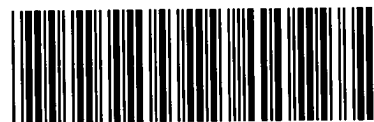


Company Registration No. 03647310

**Corporation Service Company  
(Europe) Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
31 December 2020

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**Corporation Service Company (Europe) Limited**  
**Company Information**  
**Year Ended 31 December 2020**

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**DIRECTORS**

Paul Ashworth  
James Stoltzfus

**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 2020**

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# Corporation Service Company (Europe) Limited

## Strategic Report

### Year Ended 31 December 2020

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#### Strategic report for the year ended 31 December 2020

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 2020.

#### Principal activities

The principal activities of the Group during the year were the provision of sales, customer support and administrative services 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

The group performed the role of a sales and customer support operation to its parent including administration and management support, commencing 1 January 2020, after the sale of intellectual property to the parent in December 2019. Associated with this, a new transfer pricing policy was implemented from this date. This has led to a change in presentation in the statement of comprehensive income as the subsidiaries in the group are now deemed agents of the parent company and therefore recognise revenue on a net basis. Further details have been provided in note 27.

The retail business consists of Easily Limited plus the trade name and customer lists owned by several other group subsidiaries and was sold just after the year end in January 2021. The retail business was presented as assets and liabilities held for sale in 2020, with profits for the retail business presented as discontinued operations. The statement of comprehensive income for 2019 has been restated on account of this presentation.

The group structure was further rationalised in 2020, with mergers in Sweden and liquidations in France and Australia.

As detailed in the consolidated statement of comprehensive income, the directors report that loss on ordinary activities before taxation from continuing operations was £34.9m (2019: £24.9m loss restated) in the financial year and net liabilities were £163.7m (2019: £136.6m). Profit from discontinued operations was £0.3m (2019: £1.6m loss restated). The Company paid no dividends in the year (2019: £nil) and the directors do not recommend the payment of a dividend (2019: £nil).

The impact of Covid-19 changed the working patterns for the employees of the group. Business continuity and resilient technology enabled employees to work from home effectively and as such, the group did not use any furlough (or equivalent) schemes offered by governments in the different jurisdictions. The business has continued to perform with no significant issues identified to date in cash receipts.

The directors have considered the impact of Brexit on the Group and do not expect there to be any significant impact on future trading.

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

#### Key performance indicators

	2020	2019 restated	Definition and analysis
Revenue	£29.3m	£38.9m	There is a decrease of £9.6m in revenue, due to the new transfer pricing policy, which reflects the sale of intellectual property to the parent company at the end of 2019.
Adjusted Operating Profit Margin (%)	16.0%	4.5%	Adjusted operating profit margin is the ratio of adjusted operating profit (note 26) expressed as a percentage of revenue.  Adjusted operating profit margin has increased by 11.7% compared to prior year. There is no amortisation in relation to intangible assets in 2020 (2019: £6.3m), and this has been partially offset by a reduction in gross profit by £3.8m, which is due to the new transfer pricing policy in place for 2020.

## Corporation Service Company (Europe) Limited

### Strategic Report

### Year Ended 31 December 2020

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#### Post balance sheet events

The retail operation was sold in January 2021 for £1.1m.

#### Principal risks and uncertainties

The business is influenced by a number of key risks, seen in note 17, 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 developed, in-house, the systems required to meet its customers' needs. The systems that were developed in-house were sold to its parent company in December 2019. In accordance with IAS 38 "Intangible Assets", no development costs (2019: £40,000) 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

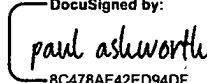
Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. The financial instruments comprise primarily of cash, trade payables, trade receivables and borrowings. The main risks arising from the Group's 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 and 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 on balances in foreign currencies with companies within the CSC Group, as well as expenses, trade debtors and trade creditors. This is partly mitigated via natural hedging within the Group.

On behalf of the board

Paul Ashworth  
Director  
30 June 2021

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## **Corporation Service Company (Europe) Limited**

### **Directors' Report**

### **Year Ended 31 December 2020**

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#### **Directors' report for the year ended 31 December 2020**

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 2020.

#### **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 (resigned 1 October 2020)

#### **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 2020

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#### 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.

#### Statement of directors' responsibilities

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 accounting standards in conformity with the requirements of the Companies Act 2006 and the 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).

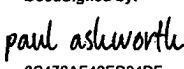
Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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.

On behalf of the board

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Paul Ashworth  
Director  
30 June 2021

## **Independent auditors' report to the members of Corporation Service Company (Europe) Limited Year Ended 31 December 2020**

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### **Report on the audit of 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 2020 and of the group's and company's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 2020; 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**

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

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

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

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

#### **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



## **Independent auditors' report to the members of Corporation Service Company (Europe) Limited Year Ended 31 December 2020**

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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 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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.

