,139
Transfer from other long terms assets	551	-	-	-	551
Transfer from assets under construction	-	666	(666)	-	-
Exchange differences	(36)	(107)	(23)	(1)	(167)
At 31 December 2015	40,078	2,070	-	171	42,319
Accumulated Amortization					
At 1 January 2014	-	-	-	-	-
Charge for the year	-	(199)	-	-	(199)
At 31 December 2014	-	(199)	-	-	(199)
Charge for the year	-	(677)	-	(171)	(848)
Exchange differences	-	19	-	-	19
At 31 December 2015	-	(857)	-	(171)	(1,028)
Carrying amount					
At 31 December 2015	**40,078**	**1,213**	**-**	**-**	**41,291**
At 31 December 2014	39,063	1,224	148	162	40,597

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

15 Intangible assets (continued)

Company

	generic Top Level Domains $ 000's	**Software & development costs $ 000's**	**Other $ 000's**	**Total $ 000's**
Cost				
At 1 January 2014	2,186	-	131	2,317
Additions	42,889	51	43	42,983
Transfers from other long term assets	3,515	-	-	3,515
Disposals	(9,896)	-	(75)	(9,971)
At 31 December 2014	38,694	51	99	38,844
Additions	500	-	-	500
Transfers from other long term assets	185	-	-	185
Exchange differences	-	-	-	-
At 31 December 2015	39,379	51	99	39,529
Accumulated Amortization				
At 1 January 2014	-	-	-	-
Charge for the year	-	(9)	-	(9)
At 31 December 2014	-	(9)	-	(9)
Charge for the year	-	(15)	(42)	(57)
At 31 December 2015	-	(24)	(42)	(66)
Carrying amount				
At 31 December 2015	**39,379**	**27**	**57**	**39,463**
At 31 December 2014	38,694	42	99	38,835

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

15 Intangible assets (continued)

generic Top Level Domains

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

The disposal in 2014 reflects the sale of a future revenue stream of a certain generic Top Level Domain where the funds from the sale of that revenue share was used to fund its acquisition.

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

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

Impairment review of intangible assets

The Directors carried out an impairment review as at 31 December 2015 and have concluded that no impairment is required. The recoverable amounts of the individual generic Top Level Domains, software, contracts and other intangible assets are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to the selling process and direct costs. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity based on an estimated growth rate of 5% (2014: 3%). The rate used to discount the forecast cash flow is 9% (2014: 9%).

The group has carried out sensitivity analysis on the growth rate and discount rate. A 2% change in either rates would indicate an impairment of:

- Growth rate decreased by 2% - $750k (2014: nil)
- Discount rate increased by 2% - $568k (2014: nil)

Software and development costs

The Group has reviewed the useful life of software and development costs as a result of the Group's decision to outsource certain back-end technical functions. As a result, the revised useful life of this asset is estimated at eight months commencing November 2015 and has resulted in an additional amortisation charge of $388k in the current year. The additional expected amortization charge in 2016 for these assets is expected to be $644k.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

16 Fixtures & equipment

Group	Fixtures & equipment $ 000's
Cost	
At 1 January 2014	898
Additions	398
Exchange differences	(100)
At 31 December 2014	1,196
Additions	108
Disposal	(855)
Exchange differences	(61)
At 31 December 2015	388
Depreciation	
At 1 January 2014	(67)
Depreciation charge for the period	(279)
Exchange differences	21
At 31 December 2014	(325)
Depreciation charge for the period	(367)
Disposal	476
Exchange differences	17
At 31 December 2015	(199)
Carrying amount	
At 31 December 2015	**189**
At 31 December 2014	871

The Group's obligations under finance leases (see note 22) are secured by the lessors' title to the leased assets, which have a carrying amount of $nil (2014: $267k).

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

17 Investment in subsidiaries

	Company	
Shares in group undertakings company	**2015 $ 000's**	2014 $ 000's
Cost		
At the beginning of the year	**3,548**	3,550
Movement in the year	**641***	
Disposals	**-**	(2)
At 31 December	**4,189**	3,548

*The movement in the year relates to the net share option expense attributable to subsidiaries.

