

Company Registration No. 03647310

**Corporation Service Company
(Europe) Limited**

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 December 2019



Corporation Service Company (Europe) Limited
Company Information
Year Ended 31 December 2019

DIRECTORS

Paul Ashworth
James Stoltzfus
John Fortunato

REGISTERED NUMBER

03647310

REGISTERED OFFICE

5 Churchill Place
London
England
E14 5HU

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

BANKERS

JP Morgan Chase Bank N.A. London
25 Bank Street
London
E14 5JP

Corporation Service Company (Europe) Limited
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Year Ended 31 December 2019

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Corporation Service Company (Europe) Limited

Strategic Report

Year Ended 31 December 2019

Strategic report for the year ended 31 December 2019

The directors present their strategic report and the audited consolidated financial statements of Corporation Service Company (Europe) Limited ("CSC Europe") for the year ended 31 December 2019.

Principal activities

The principal activities of the Group during the year were the provision of domain name management, brand protection and other internet related services to major corporate and SME clients as well as providing sales offices for its parent company, Corporation Service Company Domains LLC, which provides domain name registration and renewals and trademark and brand protection services.

Review of the business and future developments

2019 was the final year of the integration of group into the CSC parent company's digital brand services operation. The reseller business, Ascio, which was presented as assets and liabilities held for sale in 2018, was sold in March 2019. Following this sale, the majority of domains within the group have been renewed by the parent company's accreditation, who have been recompensed for cost plus the use of their technology (note 5). Various entity mergers occurred during the year including in Germany, France and USA, and the group rebranded as CSC. The separate business operation Global Financial Markets business was sold in November 2019 to the parent company. These have been classified as discontinued operations (note 27) and 2018 balances in the consolidated statement of comprehensive income have been restated.

As part of this restructuring, the intellectual property of several subsidiaries within the Group were sold to the parent, including proprietary technology, resulting in income of £18.0m (note 5) and impairing all goodwill in the group, with an impairment charge of £48.4m in the year (note 11).

As detailed in the Company's consolidated statement of comprehensive income, the directors report that loss on ordinary activities before taxation from continuing operations was £24.6m (2018: £34.3m loss restated) in the financial year and net liabilities were £136.6m (2018: £104.1m). Loss from discontinued operations was £1.8m (2018: £1.5m loss restated). The Company paid no dividends in the year (2018: £nil) and the directors do not recommend the payment of a dividend (2018: £nil).

Market conditions in our sector of the operations remain optimistic with more focus on the growth of security services.

Key performance indicators

	2019	2018 restated	Definition and analysis
Turnover	£41.4m	£43.6m	There is a decrease of £1.5m in revenue is predominantly due to a reduced cost base in relation to transfer pricing recharges with the parent company. There is also reduction in external revenues across all revenue streams from the natural attrition of customers and integration of subsidiaries into the parent company operation. Associated with this, during 2018, some customers were transferred to the parent company, Corporation Service Company Domains LLC, so 2019 reflects a full year impact of this transfer.
Adjusted Operating Profit Margin (%)	4.7%	0.6%	Adjusted operating profit margin is the ratio of adjusted operating profit (note 28) expressed as a percentage of Turnover. Adjusted operating profit margin has increased by 3.1% compared to prior year. The reduction in revenue has been offset by a reduction in amortisation of £6.3m (2018: 8.2m) and a foreign exchange gain of £1.9m (2018: 0.5m gain).

Corporation Service Company (Europe) Limited

Strategic Report

Year Ended 31 December 2019

Post balance sheet events

From 1 January the group performed the role of a sales and customer support operation to its parent including administration and management support. Associated with this a new transfer pricing policy has been implemented from 1 January 2020.

The impact of Covid-19 has changed the working patterns for the employees of the group. Business continuity and resilient technology has enabled employees to work from home effectively and as such, the group has not used any schemes offered by governments in the different jurisdictions. The business has continued to perform with no significant issues identified to date in revenues or cash receipts. Management is continually assessing the impact that Covid-19 is likely to have.

Principal risks and uncertainties

The business is influenced by a number of key risks, as noted below, which can adversely affect the financial and operating performance of the business. The Directors continually review and identify risks and where possible, mitigate the risks that may impact the business, prospects, people, and financial results. There are additional uncertainties due to Covid-19 and management is continually assessing the impact this is likely to have.

Research and development

The Group operates within the rapidly developing internet environment. There are few, if any, proprietary systems available to meet its product requirements and as a result the Group has developed, in-house, the systems required to meet its customers' needs. In accordance with IAS 38 "Intangible Assets", development costs of £40,000 (2018: £218,000) have been capitalised in the year and carried forward as assets in the Consolidated Statement of Financial Position where they meet the criteria as prescribed in the Standard. Where costs do not meet the criteria to be capitalised they have been charged to the Consolidated Statement of Comprehensive Income as they are incurred.

Directors' section 172 statement

The directors, together with management from the ultimate parent company, make long term decisions for the Group. These range from changes in internal systems to external acquisitions. The Group's employees are either consulted or communicated to when there are decisions likely to affect them. There are regular updates provided by management to the entire organisation and employees are encouraged to ask questions and suggest process improvements.

Business relationships with customers and suppliers are key to the Group's success so maintaining a good reputation and high standards of business conduct is extremely important. Whenever there are key changes to process or services, customers and suppliers are consulted or communicated in advance of any such changes.

The Group recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimise the Group's impact on the environment include improving our energy use, efficiency, paper use and recycling.

Financial risk management

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. The financial instruments comprise primarily of cash, trade payables, trade receivables and borrowings. The main risks arising from the Group's financial instruments are credit risk and foreign exchange risk. See note 17 for further details.

The Group's principal financial assets are bank balances and cash, trade and other receivables, which represents the maximum exposure to credit risk in relation to financial assets. The principal credit risk is attributable to trade receivables. In order to mitigate this risk, the company operates strict credit control procedures. The credit risk on cash balances is limited because the counterparties are banks with high credit ratings.

Foreign exchange risk arises primarily due to revenue and expenses, together with the corresponding trade debtors and trade creditors and amounts owed to parent company being in foreign currencies. This is partly mitigated via natural hedging within the Group.

On behalf of the board



Paul Ashworth
Director

30 September 2020

Corporation Service Company (Europe) Limited

Directors' Report

Year Ended 31 December 2019

Directors' report for the year ended 31 December 2019

The directors present their report and the audited consolidated financial statements of Corporation Service Company (Europe) Limited ("CSC Europe") for the year ended 31 December 2019.

Directors

The directors who held office during the year and up to the date of signing financial statements are given below:

Paul Ashworth
James Stoltzfus
John Fortunato

Directors' indemnities

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The indemnity was purchased by WMB Holdings Inc., the ultimate parent company, who also purchased Directors' and Officers' liability insurance in respect of the Company and its Directors.

Employees

The Group offers a wide range of services to companies and relies on the knowledge and expertise of its staff. The Group endeavors to ensure that it consistently improves the Group's performance by attracting and retaining the right people and by developing the skills of its staff through training and development programs.

Performance is rewarded on merit without regard to gender, age, race, colour, religion, sexual orientation or marital status. The Company encourages the involvement and participation of staff in building a successful business. Communication plays a key part in creating an environment in which all staff can contribute and develop to their full potential. There are quarterly presentations by management which include recent trading updates and other key information about the Group's performance.

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Going concern

The financial statements have been prepared on a going concern basis. The ultimate parent company, WMB Holdings Inc. has provided the directors of the Group confirmation of continuing financial support of the Group, for at least the 12 month period from the date the financial statements are approved, to allow the Group to be able to meet their liabilities as they fall due.

Future developments

Details can be found in the Strategic Report, which forms part of this report by cross reference.

Dividends

Details can be found in the Strategic Report, which forms part of this report by cross reference.

Post balance sheet events

Details can be found in the Strategic Report, which forms part of this report by cross reference.

Disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that 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 it have been communicated to the auditors.