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

## **Independent auditors' report to the members of Corporation Service Company (Europe) Limited Year Ended 31 December 2020**

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Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, data protection, employment and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase profit, inappropriate recognition of revenue and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Evaluating and, where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates;
- Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combination, and evaluating the business rationale of significant transactions outside the normal course of business

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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.

## **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 obtained 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 June 2021

# Corporation Service Company (Europe) Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020	2019 restated (note 25)
		£'000	£'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>29,347</b>	38,865
Cost of sales		-	(5,690)
<b>GROSS PROFIT</b>		<b>29,347</b>	33,175
Operating expenses		(59,632)	(52,732)
<b>OPERATING LOSS</b>		<b>(30,285)</b>	(19,557)
Finance income		3	5
Finance costs	4	(4,577)	(5,226)
<b>LOSS BEFORE TAXATION</b>	5	<b>(34,859)</b>	(24,778)
Taxation	8	3,902	(3,341)
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(30,957)</b>	(28,119)
Profit/(Loss) from discontinued operation attributable to equity holders	25	293	(1,698)
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>(30,664)</b>	(29,817)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange translation differences on translation of foreign operations		3,168	(2,524)
Other comprehensive income/(expense) for the year		3,168	(2,524)
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>(27,496)</b>	(32,341)

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

The notes on pages 15 to 46 form part of these financial statements.

# Corporation Service Company (Europe) Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020	2019
		£'000	£'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,942	2,375
Right-of-use assets	10	3,023	2,154
Intangible assets	11	-	35,268
Deferred tax asset	12	611	1,147
Trade and other receivables	14	15,734	15,414
		<b>22,310</b>	<b>56,358</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	10,418	14,774
Cash and cash equivalents		10,805	9,433
Assets classified as held for sale	24	436	-
		<b>21,659</b>	<b>24,207</b>
<b>TOTAL ASSETS</b>		<b>43,969</b>	<b>80,565</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(5,903)	(14,481)
Lease liabilities	10	(951)	(872)
Current tax liabilities		(741)	(5,771)
Liabilities classified as held for sale	24	(1,073)	-
		<b>(8,668)</b>	<b>(21,124)</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	(196,734)	(188,603)
Lease liabilities	10	(2,333)	(1,372)
Deferred tax liabilities	16	-	(6,026)
		<b>(199,067)</b>	<b>(196,001)</b>
<b>TOTAL LIABILITIES</b>		<b>(207,735)</b>	<b>(217,125)</b>
<b>NET LIABILITIES</b>		<b>(163,766)</b>	<b>(136,560)</b>

# Corporation Service Company (Europe) Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
		£'000	£'000
<b>EQUITY</b>			
Share capital	18	6,278	6,278
Share premium		26,616	26,616
Other reserves		11,105	11,105
Share-based payment reserve		290	-
Accumulated losses		(208,055)	(180,559)
<b>TOTAL EQUITY</b>		<b>(163,766)</b>	<b>(136,560)</b>

The notes on pages 15 to 46 are an integral part of these consolidated financial statements.

The financial statements on pages 8 to 46 were approved by the board of directors and authorised for issue on 30 June 2021 and are signed on its behalf by:

DocuSigned by:  
  
 8C478AE42ED94DF...  
**Paul Ashworth**  
**Director**

**Corporation Service Company (Europe) Limited****COMPANY STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

Company Registration No. 03647310

	Note	2020	2019
		£'000	£'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	13	62,231	111,333
Trade and other receivables	14	11,445	13,585
		<u>73,676</u>	<u>124,918</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		42	143
<b>TOTAL ASSETS</b>		<u>73,718</u>	<u>125,061</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(80)	(130)
Current tax liabilities		(468)	(163)
		<u>(548)</u>	<u>(293)</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	(188,392)	(225,177)
<b>TOTAL LIABILITIES</b>		<u>(188,940)</u>	<u>(225,470)</u>
<b>NET LIABILITIES</b>		<u>(115,222)</u>	<u>(100,409)</u>
<b>EQUITY</b>			
Share capital	18	6,278	6,278
Share premium account		26,616	26,616
Other reserves		11,105	11,105
Accumulated losses		(159,221)	(144,408)
<b>TOTAL EQUITY</b>		<u>(115,222)</u>	<u>(100,409)</u>

The Company has claimed the exemptions under s408 of the Companies Act 2006 not to present its own statement of comprehensive income. The company's loss for the financial year is £14,813,000 (2019: £24,042,000 loss).