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	US	Registrar	100	100
Minds + Machines LLC (FL)	US	Registry	100	100
Bayern Connect GmbH	Germany	Registry	80	100
Minds and Machines GmbH	Germany	Registry	80	100
Minds + Machines Ltd (Ireland)	Ireland	RSP	100	100
Minds and Machines Ltd (UK)	England & Wales	RSP	100	100
Minds + Machines Registrar Ltd (IE)	Ireland	Registrar	100	100
Minds and Machines Registrar UK Ltd	England and Wales	Registrar	100	100
Emerald Names Limited	Ireland	Dormant	100	100
Dot Wedding Registry Limited	Ireland	Dormant	100	100
Minds + Machines Hungary (1)	Hungary	Registry	100	100
Emerald Names Inc (1)	US	Registry	100	100
Boston TLD Management LLC (1)	US	Registry	99	99
Dot Law Inc (1)	US	Registrar	100	100

(1) Subsidiaries incorporated in the year

Notes:

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

18 Interest in joint venture

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

	Group	
Share of interest in assets / liabilities	**2015 $ 000's**	2014 $ 000's
Assets		
- Non-current	**379**	379
- Current	**470**	478
	849	857
Liabilities		
- Current	**(14)**	(24)
Share of interest in assets / liabilities	**835**	833
- Revenue	**29**	
- Cost of sales	**(25)**	
- Expenses	**(3)**	(9)
Profit / (loss) after income tax	**1**	(9)

There are no commitments arising in the joint ventures.

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

Each joint venture is individually immaterial.

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

Company

Interests in joint ventures are accounted for at cost of $911k (2014: $911k) in the Company financial statements.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

19 Other long-term assets

	Group and Company	
	2015	2014
	$ 000's	$ 000's
Restricted cash	**2,153**	2,837
Other long-term receivables	**1,295**	3,145
Total	**3,448**	5,982

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

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

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

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

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

In 2015, 7 further applications were withdrawn either as a result of participation in auctions or management decisions. As a result, application fees pad to ICANN as at 31 December 2015 amounts to $1,295k. Due to the withdrawal on several applications deposits to fund letters of credit decreased to $2,153k.

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

Of the applications withdrawn, 6 applications were withdrawn as a result of participation in private auction where the Group did not win the auction but received a portion of the auction proceeds. Such auction proceeds, less amounts not recovered from the Group's withdrawal of the application to ICANN are accounted for on the profit and loss account as Profit on participation in gTLD auctions and amounted to $7,943k (2014: $33,721k). One application was withdrawn as a result of participation in ICANN auctions where the Group did not win the auction and did not receive a portion of the auction proceeds. Of the application fee, those amounts not received from ICANN as a result of such withdrawals are accounted for on the profit and loss account as Loss in withdrawal of gTLD applications and amounted to $148k (2014: $296k).

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

20 Trade and other receivables

Current trade and other receivables	Group		Company	
	2015 $ 000's	2014 $ 000's	2015 $ 000's	2014 $ 000's
Trade receivables	**2,791**	3,388	1,908	-
Other receivables	**916**	669	62	108
Prepayments	**1,046**	328	35	28
Balances due from subsidiaries	**-**	-	37,234	39,199
Due from joint ventures	**6**	49	6	49
Total	**4,759**	4,434	39,245	39,384

The loans due from subsidiaries are interest free and have no fixed repayment date. The loans have been classified to current receivables in the current year as the directors assess these balances to be recoverable in 2016. The difference between the carrying value and the fair value of the loan at the reporting date is deemed to be immaterial.

Trade receivables - Group

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

Ageing of past due but not impaired receivables:

	2015 $ 000's	2014 $ 000's
1 – 30 days	**-**	-
31 – 60 days	**210**	28
61-90 days	**514**	5
91 days and over	**951**	103
Total	**1,675**	136

Movements in doubtful debts

Balance at the beginning of the period	**53**	53
Movement in the year	**(38)**	-
Exchange differences	**-**	-
Balance at the end of the period	**15**	53

Included in the ageing of past due but not impaired receivables of 91 days and over amounts of $254k and $244k receivable from two customers were received after the year end.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

Trade receivables - Company

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

Ageing of past due but not impaired receivables:

	2015 $ 000's	2014 $ 000's
1 – 30 days	**-**	-
31 – 60 days	**194**	-
61-90 days	**502**	-
91 days and over	**42**	-
Total	**738**	-

Movement in doubtful debts:		
Balance at the beginning of the period	**-**	-
Movement in the year	**-**	-
Exchange differences	**-**	-
Balance at the end of the period	**-**	-

Included in the ageing of past due but not impaired receivables of 91 days and over an amounts of $244k receivable from one customer was received after the year end.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