Corporation Service Company (Europe) Limited
Directors' Report
Year Ended 31 December 2019

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Paul Ashworth
Director
30 September 2020

Corporation Service Company (Europe) Limited
Statement of Directors' Responsibilities
Year Ended 31 December 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Corporation Service Company (Europe) Limited Year Ended 31 December 2019

Report on the financial statements

Opinion

In our opinion:

- Corporation Service Company (Europe) Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

Independent auditors' report to the members of Corporation Service Company (Europe) Limited Year Ended 31 December 2019

knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Independent auditors' report to the members of
Corporation Service Company (Europe) Limited
Year Ended 31 December 2019**

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nicola Adlington (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2020

Corporation Service Company (Europe) Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019	2018 restated (note 27)
		£'000	£'000
CONTINUING OPERATIONS			
REVENUE	3	41,408	43,602
Cost of sales		(7,602)	(6,364)
GROSS PROFIT		33,806	37,238
Operating expenses		(53,168)	(65,980)
OPERATING LOSS		(19,362)	(28,742)
Finance income		5	11
Finance costs	4	(5,226)	(5,537)
LOSS BEFORE TAXATION	5	(24,583)	(34,268)
Taxation	8	(3,430)	1,519
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(28,013)	(32,749)
Loss from discontinued operation attributable to equity holders	27	(1,804)	(1,508)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		(29,817)	(34,257)
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange translation differences on translation of foreign operations		(2,524)	1,109
Other comprehensive (expense)/income for the year		(2,524)	1,109
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		(32,341)	(33,148)

All amounts other than those specifically disclosed above as discontinued, relate to continuing operations.

The notes on pages 16 to 48 form part of these financial statements.

Corporation Service Company (Europe) Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019	2018
		£'000	£'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,375	3,435
Right-of-use assets	10	2,154	-
Intangible assets	11	35,268	94,016
Deferred tax asset	12	1,147	717
Trade and other receivables	14	15,414	24,023
		56,358	122,191
CURRENT ASSETS			
Trade and other receivables	14	14,774	17,198
Cash and cash equivalents		9,433	4,804
Assets classified as held for sale	26	-	24,783
		24,207	46,785
TOTAL ASSETS		80,565	168,976
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	(14,481)	(17,857)
Current tax liabilities		(5,771)	(2,025)
Liabilities classified as held for sale	26	-	(5,407)
		(20,252)	(25,289)
NON-CURRENT LIABILITIES			
Trade and other payables	15	(188,603)	(240,059)
Lease liabilities	10	(2,244)	-
Deferred tax liabilities	16	(6,026)	(7,776)
		(196,873)	(247,835)
TOTAL LIABILITIES		(217,125)	(273,124)
NET LIABILITIES		(136,560)	(104,148)

Corporation Service Company (Europe) Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		2019	2018
		£'000	£'000
EQUITY			
Share capital	18	6,278	6,278
Share premium		26,616	26,616
Other reserves		11,105	11,105
Accumulated losses		(180,559)	(148,147)
TOTAL EQUITY		(136,560)	(104,148)

The notes on pages 16 to 48 are an integral part of these consolidated financial statements.

The financial statements on pages 9 to 48 were approved by the board of directors and authorised for issue on 30 September 2020 and are signed on its behalf by:



Paul Ashworth
Director

Corporation Service Company (Europe) Limited

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Company Registration No. 03647310

	Note	2019	2018
		£'000	£'000
ASSETS			
NON-CURRENT ASSETS			
Investments	13	111,333	122,878
Trade and other receivables	14	13,585	29,365
		124,918	152,243
CURRENT ASSETS			
Cash and cash equivalents		143	15
TOTAL ASSETS		125,061	152,258
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	(130)	(84)
Current tax liabilities		(163)	(300)
		(293)	(384)
NON-CURRENT LIABILITIES			
Trade and other payables	15	(225,177)	(228,241)
TOTAL LIABILITIES		(225,470)	(228,625)
NET LIABILITIES		(100,409)	(76,367)
EQUITY			
Share capital	18	6,278	6,278
Share premium account		26,616	26,616
Other reserves		11,105	11,105
Accumulated losses		(144,408)	(120,366)
TOTAL EQUITY		(100,409)	(76,367)

The Company has claimed the exemptions under s408 of the Companies Act 2006 not to present its own statement of comprehensive income. The company loss for the financial year is £24,042,000 (2018: £108,738,000 profit).

The financial statements on pages 9 to 48 were approved by the board of directors and authorised for issue on 30 September 2020 and are signed on its behalf by:



Paul Ashworth
Director

Corporation Service Company (Europe) Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

Company Registration No. 03647310

	Note	Share capital	Share premium	Other reserves	Accumulated losses restated	Total
		£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2018		6,278	26,616	11,105	(114,999)	(71,000)
Loss for the financial year from continuing operations		-	-	-	(32,749)	(32,749)
Loss for the financial year from discontinued operations		-	-	-	(1,508)	(1,508)
Other comprehensive expense for the year:						
Exchange adjustments		-	-	-	1,109	1,109
Total comprehensive expense for the year		-	-	-	(33,148)	(33,148)
Balance as at 31 December 2018		6,278	26,616	11,105	(148,147)	(104,148)
Impact of IFRS16 implementation	25	-	-	-	(71)	(71)
Adjusted balance as at 1 January 2019		6,278	26,616	11,105	(148,218)	(104,219)
Loss for the financial year from continuing operations		-	-	-	(28,013)	(28,013)
Loss for the financial year from discontinued operations		-	-	-	(1,804)	(1,804)
Other comprehensive expense for the year:						
Exchange adjustments		-	-	-	(2,524)	(2,524)
Total comprehensive expense for the year		-	-	-	(32,341)	(32,341)
Balance as at 31 December 2019		6,278	26,616	11,105	(180,559)	(136,560)

Corporation Service Company (Europe) Limited

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

Company Registration No. 03647310

	Share capital	Share premium	Other reserves	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2018	6,278	26,616	11,105	(229,104)	(185,105)
Profit for the year	-	-	-	108,738	108,738
Total comprehensive expense for the year	-	-	-	108,738	108,738
Balance as at 31 December 2018	6,278	26,616	11,105	(120,366)	(76,367)
Loss for the year	-	-	-	(24,042)	(24,042)
Total comprehensive income for the year	-	-	-	(24,042)	(24,042)
Balance as at 31 December 2019	6,278	26,616	11,105	(144,408)	(100,409)

Corporation Service Company (Europe) Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

Company Registration No. 03647310

	Note	2019	2018
		£'000	£'000
Net cash flow from operating activities			
Loss before taxation		(24,584)	(35,277)
Net finance expense		5,221	5,833
Depreciation	9, 10	2,212	1,250
Amortisation	11	6,309	9,865
Intangible asset impairment	11	52,289	29,006
Exchange differences	5	(1,909)	86
Loss on disposal of fixed assets		58	-
Gain on disposal of discontinued operations		(13,017)	-
Decrease/(increase) in trade and other receivables		11,033	(7,001)
(Decrease)/increase in trade and other payables		(28,420)	9,359
Cash generated from operations		9,192	13,121
Taxation paid		(1,740)	(3,301)
Net cash generated from operating activities		7,452	9,820
Cash flow from investing activities			
Purchase of property, plant and equipment		(697)	(2,374)
Purchase of proprietary technology		(40)	(457)
Interest received		5	13
Proceeds from sale of subsidiaries, net of cash	27	20,481	-
Net cash generated from/(used in) investing activities		19,749	(2,818)
Cash flow from financing activities			
Issue of shareholder loan notes	15	1,287	2,500
Repayment of shareholder loan notes	15	(23,326)	(11,484)
Repayment of lease liabilities	10	(1,121)	-
Net cash used in financing activities		(23,160)	(8,984)
Net increase/(decrease) in cash and cash equivalents		4,041	(1,982)
Cash and cash equivalent at start of year		5,548	7,753
Effects of exchange rate changes		(156)	(223)
Cash and cash equivalent at the end of year		9,433	5,548
Cash flows of discontinued operations	27	24	(461)

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Corporation Service Company (Europe) Limited is a private company limited by shares and it is incorporated and domiciled in England. The address of its registered office is 5 Churchill Place, London, England, E14 5HU. The registered number of the Company is 03647310.