The financial statements on pages 8 to 46 were approved by the board of directors and authorised for issue on 30 June 2021 and are signed on its behalf by:

**Paul Ashworth**  
Director

DocuSigned by:  
*paul ashworth*  
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**Corporation Service Company (Europe) Limited**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2020

Company Registration No. 03647310

Note	Share capital	Share premium	Other reserves	Share-based payment reserve	Accumulated losses restated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 January 2019</b>	6,278	26,616	11,105	-	(148,218)	(104,219)
Loss for the financial year from continuing operations (restated)	-	-	-	-	(28,119)	(28,119)
Loss for the financial year from discontinued operations (restated)	-	-	-	-	(1,698)	(1,698)
<b>Other comprehensive expense for the year:</b>						
Exchange adjustments	-	-	-	-	(2,524)	(2,524)
<b>Total comprehensive expense for the year</b>	-	-	-	-	(32,341)	(32,341)
<b>Balance as at 31 December 2019</b>	6,278	26,616	11,105	-	(180,559)	(136,560)
Loss for the financial year from continuing operations	-	-	-	-	(30,957)	(30,963)
Profit for the financial year from discontinued operations	-	-	-	-	293	293
<b>Other comprehensive expense for the year:</b>						
Exchange adjustments	-	-	-	-	3,168	3,168
<b>Total comprehensive expense for the year</b>	-	-	-	-	(27,496)	(27,496)
Share-based payments	-	-	-	290	-	290
<b>Balance as at 31 December 2020</b>	6,278	26,616	11,105	290	(208,055)	(163,766)

**Corporation Service Company (Europe) Limited**COMPANY STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2020

Company Registration No. 03647310

	Share capital	Share premium	Other reserves	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 1 January 2019</b>	6,278	26,616	11,105	(120,366)	(76,367)
Loss for the year	-	-	-	(24,042)	(24,042)
<b>Total comprehensive expense for the year</b>	-	-	-	108,738	108,738
<b>Balance as at 31 December 2019</b>	6,278	26,616	11,105	(144,408)	(100,409)
Loss for the year	-	-	-	(14,813)	(14,813)
<b>Total comprehensive expense for the year</b>	-	-	-	(14,813)	(14,813)
<b>Balance as at 31 December 2020</b>	<b>6,278</b>	<b>26,616</b>	<b>11,105</b>	<b>(159,221)</b>	<b>(115,222)</b>



# Corporation Service Company (Europe) Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

Company Registration No. 03647310

	Note	2020 £'000	2019 £'000
<b>Net cash flow from operating activities</b>			
Loss before taxation		(34,449)	(24,584)
Net finance expense		4,568	5,221
Depreciation	9, 10	2,554	2,212
Amortisation	11	24	6,309
Intangible asset impairment	11	34,998	52,289
Exchange differences	5	1,037	(1,909)
Share-based payments	7	290	-
Loss on disposal of fixed assets		8	58
Gain on disposal of discontinued operations		-	(13,017)
Decrease in trade and other receivables		3,888	11,033
Decrease in trade and other payables		(1,905)	(28,420)
Cash generated from operations		11,013	9,192
Taxation paid		(6,831)	(1,740)
<b>Net cash generated from operating activities</b>		<b>4,182</b>	<b>7,452</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(2,011)	(697)
Purchase of proprietary technology		-	(40)
Interest received		3	5
Proceeds from sale of subsidiaries, net of cash	25	-	20,481
<b>Net cash generated from/(used in) investing activities</b>		<b>(2,008)</b>	<b>19,749</b>
<b>Cash flow from financing activities</b>			
Issue of shareholder loan notes	15	-	1,287
Repayment of shareholder loan notes	15	-	(23,326)
Repayment of lease liabilities	10	(974)	(1,121)
<b>Net cash used in financing activities</b>		<b>(974)</b>	<b>(23,160)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,200</b>	<b>4,041</b>
<b>Cash and cash equivalent at start of year</b>		<b>9,433</b>	<b>5,548</b>
Effects of exchange rate changes		214	(156)
<b>Cash and cash equivalent at the end of year</b>		<b>10,847</b>	<b>9,433</b>
Cash flows of discontinued operations (restated)	25	(524)	499

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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### 1. GENERAL INFORMATION

Corporation Service Company (Europe) Limited is a private company limited by shares and it is incorporated and domiciled in the United Kingdom. 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 sales, customer support and administrative services for its parent company, Corporation Service Company Domains LLC, which provides domain name registration and renewals and trademark and brand protection services.

The principal activities of the Group during 2019 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 international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a historical cost basis as modified for the fair value of certain financial assets and liabilities.

The Company financial statements present financial information for Corporation Service Company (Europe) Limited as a separate entity, and been prepared in accordance with

Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified for the fair value of certain financial assets and liabilities and in accordance with the Companies Act 2006.

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 for at least the 12 month period from the date the financial statements are approved 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 22.