21 Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	$ 000's	$ 000's	**$ 000's**	$ 000's
Trade payables	**211**	394	**114**	111
Due to joint ventures	**18**	101	**13**	96
Taxation liabilities	**206**	575	**-**	-
Other liabilities	**2**	1,534	**-**	1,492
Deferred revenue	**5,613**	3,159	**2,225**	406
Accruals	**2,922**	551	**1,500**	96
Total	**8,972**	6,314	**3,852**	2,201

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

22 Obligations under finance leases - Group

	Minimum lease payments	
	2015	2014
	$ 000's	$ 000's
Amounts payable under finance lease		
Within one year	**2**	363
	2	363
Less: Future finance charges	**-**	(21)
Present value of lease obligation	**2**	342

The average lease term is 2 years. For the year ended 31 December 2015, the effective borrowing rate was 13.76% (2014: 13.76%). Interest rates are fixed at the contract date. All leases are on a fixed repayments basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Euros.

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

23 Share capital and premium

Called up, allotted, issued and fully paid ordinary shares of no par value	Number of shares	Price per share (cents/pence)	Total $ 000
As at 1 January 2014	650,573,522		49,481
30 January 2014 – cash on issue of shares	175,000,000	19.89/12	34,801
Options and warrants exercised:			
4 April 2014 for cash on exercise of options	3,000,000	6.7/4	201
13 July 2014 for cash on exercise of options	738,299	18.1/11	134
14 July 2014 for cash on exercise of options	350,000	15.4/9	54
25 July 2014 for cash on exercise of options	350,000	15.8/9	55
12 September 2014 for cash on exercise of options	350,000	15.4/9	54
22 October 2014 for cash on exercise of warrants	1,622,664	6.5/4	106
14 November 2014 for cash on exercise of options	4,000,000	6.8/4	273
			877
Cost of share issue			(2,293)
As at 31 December 2014	835,984,485		82,866
Shares acquired by the company:			
Share repurchase	(68,864,800)	13/8.6	(9,050)
As at 31 December 2015	**767,119,685**		**73,816**

*The company purchased 68,864,800 shares of which 42,864,800 were cancelled at the year end. The balance of 26,000,000 were temporarily held as treasury shares due to the time required to implement the cancellation and were cancelled after the year end.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

24 Share-based payment

Share-based payment expense recognised	**2015 $ 000's**	2014 $ 000's
Equity settled share based payments	**3,223**	114
Expense as a result of modification of equity settled share based payments	**12**	498
Total	**3,235**	612

The company has the following share option schemes in place:

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

b) Restricted Share Option ('RSU') scheme – the group opened a new scheme for all employees of the group with the exclusion of Directors and certain senior executives.

Directors and Employees Share Option Scheme

	2015		2014	
	Number of share options	**Weighted average exercise price (cents / pence)**	Number of share options	Weighted average exercise price (cents / pence)
Outstanding at the beginning of the year	**23,712,500**	**9.5/6.4**	43,138,847	10.3/6.3
Granted during the year	**41,950,000**	**13.17/8.88**	-	-
Forfeited during the year	**(10,455,182)**	**12.06/8.14**	(400,000)	15.3/9.8
Exercised during the year	**-**	**N/A**	(18,676,347)*	9.6/6.2
Expired during the year	**-**	**N/A**	(350,000)	14/9
Outstanding at the end of the year	**55,207,318**	**11.78/7.95**	23,712,500	9.9/6.4
Exercisable at the end of the year	**34,353,056**	**10.69/7.21**	19,007,178	9.9/6.4

*Included within the number of share options exercised during 2014 are 14,626,374 share options issued to Directors that were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to $1,206k, of which $708k had already been recognised as a share based expense in prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of $498k was expensed.

The weighted average contractual life of outstanding options at the end of the year is 8.2 years (2014: 8.06 years). There were 41,950,000 options granted in 2015. In 2014, there were no options granted. The aggregate of the estimated fair values of the options granted under this scheme during 2015 is $3,311k.

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

24 Share-based payment (continued)

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

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

	2015	2014
Weighted average share price (cents/pence)	**12.6/8.3**	N/A
Weighted average exercise price (cents/pence)	**13.6/8.9**	N/A
Expected volatility	**54.69%**	N/A
Expected life	**10 years**	N/A
Risk-free rate	**2%**	N/A
Expected dividend yield	**Nil**	N/A

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

24 Share-based payment (continued)

Restricted Share Option Scheme

	2015		2014	
	Number of share options	**Weighted average exercise price (cents / pence)**	Number of share options	Weighted average exercise price (cents / pence)
Outstanding at the beginning of the period	**-**	**-**	-	-
Granted during the period	**16,500,000**	**-**	-	-
Forfeited during the period	**(4,841,667)**	**-**	-	-
Exercised during the period	**(4,525,000)***	**-**	-	-
Expired during the period	**-**	**-**	-	-
Outstanding at the end of the period	**7,133,333**	**-**	-	-
Exercisable at the end of the period	**770,833**	**-**	-	-

*All share options exercised during under the Restricted Shared Option Scheme were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to $577k, of which $566k had already been recognised as a share based expense in prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of $12k was expensed.