The principal activities of the Group during the year were the provision of domain name management, brand protection and other internet related services to major corporate and SME clients as well as providing sales offices for its parent company which provides domain name registration and renewals and trademark and brand protection services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) BASIS OF PREPARATION

Statement of compliance

The Group financial statements of Corporation Service Company (Europe) Limited have been prepared in accordance with the historical cost convention, as modified for the fair value of certain financial assets and liabilities and EU adopted International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with the Companies Act 2006 as applicable to groups reporting under IFRS.

The Company financial statements present financial information for Corporation Service Company (Europe) Limited as a separate entity, and been prepared in accordance with the historical cost convention, as modified for the fair value of certain financial assets and liabilities, the Companies Act 2006 and Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of statement of cash flows and related party transactions.

(b) GOING CONCERN

The financial statements have been prepared on a going concern basis. WMB Holdings Inc, the ultimate parent company, plans to grow the business through new customer acquisition and leveraging existing customer relationships from adjacent service offerings. Therefore, WMB Holdings Inc. have provided the directors of the Company assurance that the Company and its subsidiaries will continue to be provided the required ongoing financial support so that the Company will be able to meet its liabilities as they fall due.

(c) BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of Corporation Service Company (Europe) Limited and its subsidiary undertakings (together named "the Group"). A listing of the Company's subsidiary undertakings is provided in note 23.

The consolidated financial statements are based on the financial statement of subsidiary undertakings, which are coterminous with those of the parent company. Uniform Group accounting policies have been applied.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) FOREIGN CURRENCY

(i) Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands.

The Group's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Operating expenses'.

(iii) Translations

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

(e) REVENUE

Revenue derived from intercompany transfer pricing charges to the US parent company, Corporation Service Company Delaware LLC, is recognised as services are provided to the US parent company and is calculated in accordance with cost plus agreements based on the operating and administrative costs of each applicable company. These are classified as 'Other' revenues in note 3.

Revenue derived from the provision of domain names with associated security services, brand protection and other internet-related services is measured as 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. Where services are billed in advance revenue is deferred until the services have been provided. The Group reports its revenue by service, which are described below together with the relevant revenue recognition policies applied.

(i) Corporate domain names

Services include: annual or rolling contracts for management of domain name portfolios where services are billed in advance and revenue recognised evenly over the billing quarter; the basis on which services are supplied; other short-term domain name related advisory and administrative services where these are billed either at commencement or on completion and revenue is recognised when the performance obligations are fulfilled; domain name ancillary products and services where these are billed in advance and revenue recognised evenly over the billing year, the basis on which services are supplied; and domain name acquisitions, the sales and purchases of pre-registered domain names, where transactions are billed either in advance or in arrears, with revenue, representing the net margin, as these transactions are undertaken on a brokerage basis, being recognised when the transfer of the legal owner of the domain name being transacted has completed.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) REVENUE (CONTINUED)

(ii) *Reseller*

Services which enable ISPs and other intermediaries to offer their customers domain name registration services on a white-label basis using our systems. Revenue is recognised when the registration process is complete at which point the obligation is fulfilled. This income stream is included in discontinued operations in both the current year and prior year. See note 27.

(iii) *Online*

Services include domain name registration services, shared hosting, email, and other internet-related services. Domain names are billed on a transactional basis and revenue is recognised when the registration process is complete with the customer becoming the legal owner of the domain name registered. The other services are typically billed annually in advance and revenue is recognised evenly over the billing year as these services are provided in the same manner.

(iv) *Brand protection*

Services include monitoring the Internet for and providing advice on brand abuse, fraud, piracy and counterfeiting. Monitoring services are billed in advance, ranging from monthly to annual basis, and revenue is recognised in line with performance of these services. Advisory and consulting services are billed either at commencement or on completion and revenue is recognised on delivery of these services.

(v) *Deferred revenue*

Deferred revenue is revenue which has not been earned by the Group at a point in time. These amounts are reported as deferred revenue in the consolidated statement of financial position.

(f) EMPLOYEE BENEFITS

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) *Defined contribution pension plans*

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

(g) TAXATION

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) *Deferred tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) TAXATION (CONTINUED)

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is recognised on all temporary differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(h) GOODWILL

Goodwill represents the excess of the fair value of consideration over the fair value of the identifiable net assets at the date of their acquisition. Goodwill is recognised as an asset and reviewed annually for impairment. Any impairment is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal. Goodwill is denominated in the functional currency in which the acquired entity operates.

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management for the next year. Cash flows beyond that year are extrapolated using estimated growth rates for 6 years, as advised by our advisors, followed by a long term growth rate. These growth rates are consistent with growth expectations of the applicable businesses. The methodology applied to value in use calculations vary depending on the function of the business and which country they are situated, and included:

- Long term growth - 1.0% to 2.0%
- Discount rate - 9.5% to 11.7%

(i) INTANGIBLE ASSETS

Intangible assets acquired through a business combination such as customer lists and intellectual property are initially measured at fair value and amortised over their useful economic life.

Intangible assets internally generated represent salaries, wages and other employment costs of personnel directly engaged in generating the asset, as per IAS 38 "Intangible Assets". These are capitalised within 'Proprietary technology'.

Amortisation of intangible assets is charged to the income statement, recognised within 'Operating expenses', on a straight-line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationships - 10 years
- Trade name - 5 to 15 years
- Proprietary technology - 3 years

The carrying values of intangible assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Where there are separately identifiable cashflows, intangible assets are assessed for impairment on an individual asset level, otherwise they are assessed in the cash generating unit impairment assessment. Useful lives and amortisation methods are reviewed annually.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on the following property, plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Leasehold improvements	Over the term of the lease
Fixtures and fittings	3 to 5 years
Computer equipment	2 to 4 years

The carrying values of property, plant and equipment are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Useful lives and depreciation methods are reviewed annually.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(j) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in statement of comprehensive income and included in 'Other (losses)/gains'.

The Group has elected to measure property, plant and equipment on the date of transition to IFRS at their book value.

(k) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases and the costs were charged to the consolidated statement of comprehensive income in equal amounts over the period of the lease, net of any incentives. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable
- Amounts expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option if the group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are discounted using the interest rate implicit in the lease. As this rate cannot be determined, the group's incremental borrowing rate is used. As the group does not have any 3rd party financing, the incremental borrowing rate of the parent is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Right-of-use assets are measured at cost comprising the following:

- The amount of initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs
- Restoration costs

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases (term of 12 months or less) and all leases of low-value assets (IT equipment and small items of office furniture) are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income.

(l) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income.

(m) INVESTMENTS - COMPANY

Investment in subsidiary companies are held at cost less accumulated impairment losses. The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The methodology applied to value in use calculations included:

- Long term growth - 1.0% to 2.0%
- Discount rate - 9.5% to 11.7%

(n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(o) PROVISIONS

Provisions are recognised by the Group when it has a present legal or constructive obligation as a result of a past event; when it is probable that a transfer of economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation.

(p) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) INVESTMENTS AND OTHER FINANCIAL ASSETS

The group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 17 for further details.

(r) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Other payables include prepaid amounts from reseller customers.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) LOANS

Loans are initially recognised at fair value and subsequently measured at amortised cost. The interest expense is recognised as 'Finance costs' in the consolidated statement of comprehensive income. Loans are removed from the statement of financial position when the obligation is discharged, cancelled or expired. Loans are classified as non-current liabilities within trade and other payables, unless there is a requirement for settlement within 12 months of the reporting period.

(t) ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss. The prior year has been restated.

(u) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) *Useful economic lives of intangible assets*

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation of the assets. See note 11 for the carrying amount of intangible assets and accounting policy above for the useful economic lives for each class of assets.

(ii) *Impairment reviews*

The Group performs annual impairment reviews on goodwill, other intangible assets and investments in subsidiaries in accordance with the accounting policies stated above. The recoverable amounts of the cash generating units have been determined based on value-in-use calculations. These calculations require the estimation of future cash flows, based on the new transfer pricing policy, and the determination of a discount rate in order to calculate the present value of the cash flows. See notes 11 and 13 for the carrying values of the remaining assets.