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 2020

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#### 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

Under IFRS 15, the group is deemed to be an agent, acting on behalf of its parent company, and therefore recognises its revenue for satisfying performance obligations in relation to the provision of group services, including sales, customer support and administrative services, in relation to continuing operations during the year. Revenue is recognised in line with the recognition of costs to perform the services, and is calculated monthly in arrears. This is presented as 'Provision of group services' revenue in note 3. Revenue for continuing operations is calculated in accordance with the transfer pricing agreements effective 1 January 2020 and is based upon operating margins in relation to end customer billings and cost plus calculations. For 2019 comparative period, revenue was recognised on a gross basis as the group were deemed to be principal to the contracts. In relation to revenue from discontinued operations, the group is deemed to be principal to these contracts for both 2020 and 2019.

The following paragraphs were effective throughout 2019:

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 'Provision of group services' 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.

## Corporation Service Company (Europe) Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (e) REVENUE (CONTINUED)

###### (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.

###### (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 2019. See note 25.

###### (iii) *Retail*

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. This income stream is included in discontinued operations in both 2020 and 2019.

###### (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) SHARE-BASED PAYMENTS

WMB Holdings Inc., the company's ultimate parent, provided shadow stock and share appreciation rights to employees in the group, and are subject to certain vesting conditions. These have been accounted for as equity-settled share-based payments. The fair value of the instruments are estimated at the grant date and an equal amount is charged to the income statement throughout the life of the instrument, with annual adjustments to the expected number of units expected to vest. A capital contribution from the ultimate parent company is recognised as a share-based payment reserve for the issuance of these instruments.

## Corporation Service Company (Europe) Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) 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.

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.

### (i) 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. There is no goodwill recognised in 2020. The methodology applied to value in use calculations for 2019 varied 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%

### (j) 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.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) INTANGIBLE ASSETS (CONTINUED)

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.

#### (k) 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.

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.

#### (l) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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 3<sup>rd</sup> party financing, the incremental borrowing rate of the parent is used.

## Corporation Service Company (Europe) Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

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

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.

### (m) 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.

### (n) 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    | - | 8.4% to 14.1% |

### (o) 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.

## Corporation Service Company (Europe) Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (p) 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.

##### (q) 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.

##### (r) 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.



# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) 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.

#### (t) 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.

#### (u) 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.

The consolidated statement of cash flows is prepared as though there are no disposal groups or discontinued operations. These figures are included within the individual line items of the consolidated statement of cash flows.

#### (v) 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) *Impairment reviews*

The Group performs annual impairment reviews on 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 note 13 for the carrying values of the remaining assets and the impact of a reasonable change in discount rates and long term growth rates.

##### (ii) *Agent v principal*

Management have considered the indicators in IFRS 15 and have made a judgement that the group act as an agent to external customers in relation to continuing operations from 2020 onwards. The key judgements are that subsidiaries within the group are not primarily responsible for fulfilling the promise to external customers, they do not have inventory risk and they do not have control as they do not have discretion in establishing prices. Management have concluded that these subsidiaries are agents. Further details can be seen in note 27 as to the impact that the new transfer pricing has had on the group.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY (CONTINUED)

##### (iii) Tax

Where subsidiaries within the group are in the process of undergoing tax inspections with the relevant authorities, judgements have been made by management in relation to the expected taxation expenses in the consolidated financial statements and they have accrued tax to the extent they expect it to be settled.

#### (w) ADOPTION OF NEW AND REVISED IFRSs

##### (i) New and amended standards adopted

No Standards or Interpretations have been issued that have had or are expected to have an impact on the financial statements of the Group.

##### (ii) New and amended standards not adopted

The International Accounting Standards Board and IFRS Interpretations Committee have issued a number of new accounting standards, interpretations, and amendments to existing standards and interpretations. There are no interpretations that are not yet effective that would be expected to have a material impact on the Group.

### 3. REVENUE

Revenue for 2020 is attributable to intercompany transfer pricing changes for services performed on behalf of the parent company.

For 2019, 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; and brand protection services - monitoring the Internet for brand abuse, fraud, piracy and counterfeiting.