The weighted average contractual life of outstanding options at the end of the year is 1.68 years (2014: Nil). There were 16,500,000 options granted in 2015. In 2014, there were no options granted. The aggregate of the estimated fair values of the share options granted under the RSU scheme during 2015 is $2,121k.

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

24 Share-based payment (continued)

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

	2015	2014
Weighted average share price (cents/pence)	**13.4/8.75**	N/A
Weighted average exercise price (£)	**Nil**	N/A
Expected volatility	**N/A**	N/A
Expected life	**3 years**	N/A
Risk-free rate	**2%**	N/A
Expected dividend yield	**Nil**	N/A

The market price of the ordinary shares at 31 December 2015 was $0.12 / £0.08 (2014: $0.24 / £0.14) and the range during the year was $0.11 / £0.07 to $0.16 / £ 0.11 (2014: $0.12 / £0.07 to $0.28 / £ 0.17).

Directors' share options

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

	1 Jan 2015	Granted	Forfeited	Exercised	Expired	31 Dec 2015
Frederick Krueger (1)	5,000,000	10,500,000	(9,105,182)	-	-	**6,394,818**
Antony Van Couvering (2)	12,500,000	10,500,000	-	-	-	**23,000,000**
Michael Salazar (3)	1,250,000	7,250,000	-	-	-	**8,500,000**
Caspar Veltheim (4)	312,500	2,200,000	-	-	-	**2,512,500**
Guy Elliot	-	-	-	-	-	**-**
Keith Teare (5)	-	750,000	-	-	-	**750,000**
Elliott Noss (6)	-	750,000	-	-	-	**750,000**
David Weill	-	-	-	-	-	**-**
	19,062,500	31,950,000	(9,105,182)	-	-	**41,907,318**

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

24 Share-based payment (continued)

(1) 5,000,000 options at the start of the year – exercise price – £0.04, exercisable from – 14 Nov 2007, expires on – 13 Nov 2014. 10,500,000 options granted in the year – exercise price for 2,130,000 options – £0.09, exercise price for 8,370,000 options - £0.08, exercisable from 1 August 2014, expires on – 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12th of options). 2,625,000 share options outstanding at the end of the year relate to share options that were granted in 2015.

(2) 2,626,347 options - exercise price – £0.04, exercisable from – 27 May 2009, expires on – 24 June 2014, 7,000,000 options exercise price - £0.09, exercisable from - 22 May 2010, expires on – 24 June 2014. 3,025,143 options – exercisable from 13 May 2013, expires on 13 February 2023 (quarterly vesting beginning 13 May 2013 of 1/12th of options). 9,474,857 options – exercisable from 13 February 2013, expires on 13 February 2023. 10,500,000 options granted in the year – exercise price - £0.08, exercisable from 1 August 2014, expires on – 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12th of options).

(3) 1,250,000 options -Exercise price – £0.062, exercisable from – 1 Jun 2013, expires on – 30 Nov 2022 (quarterly vesting beginning at 1 Jun 2013 of 1/12th of options). 7,250,000 options granted in the year – exercise price - £0.08, exercisable from 1 August 2014, expires on – 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12th of options).

(4) 312,500 options – exercise price – £0.07, exercisable from – 1 Aug 2012, expires on 31 Jul 2022 (quarterly vesting beginning at 1 Nov 2012 of 1/12th of options). 2,200,000 options granted in the year – exercise price - £0.08, exercisable from 1 August 2014, expires on – 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12th of options).

(5) 750,000 options granted in the year – exercise price - £0.08, exercisable from 1 August 2014, expires on – 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12th of options).

(6) 750,000 options granted in the year – exercise price - £0.08, exercisable from 1 August 2014, expires on – 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12th of options).

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

Total warrants outstanding

During the year ended 31 December 2015, the Company granted no warrants to subscribe for ordinary shares (2014: nil). As at 31 December 2015 and 31 December 2014 the outstanding unexercised warrants in issue were;

Exercise Price	Expiry Date	Number of warrants
10p	06 May 2019	8,000,000
6p	3 June 2016	1,103,753
12p	12 February 2026	1,047,089
15p	19 March 2014	650,000

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

25 Financial instruments

Capital risk management

The Group and Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group and Company's overall strategy remains unchanged from 2014.