(iii) *Cost of sales*

The cost of sales in respect of intercompany domain purchases totalling £5.7m (2018: £6.1m), of which £3.1m (2018: £3.7m) are estimated with reference to the gross margin for each top level domain.

(v) ADOPTION OF NEW AND REVISED IFRSs

(i) *New and amended standards adopted*

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) ADOPTION OF NEW AND REVISED IFRSs (CONTINUED)

- IFRS 16, 'Leases'
- Prepayment features with negative compensation – Amendments to IFRS 9
- Long-term interests in associates and joint ventures – Amendments to IAS 28
- Annual improvements to IFRSs 2015 – 2017 cycle
- Plan amendment, curtailment or settlement – Amendments to IAS 19
- Interpretation 23, 'Uncertainty over income tax treatments'

IFRS 16 was adopted using the modified retrospective approach. There is therefore no restatement of prior year balances and the cumulative effect of initially applying the standard was recognised as at 1 January 2019. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect future periods.

(ii) New and amended standards not adopted

New standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

3. REVENUE

The Group reports operating performance of the business by revenue from each of its following services: domain name services - management of corporate domain name portfolios and associated security services; online services - domain names, shared hosting, email, and other internet-related services; and brand protection services - monitoring the Internet for brand abuse, fraud, piracy and counterfeiting. The remaining other turnover is mostly attributable to intercompany transfer pricing charges to the parent company.

	2019	2018 <i>restated</i>
Revenue by service	£'000	£'000
Corporate domain names	27,073	27,953
Online	2,543	3,039
Brand protection	2,665	1,987
Other	9,127	10,623
	41,408	43,602

Sales were made in the following geographical markets:

	2019	2018 <i>Restated</i>
	£'000	£'000
United Kingdom	17,975	19,568
Rest of EMEA Region	17,851	19,080
Australia	1,853	1,986
Rest of APAC Region	3,729	2,968
	41,408	43,602

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. FINANCE COST

	2019	2018 <i>restated</i>
	£'000	£'000
On loans from Group undertakings	5,083	5,504
On lease liabilities	120	-
Bank interest payable	23	33
	<u>5,226</u>	<u>5,537</u>

5. LOSS BEFORE TAXATION

	2019	2018 <i>restated</i>
	£'000	£'000
Loss before income tax is stated after charging/(crediting):		
Depreciation of property, plant and equipment and right-of-use assets	2,212	1,202
Amortisation of intangible fixed assets	6,309	8,184
Audit services - Group	381	298
- Company	53	53
Non audit services - Taxation compliance services	213	164
- Advisory services	177	132
Operating leases	226	1,596
Technology charge by parent company	1,520	-
Impairment loss on financial assets (note 17)	522	512
Foreign exchange (gain)/loss	(1,909)	(478)
Gain on disposal of Ascio Technologies Inc. and its subsidiaries	(3,635)	-
Gain on disposal of CSC Financial Services Holdings Limited and its subsidiaries to parent company	(12,309)	-
Loss on disposal of Netnames US Inc. to parent company	2,927	-
Transfer of intellectual property to parent company	(17,980)	-
Impairment of intangible assets	<u>52,289</u>	<u>29,006</u>

6. INFORMATION REGARDING EMPLOYEES

Employees costs (including directors' emoluments) incurred in the year were as follows:	2019	2018 <i>restated</i>
	£'000	£'000
Wages and salaries	13,577	13,928
Social security costs	1,978	1,936
Other pension costs	451	432
	<u>16,006</u>	<u>16,296</u>

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. INFORMATION REGARDING EMPLOYEES (CONTINUED)

	2019	2018
The average monthly number of persons (including directors) employed by the Group during the year was:	No.	No.
Sales	49	57
Operations	230	228
Administration	28	33
	307	318

Key management has been defined as the directors of Corporation Service Company (Europe) Limited. Some directors are remunerated by WMB Holdings Inc., the ultimate parent company, and the amounts relating to the Group cannot be determined. The remaining directors are employed and paid by CSC Administrative Services Limited, a subsidiary included within this consolidation, of which 1 director receives pension contributions.

	2019	2018
	£'000	£'000
Directors' emoluments	189	181
Company pension contributions to money purchase schemes	13	13
	202	194

The company has no employees or employee costs.

7. SHARE-BASED PAYMENTS

CSC Capital Markets Holding Company Limited was sold in 2019 and has been reclassified as discontinued operations (note 27). The disclosures below relate to 2018.

Employees of the subsidiaries of CSC Capital Markets Holding Company Limited purchased shares in the aforementioned company. These shares had a vesting schedule over 6 years as at 31 December 2018, of which 16.67% of the fair value of the share price was attributed in year 1, followed by 16.67% for every subsequent year.

The total number of shares owned by employees at 31 December 2018 were 22,150 and £8.75 per share was paid by employees. As the employees purchased these shares, there was no material expense in the profit and loss account in both 2018 and 2019.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. TAXATION

(a) FACTORS AFFECTING TAX CHARGE FOR YEAR	2019	2018 restated
	£'000	£'000
Current tax – UK	5,589	2,302
Adjustment in respect of prior year UK	(518)	(3,248)
Foreign taxation-current non UK entities	426	805
Foreign taxation-adjustment in respect of prior year non UK	66	-
	<u>5,563</u>	<u>(141)</u>
Deferred taxation		
Origination and reversals of timing differences	(1,693)	(2,221)
Adjustment in respect of prior year UK	(440)	604
Effect of changes in tax rates	-	243
Total deferred tax	<u>(2,133)</u>	<u>(1,374)</u>
Taxation (income)/charge	<u>3,430</u>	<u>(1,515)</u>

There is no tax impact in relation to items within other comprehensive income.

(b) FACTORS AFFECTING TAX CHARGE FOR YEAR

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for 2019; 19% (2018: 19%). The differences are explained below:

	2019	2018 restated
	£'000	£'000
Loss before taxation	(24,583)	(34,268)
Loss multiplied by standard rate of corporation tax in the UK for 2019; 19% (2018: 19%)	(4,671)	(6,511)
Effects of:		
Expenses non-deductible for tax purposes	8,958	3,773
Tax loss/other balances not recognised	21	365
Income not taxable	(8,670)	(1,340)
Capital allowances in excess of depreciation	79	-
Goodwill impairment	9,201	5,003
Differences in tax rates	87	217
Adjustment to current tax charge in respect of previous years	(689)	(3626)
Adjustment to deferred tax charge in respect of previous years	(886)	604
Total tax charge/(credit) for the year	<u>3,430</u>	<u>(1,515)</u>

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. TAXATION (CONTINUED)

(c) FACTORS AFFECTING TAX CHARGES IN FUTURE YEARS

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 18% to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. Further to this, The Finance Act 2019 – 2021, introduced in 2020, will maintain the main rate of corporation tax at 19%.