	2020	2019 <i>Restated</i>
	£'000	£'000
<b>Revenue by service</b>		
Corporate domain names	-	27,073
Brand protection	-	2,665
Provision of group services	29,347	9,127
	<b>29,347</b>	<b>38,865</b>

Revenue is recognised in the following geographies:

	2020	2019 <i>Restated</i>
	£'000	£'000
United Kingdom	15,679	16,143
Rest of EMEA Region	8,442	17,517
Australia	2,470	1,853
Rest of APAC Region	2,756	3,352
	<b>29,347</b>	<b>38,865</b>

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 4. FINANCE COST

	2020	2019
	£'000	£'000
On loans from Group undertakings	4,420	5,083
On lease liabilities	143	120
Bank interest payable	14	23
	<b>4,577</b>	<b>5,226</b>

### 5. LOSS BEFORE TAXATION

	2020	2019
	£'000	<i>restated</i> £'000
Loss before income tax is stated after charging/(crediting):	£'000	£'000
Depreciation of property, plant and equipment and right-of-use assets	2,554	2,212
Amortisation of intangible fixed assets	-	6,286
Audit services - Group	311	361
- Company	79	53
Non audit services - Taxation compliance services	108	208
- Advisory services	251	177
Operating leases	15	226
Technology charge by parent company	-	1,520
Impairment loss on financial assets (note 17)	443	522
Foreign exchange loss/(gain)	1,037	(1,909)
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	<b>34,998</b>	<b>52,289</b>

### 6. INFORMATION REGARDING EMPLOYEES

Employees costs (including directors' emoluments) incurred in the year were as follows:	2020	2019
	£'000	<i>restated</i> £'000
Wages and salaries	13,715	13,456
Social security costs	1,952	1,978
Other pension costs	437	451
Share-based payment expenses	290	-
	<b>16,394</b>	<b>15,885</b>

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 6. INFORMATION REGARDING EMPLOYEES (CONTINUED)

	2020	2019
The average monthly number of persons (including directors) employed by the Group during the year was:	No.	No.
Sales	40	49
Operations	185	227
Administration	23	28
	<b>248</b>	<b>304</b>

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.

	2020	2019
	£'000	£'000
Directors' emoluments	195	189
Share-based payment expenses	7	-
Company pension contributions to money purchase schemes	13	13
	<b>215</b>	<b>202</b>

The company has no employees or employee costs.

### 7. SHARE-BASED PAYMENTS

WMB Holdings Inc., the ultimate parent company, issued shadow stock and share appreciation rights to employees in the group.

#### Shadow stock

These instruments are issued to employees for no consideration and vest over 11 years, whereby there is no vesting in year 1 and years 2-11 vest evenly over the period, as long as the employees remain employed within the CSC Group. The charge is recognised evenly in the consolidated statement of comprehensive income evenly over 11 years. The instruments are exercisable upon leaving the company and will be settled in cash with responsibility for settlement lying with the ultimate parent company.

The fair value of these instruments at grant date are calculated by a 3<sup>rd</sup> party using a discounted cash flow model using a 2020 discount rate of 10.4%.

The charge to the consolidated statement of comprehensive income in the year is £150,000. The weighted average settlement price of instruments settled in the year was £21,000 per unit.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 7. SHARE-BASED PAYMENTS (CONTINUED)

	2020 Number of instruments
As at 1 January	-
Granted during the year	51.06
Exercised during the year	(2.14)
Forfeited during the year	(8.63)
As at 31 December	<u>40.29</u>
Vested and exercisable at 31 December	-

#### Share appreciation rights

These instruments are issued to employees for no consideration and vest evenly over 5 years and are exercisable up to 2 years after fully vesting, as long as the employees remain employed within the CSC Group. Settlement calculation is the increase in value from grant date to exercise date and is settled in cash with responsibility lying with the ultimate parent company. The charge is recognised evenly in the consolidated statement of comprehensive income evenly over 5 years.

The fair value of these instruments are determined using a Black-Scholes model using inputs for 2020 including:

Weighted average grant price:	£17,000
Weighted average exercise price:	£17,000
Expected volatility:	15.6%
Option life:	5 years
Expected dividend yield:	1.2%
Risk-free interest rate range:	2.1% - 3.5%

The expected volatility is based on historic volatility.

The charge to the consolidated statement of comprehensive income in the year is £140,000. The exercise price of all unvested options is between £13,000 and £23,000 and have a remaining contractual life between 1 – 4 years. The weighted average settlement price of instruments settled in the year was £22,000.

	2020 Weighted average exercise price £'000	2020 Number of instruments
As at 1 January	-	-
Granted during the year	17	102.0
Exercised during the year	11	(12.8)
Forfeited during the year	17	(13.2)
As at 31 December	<u>18</u>	<u>76.0</u>
Vested and exercisable at 31 December	11	16.0

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 8. TAXATION

(a) FACTORS AFFECTING TAX CHARGE FOR YEAR	2020	2019 restated
	£'000	£'000
Current tax – UK	468	5,546
Adjustment in respect of prior year UK	83	(518)
Foreign taxation-current non UK entities	885	380
Foreign taxation-adjustment in respect of prior year non UK	590	66
	<b>2,026</b>	<b>5,474</b>
Deferred taxation		
Origination and reversals of timing differences	(5,916)	(1,693)
Adjustment in respect of prior year UK	-	(440)
Adjustment in respect of prior year non UK	(12)	-
Effect of changes in tax rates	-	-
Total deferred tax	<b>(5,928)</b>	<b>(2,133)</b>
Taxation (income)/charge	<b>(3,902)</b>	<b>3,341</b>