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

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

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

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

Categories of financial instruments

Group

Financial assets	**2015 $ 000's**	2014 $ 000's
Cash and bank balances	**34,651**	45,796
Loans and receivables (including long term receivables)	**5,860**	9,732
Financial liabilities		
Other financial liabilities at amortised cost	**213**	2,372

Company

Financial assets	**2015 $ 000's**	2014 $ 000's
Cash and bank balances	**23,990**	26,952
Loans and receivables (including long term receivables)	**41,357**	3,001
Financial liabilities		
Other financial liabilities at amortised cost	**114**	1,700

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

25 Financial instruments (continued)

Financial risk management objectives

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

It is, and has been throughout 2015 and 2014, the policy of both the Group and the Company that no trading derivatives are contracted.

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

Market risk

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

Foreign currency risk

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

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

Group	**Liabilities**		**Assets**	
	2015 $ 000's	2014 $ 000's	**2015 $ 000's**	2014 $ 000's
Sterling	**159**	268	**7,541**	5,738
USD	**35**	1,771	**29,606**	47,922
Euro	**19**	333	**3,364**	1,868
As at 31 December	**213**	2,372	**40,511**	55,528

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

25 Financial instruments (continued)

Company	Liabilities		Assets	
	2015 $ 000's	2014 $ 000's	**2015 $ 000's**	2014 $ 000's
Sterling	**-**	-	**1,226**	2,177
USD	**114**	1,700	**64,121**	27,769
Euro	**-**	-	**-**	7
As at 31 December	**114**	1700	**65,347**	29,953

Foreign currency sensitivity analysis

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

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

Group	Pound Sterling impact		Euro impact	
	2015	2014	**2015**	2014
	$ 000s	$ 000s	**$ 000s**	$ 000s
Profit or loss (i)	**(770)**	(550)	**(338)**	(154)
Other equity (ii)	**-**	-	**-**	-
	(770)	(550)	**(338)**	(154)

Company	Pound Sterling impact		Euro impact	
	2015	2014	**2015**	2014
	$ 000s	$ 000s	**$ 000s**	$ 000s
Profit or loss (i)	**(123)**	(218)	**-**	(1)
Other equity		-		-
	(123)	(218)	**-**	(1)

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

25 Financial instruments (continued)

(i) The main attributable to the exposure outstanding on Pound Sterling and Euro is receivables and payables at the balance sheet date.

(ii) There is no impact on other equity, as the Group does not hold derivative instruments designated as cash flow hedges and net investments hedges.

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

Interest rate risk

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

Interest rate sensitivity analysis

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

Credit risk management

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

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

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

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

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

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

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

25 Financial instruments (continued)

Liquidity risk management

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

Cash forecasts are regularly produced to identify the liquidity requirement for the Group and Company. To date, the Group has relied on the issuance of stock warrants and shares finance its operations. The Group made use of limited borrowing facilities as at 31 December 2015.

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

		Group		Company	
31 December 2015	**Weighted average effective interest rate**	**Within 1 year $ 000s**	**1 – 5 years $ 000s**	**Within 1 year $ 000s**	**1 – 5 years $ 000s**
Non-interest bearing:					
Trade and other payables		213	-	114	-
Fixed interest rate instruments:					
Obligations under finance lease	13.76%	2	-	-	-
		215	-	114	-

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

25 Financial instruments (continued)

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

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

The Group and Company had no derivative financial instruments as at 31 December 2015 and at 31 December 2014

26 Commitments

The group as a lessee	**2015 $ 000's**	2014 $ 000's
Lease payments recognised under operating leases recognised as an expense in the year	**770**	467

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

26 Commitments (continued)

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

	2015 **$ 000's**	2014 $ 000's
Within one year	**423**	436
In the second to fifth years inclusive	**312**	657
After five years	**-**	-
	735	1,093

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

As at 31 December 2015 and 31 December 2014, the Group has no capital commitments.

As at 31 December 2015 and 31 December 2014, the Company had no lease or capital commitments.

27 Related party transactions – Group

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in note 28.