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold Improvements	Fixtures and fittings	Computer Equipment	Total
Cost or valuation	£'000	£'000	£'000	£'000
1 January 2018	1,253	778	2,873	4,904
Additions	94	514	1,762	2,370
Disposals	(18)	(41)	(21)	(80)
Reclassification	118	-	(118)	-
Reclassification to assets held for sale	-	-	(10)	(10)
Effect of foreign exchange	(13)	(16)	(8)	(37)
31 December 2018	1,434	1,235	4,478	7,147
Additions	259	96	342	697
Disposals	(369)	(95)	(998)	(1,462)
Divestiture	(189)	(186)	(262)	(637)
Reclassification	(54)	88	(34)	-
Effect of foreign exchange	6	7	2	15
31 December 2019	1,087	1,145	3,528	5,760
Accumulated depreciation				
1 January 2018	(380)	(258)	(1,911)	(2,549)
Disposals	19	41	21	81
Reclassification	(6)	-	6	-
Reclassification to assets held for sale	-	-	3	3
Charge for the year	(295)	(313)	(639)	(1,247)
31 December 2018	(662)	(530)	(2,520)	(3,712)
Disposals	338	68	998	1,404
Divestiture	9	10	111	130
Charge for the year	(186)	(400)	(621)	(1,207)
31 December 2019	(501)	(852)	(2,032)	(3,385)
Net book value				
31 December 2019	586	293	1,496	2,375
31 December 2018	772	705	1,958	3,435

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. RIGHT-OF-USE ASSETS

	2019	2018
	£'000	£'000
Cost or valuation		
1 January 2019	-	-
IFRS 16 opening adjustment (note 25)	3,159	-
31 December 2019	3,159	-
Accumulated depreciation		
1 January 2019	-	-
Charge for the year	(1,005)	-
31 December 2019	(1,005)	-
Net book value		
31 December 2019	2,154	-

Other balances in relation to right-of-use assets include:

Lease liabilities		
Non-current	2,244	-
Interest expense on lease liabilities	120	-
Total cash outflow for leases	1,121	-
Expense relating to low-value assets included in administrative expenses	15	-

All right-of-use assets relate to office leases.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. INTANGIBLE ASSETS

Goodwill and Other Intangible assets and accumulated amortisation as of 31 December 2019 and 2018 are as follows:

	Goodwill	Customer Relationships	Trade Name	Proprietary Technology	Non-compete agreement	Total
	£'000	£'000	£'000	£'000	£'000	£'000
GROUP						
Cost or valuation						
1 January 2018	89,427	67,698	18,283	8,686	3,068	187,162
Reclassification to assets held for sale	(9,336)	(7,441)	(7,516)	(1,331)	-	(25,624)
Additions	-	-	-	218	-	218
Impairment charge	(25,630)	-	(2,676)	(700)	-	(29,006)
31 December 2018	54,461	60,257	8,091	6,873	3,068	132,750
Additions	-	-	-	40	-	40
Impairment charge	(48,429)	(3,860)	-	-	-	(52,289)
Disposals	-	-	-	(6,913)	-	(6,913)
31 December 2019	6,032	56,397	8,091	-	3,068	73,588
Accumulated amortisation						
1 January 2018	6,032	10,647	7,448	5,608	3,068	32,803
Reclassification to assets held for sale	-	(1,054)	(710)	(489)	-	(2,253)
Charge for the year	-	5,903	1,059	1,222	-	8,184
31 December 2018	6,032	15,496	7,797	6,341	3,068	38,734
Charge for the year	-	5,903	24	382	-	6,309
Disposals	-	-	-	(6,723)	-	(6,723)
31 December 2019	6,032	21,399	7,821	-	3,068	38,320
Net book value						
31 December 2019	-	34,998	270	-	-	35,268
31 December 2018	48,429	44,761	294	532	-	94,016

The group is seen as a single cash generating unit. The impairment of goodwill and customer lists is the result of the restructure of the wider group which directly impacts revenue streams in subsidiaries of the group.

Proprietary technology is the only internally generated class of intangible assets, and was disposed as part of the restructure.

Using sensitivity analysis in relation to goodwill impairment, a 0.5% increase in the discount rate would result in a further impairment of £1.4m and a 0.5% decrease in the long term growth rate would result in a further impairment of £1.2m.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. DEFERRED TAX ASSET

The movement in the deferred tax account is shown below:

	2019	2018
	£'000	£'000
Accelerated capital allowances	1,147	717
	<u>1,147</u>	<u>717</u>
	£'000	£'000
At 1 January	717	547
Opening adjustment (note 25)	14	-
Reclassified as held for sale asset	-	(20)
Reclassified from deferred tax liabilities	(60)	-
Adjustment in respect of previous years	76	(50)
Deferred tax (credit)/charge in the statement of comprehensive income	433	199
Effect of foreign exchange	(33)	21
At 31 December	<u>1,147</u>	<u>717</u>

Deferred tax has been calculated at 17% (2018: 17%) in respect of UK companies and at the appropriate rate for foreign subsidiary undertakings. The Group only recognises deferred tax assets to the extent that future taxable profits will be available to allow all or part of the asset to be recovered. The Group has tax losses of £14,900,000 (2018: £18,040,000) available to carry forward and offset against future profits from the same trade. Deferred tax assets of £2,533,000 (2018: £3,067,000) have not been recognised due to the uncertainty over generating sufficient taxable profits in the future.

13. INVESTMENTS

COMPANY	Subsidiary undertakings
Cost or valuation	£'000
1 January 2019	232,986
Addition	18,973
Disposal	(288)
31 December 2019	<u>251,671</u>
Accumulated Impairment	
1 January 2019	110,108
Impairment in the year	30,230
31 December 2019	<u>140,338</u>
Net book value	
31 December 2019	<u><u>111,333</u></u>
31 December 2018	<u><u>122,878</u></u>

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. INVESTMENTS (CONTINUED)

During the year, a loan from the parent company was taken to fund an additional investment in Corporation Service Company (Australia) Pty Ltd of £18,973,000.

In November 2019, CSC Financial Services Holdings Limited and all of its subsidiaries with carrying value of £288,000 were sold to Corporation Service Company for £5,041,000.

Using sensitivity analysis in relation to the investment impairment, a 0.5% increase in the discount rate would result in a further impairment of £1.6m and a 0.5% decrease in the long term growth rate would result in a further impairment of £1.4m.

14. TRADE AND OTHER RECEIVABLES

NON-CURRENT	2019	2018
GROUP	£'000	£'000
Amounts owed by Group undertakings	351	59
Amounts owed by parent company	10,638	19,748
Loans owed by parent company	3,588	3,588
Deferred costs	837	628
	15,414	24,023
	2019	2018
COMPANY	£'000	£'000
Amounts owed by Group undertakings	12,716	3,883
Loans owed by Group undertakings	869	25,482
	13,585	29,365
CURRENT	2019	2018
GROUP	£'000	£'000
Trade receivables	10,623	12,625
Other receivables	473	456
Prepayments and accrued income	3,507	3,550
Deferred costs	171	567
	14,774	17,198

The group have a loan of £3,500,000 plus accrued interest at 2.5% per annum with the parent company. This loan is payable upon written request.

On 29 July 2016, a loan was issued from the Company to Netnames Holdings Limited of €47,795,000. This loan is repayable on 28 July 2021 and incurs interest of Euribor plus 2.00%. Loan repayments were made in the year of €27,096,000 (2018: €12,740,000), with no interest repayments (2018: nil).

Amounts owed by Group undertakings are unsecured and repayable on demand.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Deferred costs relate to the cost of domains in relation to deferred revenue and deferred commission expenses on sales spread over the life of the customer, estimated at 7 years. £0.4m of previously deferred domain costs (2018: £0.4m) and £0.1m of previously deferred commissions were released in the year (2018: £0.1m).

15. TRADE AND OTHER PAYABLES

	2019	2018
CURRENT	£'000	£'000
GROUP		
Trade payables	836	109
Other taxation	529	1,952
Accruals and deferred revenue	11,961	14,332
Other payables	1,155	1,464
	14,481	17,857
NON-CURRENT	2019	2018
	£'000	£'000
GROUP		
External bank loans and overdrafts	9	10
Amounts owed to Group undertakings	304	1,121
Amounts owed to parent company	11,763	17,302
Loans owed to parent company	176,527	221,522
Accruals and deferred revenue	-	104
	188,603	240,059

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. TRADE AND OTHER PAYABLES (CONTINUED)

CURRENT	2019	2018
	£'000	£'000
COMPANY		
Accruals and deferred income	130	84
	<u>130</u>	<u>84</u>
NON-CURRENT	2019	2018
	£'000	£'000
COMPANY		
Amounts owed to Group undertakings	19,174	3,126
Amounts owed to parent company	5,685	5,726
Loans owed to Group undertakings	23,791	21,323
Loans owed to parent company	176,527	198,066
	<u>225,177</u>	<u>228,241</u>

On 12 March 2013, a loan of AUD \$65,575,000 was issued by the parent, Corporation Service Company to Corporation Service Company (Australia) Pty Ltd, who in turn issued this loan to the company, with annual interest of 3.05%. The loan and accrued interest was repayable on 12 March 2018 or such later date as the parties agree to. At 31 January 2019, the remaining principal on the loan together with accrued interest was AUD \$34,301,000. The loan between the parent and Corporation Service Company to Corporation Service Company (Australia) Pty Ltd was terminated and a new loan issued between the parent and the company for the AUD \$34,301,000 with annual interest of 3.05%, repayable on 31 January 2024 or such later date as the parties agree to. The company used the proceeds of this loan to purchase more shares in Corporation Service Company (Australia) Pty Ltd.