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 2020; 19% (2019: 19%). The differences are explained below:

	2020	2019 restated
	£'000	£'000
Loss before taxation	<b>(34,859)</b>	<b>(24,880)</b>
Loss multiplied by standard rate of corporation tax in the UK	<b>(6,623)</b>	<b>(4,727)</b>
Effects of:		
Expenses non-deductible for tax purposes	8,055	8,958
Tax loss/other balances not recognised	320	21
Income not taxable	(567)	(8,670)
Capital allowances in excess of depreciation	74	79
Goodwill impairment	-	9,201
Differences in tax rates	304	87
Deferred tax on intangible assets	(6,060)	-
Adjustment to current tax charge in respect of previous years	607	(722)
Adjustment to deferred tax charge in respect of previous years	(12)	(886)
Total tax (credit)/charge for the year	<b>(3,902)</b>	<b>3,341</b>

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 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, maintained the main rate of corporation tax at 19%. The Finance Bill 2021, introduced to Parliament in March 2021, will increase the main rate of corporation tax to 25%, effective from 1 April 2023.

### 9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold Improvements	Fixtures and fittings	Computer Equipment	Total
Cost or valuation	£'000	£'000	£'000	£'000
1 January 2019	1,434	1,235	4,478	7,147
Additions	259	96	342	697
Disposals	(369)	(95)	(998)	(1,462)
Reclassification to assets held for sale	(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
Additions	1,202	333	476	2,011
Disposals	(193)	(409)	(483)	(1,085)
Reclassification to right-of-use asset	(81)	-	-	(81)
Effect of foreign exchange	(25)	(23)	(183)	(231)
31 December 2020	1,990	1,046	3,338	6,374
<b>Accumulated depreciation</b>				
1 January 2019	(662)	(530)	(2,520)	(3,712)
Disposals	338	68	998	1,404
Reclassification to assets held for sale	9	10	111	130
Charge for the year	(186)	(400)	(621)	(1,207)
31 December 2019	(501)	(852)	(2,032)	(3,385)
Disposals	193	409	475	1,077
Effect of foreign exchange	8	12	177	197
Reclassification to right-of-use asset	37	-	-	37
Charge for the year	(259)	(328)	(771)	(1,358)
31 December 2020	(522)	(759)	(2,151)	(3,432)
<b>Net book value</b>				
31 December 2020	1,468	287	1,187	2,942
31 December 2019	586	293	1,496	2,375

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 10. RIGHT-OF-USE ASSETS

	2020	2019
	£'000	£'000
<b>Cost or valuation</b>		
1 January	3,159	-
IFRS 16 opening adjustment	-	3,159
Additions	1,731	-
Reclassification from leasehold asset	44	-
Amendments	8	-
Disposals	(574)	-
Effect of foreign exchange	94	-
31 December	4,462	3,159
<b>Accumulated depreciation</b>		
1 January	(1,005)	-
Amendments	208	-
Disposals	574	-
Effect of foreign exchange	(20)	-
Charge for the year	(1,196)	(1,005)
31 December	(1,439)	(1,005)
<b>Net book value</b>		
31 December	3,023	2,154

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

#### Lease liabilities

Current	951	872
Non-current	2,315	1,372
	3,266	2,244

Interest expense on lease liabilities	143	120
Total cash outflow for leases	974	1,121
Expense relating to low-value assets included in administrative expenses	15	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 2020

### 11. INTANGIBLE ASSETS

Goodwill and Other Intangible assets and accumulated amortisation as of 31 December 2020 and 2019 are as follows:

	Goodwill	Customer Relationships	Trade Name	Proprietary Technology	Non-compete agreement	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>GROUP</b>						
<b>Cost or valuation</b>						
1 January 2019	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
Reclassification to assets held for sale	-	-	(349)	-	-	(349)
Impairment charge	-	(34,998)	-	-	-	(34,998)
31 December 2020	6,032	21,399	7,742	-	3,068	38,241
<b>Accumulated amortisation</b>						
1 January 2019	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
Reclassification to assets held for sale	-	-	(79)	-	-	(79)
31 December 2020	6,032	21,399	7,742	-	3,068	38,241
<b>Net book value</b>						
31 December 2020	-	-	-	-	-	-
31 December 2019	-	34,998	270	-	-	35,268

The group is seen as a single cash generating unit. The impairment of goodwill and customer relationships is the result of the restructure of the wider group which directly impacts revenue streams in subsidiaries of the group. Customer relationships were fully impaired as part of the implementation of the transfer pricing policy effective 1 January 2020.