Joint ventures

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

	2015 **$ 000's**	2014 $ 000's
Due to Rugby Domains Ltd	**11**	(4)
Due to Basketball Domains Ltd	**(14)**	(34)
Due from Entertainment Names Inc	**49**	44
Due to Dot Country LLC	**(58)**	(58)

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

27 Related party transactions – Group (continued)

Other

At the balance sheet date, an amount of $61k (2014: $61k) was due from Frederick Krueger in relation to shares previously issued.

In 2014, the Group entered into an agreement with Tucows, Inc. to partner in anticipated auctions for .store, .tech and .group top-level domains. MMX had no previous interest in .group while Tucows has no previous interest in .tech and .store. As part of the agreement MMX would acquire an initial majority interest in .group and Tucows would acquire an initial minority interest in .tech and .store, if it were successful in securing the uncontested rights to the gTLD in auction. The final percentages of ownership in each domain would be determined by the amounts contributed by each party at auctions. In the year, .group was lost to third party participants under private auction and .tech was settled via ICANN auction. .store remains unresolved. Tucows, Inc. is related by virtue of common directors.

The Group also sells second level domain names to Tucows, Inc. and receives certain registrar back end services from Tucows, Inc. In 2015, the Group invoiced nil (2014: $24k) to Tucows, Inc. and was invoiced $27k (2014: $84k) by Tucows. The net receivable from Tucows at year end was $36k (2014: $50k).

Remuneration of Key Management Personnel

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out in note 8.

28 Related party transactions – Company

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

Subsidiaries

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

Recharged costs and services from	**2015 $ 000's**	2014 $ 000's
Minds and Machines LLC	**1,113**	1,024
Minds + Machines Limited (IE)	**214**	950
Minds and Machines Limited (UK)	**115**	111

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

28 Related party transactions – Company (continued)

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

Company	2015 $ 000's	2014 $ 000's
Minds and Machines LLC	**13,240**	6,984
Bayern Connect GmbH	**1,032**	1,141
Minds and Machines GmbH	**670**	741
Minds + Machines Limited (IE)	**11,460**	21,332
Minds + Machines Registrar Limited (IE)	**-**	2,002
Minds and Machines Limited (UK)	**10,642**	6,997
Minds and Machines Registrar UK Limited	**3**	1
Emerald Names, Inc	**5**	-
Minds + Machines (FL)	**(40)**	-
Minds + Machines, Inc.	**5**	-
Minds + Machines Hungary	**218**	-

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

	Second level sale of domains		Trade receivable outstanding	
Company	2015 $ 000s	2014 $ 000s	2015 $ 000s	2014 $ 000s
Minds and Machines LLC	**1,184**	-	**1,169**	-
Minds + Machines Registrar Limited (IE)	**151**	56	**-**	51

Notes to Financial Statements

For the year ended 31 December 2015 (continued)

28 Related party transactions – Company (continued)

Joint ventures

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

	2015 $ 000's	2014 $ 000's
Due to Rugby Domains Ltd	**11**	(4)
Due to Basketball Domains Ltd	**(14)**	(34)
Due from Entertainment Names Inc	**49**	44
Due to Dot Country LLC	**(58)**	(58)

Other

At the balance sheet date, an amount of $61k (2014: $61k) was due from Frederick Krueger in relation to shares previously issued.

The Company also sells second level domain names to Tucows, Inc. In the year, the Company invoiced nil (2014: $9k) to Tucows, Inc. The net balance receivable from Tucows. Inc at the year end is nil (2014: $2k).

Remuneration of Key Management Personnel

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out in note 7 and share options issued set out in note 24.

29 Post Balance Sheet Events

Subsequent to the year end, to 26 April 2016 the Group, under its share buy back programme, has purchased a further 9,733,853 shares at a value of £730k ($1,053k).

In April 2016, MMX reached an agreement with Nominet UK to take over the technical back-end registry functions for the top level domains within the Group's portfolio, in addition MMX also signed an agreement with Uniregistrar Corp part of 'Uniregistry' to take over MMX's registrar operation.

Corporate Information

Registered number	1412814 registered in British Virgin Islands
Directors	Guy Elliott – Non Executive Chairman Toby Hall – Chief Executive Officer Michael Salazar – Chief Operating Officer and Chief Finance Officer Henry Turcan – Non Executive Director
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	Kerman & Co LLP 7 Savoy Court Strand, London WC2R 0ER United Kingdom
Nominated Advisor and Broker	N+1 Singer One Bartholomew Lane London EC2N 2AX United Kingdom
Registrars	Computershare Investor Services (Channel Islands) Ltd PO Box 83 Ordnance House, 31 Pier Road St Helier JE4 8PW Channel Islands
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