On 29 July 2016, a further loan of €47,795,000 was provided by Corporation Service Company to fund the purchase of Netnames Group Limited. This loan has annual interest of Euribor plus 2.00% and is repayable with any accrued interest at the earlier of the maturity date (30 December 2021) or five business days following a written demand from the lender. Loan repayments of €27,096,000 (2018: €12,740,000) were made in the year, with no interest repayments. The principal loan was fully repaid in the year.

On 29 July 2016, another loan of £116,001,000 was provided by Corporation Service Company to the company. This loan has annual interest of LIBOR plus 2.00%. Total repayments in the year were £21,306,000 (2018: nil) which included using the proceeds of the sale of Capital Markets group to partly set off against the loan. Due to a group restructuring, amounts totalling £16,088,000 were reassigned to the company as owed to group undertakings and these were offset against this loan. As part of this restructuring in December 2019, the company now has a loan with CSC Administrative Services Limited of £2,044,000 (2018: nil) and with CSC Digital Brand Services Group AB of £1,233,000 (2018: nil).

Of the deferred revenue balance as at the end of 2018, £9.8m was released in 2019.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. DEFERRED TAX LIABILITIES

	2019	2018
	£'000	£'000
GROUP		
Deferred tax liabilities		
1 January 2019	7,776	11,535
Opening adjustment	-	971
Reclassified from deferred tax asset	60	-
Effect of foreign exchange	(55)	(11)
Reclassified as held for sale liability	-	(2,100)
Reversal of timing difference	(1,755)	(2,619)
31 December 2019	6,026	7,776

The closing deferred tax liability as at 31 December 2019 has been calculated at 17% (2018: 17%) reflecting the tax rate at which the deferred tax liability is expected to be reversed in future periods.

All deferred tax liabilities relate to timing differences on intangible assets.

The amount of deferred tax liabilities expected to be released within the next 12 months is £1.1m.

There were no provisions for liabilities in the Company (2018: Nil).

17. FINANCIAL INSTRUMENTS

	Note	2019	2018
		£'000	£'000
The Group has the following financial instruments:			
Financial assets measured at amortised cost:			
- Trade receivables	14	10,623	12,625
- Other receivables	14	473	456
- Cash and cash equivalents		9,433	4,804
- Accrued income	14	302	204
- Amounts owed by Group undertakings	14	351	59
- Amounts owed by parent company	14	10,638	19,748
- Loans owed by parent company	14	3,588	3,588
		35,408	41,484

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

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17. FINANCIAL INSTRUMENTS (CONTINUED)

	Note	2019	2018
		£'000	£'000
Financial liabilities measured at amortised cost			
- Lease liabilities	10	2,244	-
- Trade payables	15	836	109
- Bank loans	15	9	10
- Amounts owed to Group undertakings	15	304	1,121
- Amounts owed to parent company	15	11,763	17,302
- Loans owed to parent company	15	176,527	221,522
- Accruals	15	3,261	4,083
- Other payables	15	1,155	1,464
		196,099	245,611

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and procedures

The Board of the ultimate controlling company, WMB Holdings Inc., has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the day to day management of operating processes to ensure the implementation of objectives and policies, to senior management.

The overall objective is to set policies that seek to reduce risk as far as possible, without unduly affecting the Group's competitiveness and flexibility.

i) Credit risk

Credit risk arises principally from the Group's trade and other receivables. Potential customers are subjected to credit verification procedures before credit terms are granted. The quality of existing debt which has not been provided for is considered to be collectable and procedures are in place to monitor trade receivables on an ongoing basis to minimise exposure to bad debts. Trade receivables are only written off once all methods of collection have been exhausted.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Management have determined that the implementation of IFRS 9 has not had a significant impact on the allowance for impairment of bad debts so no adjustment has been made in relation to IFRS 9.

Receivables from Group undertakings, parent and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, for both the Group and the Company, the identified impairment loss was immaterial.

The maximum exposure to credit risk is the trade receivable balance at the year end. The Group has no significant exposure to large or key customers.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. FINANCIAL INSTRUMENTS (CONTINUED)

Trade receivables and cash are summarised as follows:

	Trade receivables 2019	Cash and cash equivalents 2019	Trade receivable s 2018	Cash and cash equivalents 2018
	£'000	£'000	£'000	£'000
Up to 30 days	8,479	9,433	7,899	4,804
30 to 90 days	1,548	-	3,737	-
More than 90 days	1,694	-	1,652	-
Gross	11,721	9,433	13,288	4,804
Less: allowance for impairment	(1,098)	-	(663)	-
Net	10,623	9,433	12,625	4,804

Movements on the Group provision for impairment of trade receivables are as follows:

	2019 £'000	2018 £'000
Opening balance	663	401
Increase in provisions	522	512
Written-off amounts	(87)	(250)
	1,098	663

ii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and has full support from its parent company if further funds are required.

The table below analyses the Group's financial liabilities by remaining maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

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17. FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2019	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease liabilities	257	615	1,359	13	2,244
Trade payables	836	-	-	-	836
Bank loan	-	-	9	-	9
Amounts owed to Group undertakings	-	-	304	-	304
Amounts owed to parent company	-	-	11,763	-	11,763
Loans owed to parent company	-	-	176,527	-	176,527
Other payables	1,155	-	-	-	1,155
Accruals	3,261	-	-	-	3,261
	5,509	615	189,962	13	196,099

At 31 December 2018	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Trade payables	109	-	-	-	109
Bank loan	-	-	-	10	10
Amounts owed to Group undertakings	-	-	-	1,121	1,121
Amounts owed to parent company	-	-	-	17,302	17,302
Loans owed to parent company	-	-	143,539	77,983	221,522
Other payables	1,464	-	-	-	1,464
Accruals	4,083	-	-	-	4,083
	5,656	-	143,539	96,416	245,611

Corporation Service Company (Europe) Limited

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17. FINANCIAL INSTRUMENTS (CONTINUED)

iii) Currency risk

The Group has overseas subsidiaries, which operate in Continental Europe, APAC and the USA. Their activities and net assets are denominated in the functional currencies of the operating units. The Group's principal exposure to exchange rate fluctuations arises on translation of the overseas net assets and results into Sterling for accounting purposes. In addition the Group as a whole is exposed to transactions which give rise to foreign exchange risk. The Group reviews its exposure on an on-going basis. The foreign currency monetary assets and liabilities are as follows:

At 31 December 2019	Sterling	US Dollar	Euro	Australian Dollar	Other currencies	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	6,413	-	2,671	-	1,539	10,623
Other receivables	172	-	169	-	132	473
Amounts owed by Group undertakings	351	-	-	-	-	351
Amounts owed by parent company	7,798	-	313	1	2,526	10,638
Loan owed by parent company	3,588	-	-	-	-	3,588
Accrued income	135	-	40	-	127	302
Cash and cash equivalents	2,007	2,190	2,479	469	2,288	9,433
Lease liabilities	(690)	-	(469)	(279)	(806)	(2,244)
Trade payables	(654)	-	(106)	-	(76)	(836)
Bank loan	-	-	-	-	(9)	(9)
Amounts owed to Group undertakings	(299)	-	-	-	(5)	(304)
Amounts owed to parent company	(5,388)	-	(131)	(5,889)	(355)	(11,763)
Loans owed to Group undertakings	(175,460)	-	(1,067)	-	-	(176,527)
Accruals	(1,470)	-	(796)	(259)	(736)	(3,261)
Other payables	(863)	-	(186)	-	(106)	(1,155)
	(164,360)	2,190	2,917	(5,957)	4,519	(160,691)