Proprietary technology is the only internally generated class of intangible assets, and was disposed as part of the restructure in 2019.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 12. DEFERRED TAX ASSET

The movement in the deferred tax account is shown below:

	2020	2019
	£'000	£'000
Accelerated capital allowances	611	1,147
	<b>611</b>	<b>1,147</b>
	£'000	£'000
At 1 January	1,147	717
Opening adjustment	-	14
Reclassified from deferred tax liabilities	(34)	(60)
Adjustment in respect of previous years	(12)	76
Deferred tax (credit)/charge in the statement of comprehensive income	(494)	433
Effect of foreign exchange	4	(33)
At 31 December	<b>611</b>	<b>1,147</b>

Deferred tax has been calculated at 19% (2019: 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 £10,680,000 (2019: £14,900,000) available to carry forward and offset against future profits from the same trade. Deferred tax assets of £2,029,000 (2019: £2,533,000) 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 2020	251,671
Disposals	(15,915)
31 December 2020	<b>235,756</b>
<b>Accumulated Impairment</b>	
1 January 2020	140,338
Impairment	33,187
31 December 2020	<b>173,525</b>
<b>Net book value</b>	
<b>31 December 2020</b>	<b>62,231</b>
31 December 2019	<b>111,333</b>

## Corporation Service Company (Europe) Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

#### 13. INVESTMENTS (CONTINUED)

During the year, the Company contributed Netnames Holdings Limited, together with various intercompany positions totaling a net payable of £15,915,000, to CSC DBS Holdings Limited, a fellow subsidiary, in return for shares in CSC DBS Holdings Limited. The share for share transfer occurred at predecessor carrying values and the impact of intercompany positions contributed can be seen as a disposal in the above table.

Using sensitivity analysis in relation to the investment impairment, a 0.5% increase in the discount rate would result in a further impairment of £3.0m and a 0.5% decrease in the long term growth rate would result in a further impairment of £2.2m.

#### 14. TRADE AND OTHER RECEIVABLES

	2020	2019
<b>NON-CURRENT</b>		
<b>GROUP</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed by Group undertakings	260	351
Amounts owed by parent company	11,886	10,638
Loans owed by parent company	3,588	3,588
Deferred costs	-	837
	<b>15,734</b>	<b>15,414</b>
<b>COMPANY</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed by Group undertakings	11,445	12,716
Loans owed by Group undertakings	-	869
	<b>11,445</b>	<b>13,585</b>
<b>CURRENT</b>	<b>2020</b>	<b>2019</b>
<b>GROUP</b>	<b>£'000</b>	<b>£'000</b>
Trade receivables	9,011	10,623
Other receivables	550	473
Prepayments and accrued income	857	3,507
Deferred costs	-	171
	<b>10,418</b>	<b>14,774</b>

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%. In 2019, loan repayments of €27,096,000 were made. The remainder of the loan was extinguished in 2020 as part of the restructuring.

Amounts owed by Group undertakings are unsecured and repayable on demand, which has been confirmed will not be within 12 months.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 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. In 2020, there were no previously deferred costs in relation to domains released in the year (2019: £0.4m) and £1.0m of previously deferred commissions were released in the year (2019: £0.1m). See note 27 as to how the new transfer pricing affected this balance for 2020.

### 15. TRADE AND OTHER PAYABLES

	2020	2019 restated
<b>CURRENT</b>		
<b>GROUP</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	281	836
Other taxation	2,019	529
Accruals and deferred revenue	2,689	11,961
Other payables	914	1,155
	<b>5,903</b>	<b>14,481</b>
<b>NON-CURRENT</b>	<b>2020</b>	<b>2019</b>
<b>GROUP</b>	<b>£'000</b>	<b>£'000</b>
External bank loans and overdrafts	9	9
Amounts owed to Group undertakings	475	304
Amounts owed to parent company	16,185	11,763
Loans owed to parent company	180,065	176,527
	<b>197,734</b>	<b>188,603</b>
<b>CURRENT</b>	<b>2020</b>	<b>2019</b>
<b>COMPANY</b>	<b>£'000</b>	<b>£'000</b>
Accruals and deferred income	80	130
	<b>80</b>	<b>130</b>
<b>NON-CURRENT</b>	<b>2020</b>	<b>2019</b>
<b>COMPANY</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed to Group undertakings	4,519	19,174
Amounts owed to parent company	3,808	5,685
Loans owed to Group undertakings	-	23,791
Loans owed to parent company	180,065	176,527
	<b>188,392</b>	<b>225,177</b>

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 16. TRADE AND OTHER PAYABLES (CONTINUED)

On 12 March 2013, a loan of £45,209,000 (equivalent to AUD \$65,575,000) was issued by the parent, Corporation Service Company 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. The remaining principal and interest at December 2020 was £55,980,000 (2019: £54,601,000).