Corporation Service Company (Europe) Limited

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17. FINANCIAL INSTRUMENTS (CONTINUED)

iii) Currency risk (continued)

At 31 December 2018	Sterling	US Dollar	Euro	Australian Dollar	Other currencies	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	7,295	136	3,206	72	1,916	12,625
Other receivables	99	-	146	29	182	456
Amounts owed by Group undertakings	59	-	-	-	-	59
Amounts owed by parent company	9,642	-	5,146	-	4,960	19,748
Loans owed by parent company	3,588	-	-	-	-	3,588
Accrued income	90	24	78	54	(42)	204
Cash and cash equivalents	1,204	746	1,721	380	753	4,804
Trade payables	(177)	12	83	1	(28)	(109)
Bank loan	-	-	-	-	(10)	(10)
Amounts owed to Group undertakings	(307)	-	-	(814)	-	(1,121)
Amounts owed to parent company	(10,510)	(80)	(121)	(5,176)	(1,415)	(17,302)
Loans owed to Group undertakings	(177,632)	-	(25,448)	(18,442)	-	(221,522)
Accruals	(1,808)	(66)	(1,157)	(336)	(716)	(4,083)
Other payables	(1,057)	-	(201)	(30)	(176)	(1,464)
	(169,514)	772	(16,547)	(24,262)	5,424	(204,127)

Natural hedging also occurs through costs and revenues incurred in the same currency. The exposures that arise give rise to net currency gains or losses which are recognised in the Consolidated Statement of Comprehensive Income. Such exposures reflect the monetary assets and liabilities of the Group that are not denominated in the operating or functional currency of the operating unit involved. At 31 December 2019 if exchange rates had moved by +10% or -10% over and above the rates at the year end, the change in monetary assets and liabilities would be +/- £367,000.

iv) Capital

As described in Note 18, the Group considers capital to comprise its share capital, share premium, other reserves and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through monitoring and managing the working capital requirements, forecast financing and investing cash flows.

Corporation Service Company (Europe) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. CAPITAL AND RESERVES

	2019	2018
	£'000	£'000
GROUP AND COMPANY		
Authorised: 50,000,000 (2018: 50,000,000) ordinary shares of 25p each	12,500	12,500
Issued and fully paid: 25,113,681 (2018: 25,113,681) ordinary shares of 25p each	6,278	6,278

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The following describes the nature and purpose of each reserve within capital and reserves:

Reserves	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Other reserves	Shares issued at fair value as consideration for acquisitions above nominal value.
Retained earnings	Cumulative net gains and losses recognised in the Statement of comprehensive income.

19. COMMITMENTS UNDER OPERATING LEASES

From 1 January 2019, the group has recognised right-of-use assets for non-cancellable operating leases (Note 10) due to the implementation of IFRS 16. A reconciliation of commitments at 31 December 2018 and right-of-use assets as at 1 January 2019 can be seen in note 25. At 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£'000	£'000
Payments due:		
Not later than one year	-	1,486
Later than one year and not later than five years	-	1,965
Later than five years	-	106
	-	3,557

A new 10 year lease for the London office was signed in December 2019, commencing in March 2020. The non-cancellable portion of this lease amounts to a total commitment of £1,799,000.

20. CONTINGENT LIABILITIES

There is a contingent liability in relation to corporation tax of £4,941,000 (2018: £5,892,000) due to the anti-hybrid tax rules. Up to £2,677,000 of the contingent liability will crystallise or expire by the end of 2020 and the remaining £2,264,000 will crystallise or expire by the end of 2021.

Corporation Service Company (Europe) Limited

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21. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Corporation Service Company Domains LLC, a limited liability corporation incorporated in the State of Delaware, USA, whose registered office and principal place of business is at 251 Little Falls Drive, Wilmington, Delaware. At the year end the directors consider the ultimate controlling entity to be WMB Holdings Inc., a privately held corporation, incorporated in the USA, whose registered office and principal place of business is at 251 Little Falls Drive, Wilmington, Delaware.

The largest group of undertakings for which group financial statements are drawn up and of which the company is a member is WMB Holdings Inc.

22. RELATED PARTY TRANSACTIONS

Related party transactions of the Group in the year and year end balances can be seen in the following notes:

Revenue	Note 3
Cost of sales	Note 2u(iii)
Finance cost	Note 4
Trade and other receivables	Note 14
Trade and other payables	Note 15
Disposal of subsidiaries	Note 5
Transfer of intellectual property	Note 5
Technology charge	Note 5

The Company has taken advantage of the exemption contained in FRS 101 that transactions with other wholly owned members of the WMB Holdings Inc. Group do not need to be disclosed.

23. LIST OF SUBSIDIARIES

As at the end of the financial year, the Company and Group hold investments in the following subsidiaries:

Except for the intermediate holding companies, the below companies are involved in the provision of domain name, brand protection or other internet related services and are all 100% owned unless otherwise indicated.

TRADING ENTITIES	Registered Office	Country of incorporation
Corporation Service Company (UK) Limited	5 Churchill Place, London, E14 5HU	UK
Corporation Service Company (HK) Ltd.	16/F Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	Hong Kong
CSC Digital Brand Services Group AB	Box 3396, 103 68 Stockholm	Sweden
Corporation Service Company (Australia) Pty Ltd	575 Bourke Street, Suite 6.01, Melbourne, VIC 3000	Australia
Corporation Service Company (DBS) GmbH	Georg-August-Zinn Strasse 2, 65183 Wiesbaden	Germany
CSC Digital Brand Services SAS	13 Boulevard Haussmann, 75009 Paris	France
CSC Digital Brand Services (Spain) SL	Calle Alfonso XII 38, 3º, 28014 Madrid	Spain
Corporation Service Company (Singapore) Pte Ltd	230 Victoria Street, #11-03, Bugis Junction, Singapore 188024	Singapore
CSC Japan KK	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo 106-0047, Japan	Japan
CSC Digital Brand Services Malaysia Sdn Bhd	F-3-16, Suite 6, IOI Boulevard, Jalan Kenari 5, Bandar Puchong Jaya, 47170 Puchong, Selangor	Malaysia

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23. LIST OF SUBSIDIARIES (CONTINUED)

TRADING ENTITIES	Registered Office	Country of incorporation
IP Mirror (Hong Kong) Limited	16/F Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	Hong Kong
NetNames Holdings Limited *	5 Churchill Place, London, E14 5HU	UK
CSC Administrative Services Limited	5 Churchill Place, London, E14 5HU	UK
CSC Digital Brand Services (UK) Limited (Formerly NetNames Limited)	5 Churchill Place, London, E14 5HU	UK
Easily Limited	5 Churchill Place, London, E14 5HU	UK
CSC Brand Protection Limited (formerly NetNames Brand Protection Limited)	5 Churchill Place, London, E14 5HU	UK
NetNames USA Inc.	251 Little Falls Drive, Wilmington, DE 19808	USA
NetNames France Holdings SAS *	13 Boulevard Haussmann, 75009 Paris	France
NetNames SAS	13 Boulevard Haussmann, 75009 Paris	France
NetNames European Holdings ApS *	Jernbanegade 23 B, 4008 Roskilde	Denmark
CSC Digital Brand Services ApS	Jernbanegade 23 B, 4008 Roskilde	Denmark
NetNames GmbH	Grundstrasse 22A 6343 Rotkreuz	Switzerland
NN Sweden AB	Box 3396, 103 68 Stockholm	Sweden
CSC Digital Brand Services (Norway) AS	c/o BDO Advokater AS, Munkedamsveien 45A, 0250 Oslo	Norway
Netnames Pty Limited	575 Bourke Street, Suite 6.01, Melbourne, VIC 3000	Australia
Adicio Pte Ltd	230 Victoria Street, #11-03, Bugis Junction, Singapore 188024	Singapore
Domain Management Limited	16/F Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	Hong Kong
DORMANT ENTITIES		
DNE Holding AB	Box 3396, 103 68 Stockholm	Sweden
Ascio Limited	5 Churchill Place, London, E14 5HU	UK
Editfile Limited	5 Churchill Place, London, E14 5HU	UK
Group NBT Limited	5 Churchill Place, London, E14 5HU	UK
Domain Trustees UK Limited	5 Churchill Place, London, E14 5HU	UK
Netnames International Limited *	5 Churchill Place, London, E14 5HU	UK
NetNames Brand Protection Holdings Limited *	5 Churchill Place, London, E14 5HU	UK
Consult IT Nordic Ab	PL 2005, 22111 Mariehamn	Finland

* Intermediate holding companies

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24. POST BALANCE SHEET EVENTS

Further to the integration of the group, concluded in 2019, a new transfer policy has been implemented from 1 January 2020. Further details can be seen in the Strategic Report.

The impact of Covid-19 has changed the working patterns for the employees of the group. Employees have been working from home effectively and as such, the group has not used any schemes offered by governments in the different jurisdictions. The business has continued to perform with no significant issues identified to date in revenues or cash receipts. Management is continually assessing the impact that Covid-19 is likely to have.

25. IMPACT OF CHANGES IN NEW AND REVISED IFRSs

IFRS 16 requires the recognition of right-of-use assets and lease liabilities. It was adopted with effective date 1 January 2019 using the limited retrospective approach. There is therefore no restatement of prior year balances and the cumulative effect of initially applying the standard was recognised as at 1 January 2019. In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with similar characteristics
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.3%.

The impact of IFRS 16 can be seen below.

Consolidated Statement of Financial Position (extract)	1 January 2019 pre IFRS 16 £'000	IFRS 16 impact £'000	1 January 2019 £'000
Right-of-use asset	-	3,159	3,159
Lease liability	-	(3,244)	(3,244)
Deferred tax asset	717	16	733
Accumulated losses	(148,147)	(69)	(148,216)

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25. IMPACT OF CHANGES IN NEW AND REVISED IFRSs (CONTINUED)

A reconciliation between the financial commitments as at 31 December 2018 and the opening balance of the lease liability as at 1 January 2019 can be seen below:

	2019 £'000
Operating lease commitments as at 31 December 2018	3,557
Less: lease discounted using incremental borrowing rate	(233)
Less: short-term leases not recognised as a liability	(477)
Less: low-value leases not recognised as a liability	(15)
Add: adjustments as a result of a different treatment of lease extensions	412
Lease liability recognised at 1 January 2019	3,244

26. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

As at 31 December 2018, the group classified net assets totalling £19,376,000 as held for sale. This consisted of Ascio Technologies Inc. and Ascio GmbH. These companies were sold on 19 March 2019.

	Assets held for sale as at 31 December 2018 £'000
Non-current assets	
Trade name	6,305
Goodwill	9,336
Customer relationships	5,643
Proprietary technology	645
Computer equipment	7
Deferred tax – non-current	20
Current assets	
Trade receivables	687
Other receivables	246
Prepayments and accrued income	1,149
Cash and cash equivalents	745
Total assets classified as held for sale	24,783

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26. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

	Liabilities held for sale as at 31 December 2018 £'000
Current liabilities	
Trade payables	(143)
Other payables	(1,773)
Accruals and deferred revenue	(754)
Corporation tax and other taxation	(637)
Non-current liabilities	
Deferred tax	(2,100)
Total liabilities classified as held for sale	(5,407)

27. DISCONTINUED OPERATIONS

The group has reclassified the following profit and loss amounts to discontinued operations in 2019 and 2018 as they relate to the performance of the entities classified as held for sale. The gain on the sale of the companies is recognised in the consolidated statement of comprehensive income, recognised within operating expenses and can be seen disclosed in Note 5. The 2018 consolidated statement of comprehensive income has been restated due to Capital Markets being disclosed as a discontinued operation for 2018.

The proceeds from the sale of Ascio in April 2019 were £23.1m and it contained £1.1m of cash at the time of sale. The proceeds from the sale of Capital Markets in November 2019 were £5.0m and it contained £1.1m of cash at the time of sale. Netnames USA Inc had a cash balance of £0.4m at the time of disposal in April 2019.

	Netnames USA Inc 2019 £'000	Ascio 2019 £'000	Capital Markets 2019 £'000	Total 2019 £'000
Revenue	-	3,347	2,089	5,436
Cost of sales	-	(2,458)	-	(2,458)
Operating expenses	-	(48)	(3,613)	(3,661)
Depreciation	-	(3)	(87)	(90)
(Loss)/gain on foreign exchange	-	(819)	93	(726)
Finance income	-	-	2	2
Finance costs	-	(2)	(305)	(307)
Profit/(Loss) before tax	-	17	(1,821)	(1,804)
Corporation tax expense	-	-	-	-
Profit/(Loss) from discontinued operations	-	17	(1,821)	(1,804)

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27. DISCONTINUED OPERATIONS (CONTINUED)

	Netnames USA Inc 2018	Ascio 2018	Capital Markets 2018	Total 2018 restated
	£'000	£'000	£'000	£'000
Revenue	3,103	17,144	585	20,832
Cost of sales	(1,221)	(11,427)	-	(12,648)
Operating expenses	(205)	(2,511)	(3,869)	(6,585)
Amortisation	-	(1,680)	-	(1,680)
Depreciation	(9)	(3)	(45)	(57)
Gain/(Loss) on foreign exchange	22	(531)	(55)	(564)
Finance income	-	-	2	2
Finance costs	-	(30)	(279)	(309)
Profit/(loss) before tax	1,690	962	(3,661)	(1,009)
Corporation tax (expense)/credit	(14)	(487)	2	(499)
Profit/(Loss) from discontinued operations	1,676	475	(3,659)	(1,508)

The table below shows the restatement of continuing operations in the consolidated statement of comprehensive income, due to recognising Capital Markets and Netnames USA Inc as a discontinued operations.

	2018	Netnames USA Inc	Capital Markets	Total 2018 restated
	£'000	£'000	£'000	£'000
Revenue	47,290	(3,103)	(585)	43,602
Cost of sales	(7,585)	1,221	-	(6,364)
Operating expenses	(70,141)	192	3,969	(65,980)
Finance income	13	-	(2)	11
Finance costs	(5,816)	-	279	(5,537)
Loss before tax	(36,239)	(1,690)	3,661	(34,268)
Corporation tax credit	1,507	14	(2)	1,519
Loss from continuing operations	(34,732)	(1,676)	3,659	(32,749)

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27. DISCONTINUED OPERATIONS (CONTINUED)

The cash flow information in relation to the discontinued operations is as follows:

	Netnames USA Inc 2019 £'000	Ascio 2019 £'000	Capital Markets 2019 £'000	Total 2019 £'000
Net cash inflow/(outflow) from operating activities	-	350	(1,172)	(822)
Net cash inflow/(outflow) from investing activities	-	-	(441)	(441)
Net cash inflow/(outflow) from financing activities	-	-	1,287	1,287
Net (decrease)/increase in cash generated by discontinued operations	-	350	(326)	24

	Netnames USA Inc 2018 £'000	Ascio 2018 £'000	Capital Markets 2018 £'000	Total 2018 Restated £'000
Net cash inflow/(outflow) from operating activities	(294)	165	(2,499)	(2,628)
Net cash inflow/(outflow) from investing activities	-	(238)	(95)	(333)
Net cash inflow/(outflow) from financing activities	-	-	2,500	2,500
Net (decrease)/increase in cash generated by discontinued operations	(294)	(73)	(94)	(461)

28. ADJUSTED OPERATING PROFIT

Operating loss from continuing operations from the consolidated statement of comprehensive income is adjusted by the following items disclosed in note 5 to calculate adjusted operating profit:

	2019 £'000	2018 <i>restated</i> £'000
Operating loss	(19,363)	(28,742)
Gain on disposal of Ascio Technologies Inc and its subsidiaries	(3,615)	-
Gain on disposal of CSC Financial Services Holdings Limited and its subsidiaries to parent company	(12,309)	-
Loss on disposal of Netnames US Inc to parent company	2,927	-
Transfer of intellectual property to parent company	(17,980)	-
Impairment of intangible assets	52,289	29,006
Adjusted operating profit	1,949	264