On 12 March 2013, loans of AUD \$21,731,000 and AUD \$7,244,000 were issued by the parent, Corporation Service Company, to Corporation Service Company (Australia) Pty Ltd, with annual interest of 3.05%. The loans and accrued interest were repayable on 12 March 2018 or such later date as the parties agree to. At 31 January 2019, the remaining principal on the loans together with accrued interest was AUD \$34,301,000. The loans between the parent, 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. The remaining principal and interest at December 2020 converted to GBP was £20,482,000 (2019: £18,829,000).

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. The principal loan was fully repaid in 2019 with loan repayments of €27,096,000 made in 2019 which did not include any interest. The remaining interest outstanding at December 2020 was £1,128,000 (2019: £1,067,000).

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%. There were no repayments in the year (2019: £21,306,000). The remaining principal and interest at December 2020 was £102,475,000 (2019: £99,917,000).

As part of this restructuring in December 2019, the company had loans with CSC Administrative Services Limited of £2,044,000 and with CSC Digital Brand Services Group AB of £1,233,000. In January 2020, these loans were contributed to Netnames Holdings Limited as part of the investment in CSC DBS Holdings Limited (note 13). As at December 2019, there was a loan with Corporation Service Company (Australia) Pty Ltd for £20,513,000. This loan was extinguished and the financial liability derecognised in 2020.

### DEFERRED TAX LIABILITIES

	2020	2019
GROUP	£'000	£'000
Deferred tax liabilities		
1 January	6,026	7,776
Reclassified from deferred tax asset	34	60
Effect of foreign exchange	-	(55)
Reversal of timing difference	(6,060)	(1,755)
31 December	-	6,026

The deferred tax liability in 2019 related to intangible assets, which were fully impaired during 2020. See note 11. The closing deferred tax liability as at 31 December 2020 has been calculated at 19% (2019: 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.

There were no provisions for liabilities in the Company (2019: Nil).

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 17. FINANCIAL INSTRUMENTS

	Note	2020	2019
The Group has the following financial instruments:		£'000	£'000
Financial assets measured at amortised cost:			
- Trade receivables	14	9,011	10,623
- Other receivables	14	550	473
- Cash and cash equivalents		10,805	9,433
- Accrued income	14	-	302
- Amounts owed by Group undertakings	14	260	351
- Amounts owed by parent company	14	11,887	10,638
- Loans owed by parent company	14	3,588	3,588
		<b>36,101</b>	<b>35,408</b>

	Note	2020	2019
		£'000	£'000
Financial liabilities measured at amortised cost			
- Lease liabilities	10	3,284	2,244
- Trade payables	15	281	836
- Bank loans	15	9	9
- Amounts owed to Group undertakings	15	475	304
- Amounts owed to parent company	15	16,185	11,763
- Loans owed to parent company	15	180,065	176,527
- Accruals	15	2,689	3,261
- Other payables	15	914	1,155
		<b>203,902</b>	<b>196,099</b>

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.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 17. FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

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. Any credit loss in relation to external customers is recompensed as part of the transfer pricing agreement, which is recognised within provision of group services in Note 3.

Trade receivables and cash are summarised as follows:

	Trade receivables 2020 £'000	Cash and cash equivalents 2020 £'000	Trade receivables 2019 £'000	Cash and cash equivalents 2019 £'000
Up to 30 days	7,904	10,805	8,479	9,433
30 to 90 days	798	-	1,548	-
More than 90 days	752	-	1,694	-
Gross	9,454	10,805	11,721	9,433
Less: allowance for impairment	(443)	-	(1,098)	-
Net	9,011	10,805	10,623	9,433

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

	2020 £'000	2019 £'000
Opening balance	1,098	663
(Decrease)/Increase in provisions	(119)	522
Written-off amounts	(536)	(87)
	443	1,098

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 17. FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

At 31 December 2020	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Lease liabilities	156	795	2,333	-	3,284
Trade payables	281	-	-	-	281
Bank loan	-	-	9	-	9
Amounts owed to Group undertakings	-	-	475	-	475
Amounts owed to parent company	-	-	16,185	-	16,185
Loans owed to parent company	-	-	180,065	-	180,065
Other payables	914	-	-	-	914
Accruals	2,689	-	-	-	2,689
	4,040	795	199,067	-	203,902

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



## Corporation Service Company (Europe) Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

#### 17. FINANCIAL INSTRUMENTS (CONTINUED)

##### iii) Currency risk

The Group has overseas subsidiaries, which operate in Continental Europe and APAC. 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 2020	Sterling	US Dollar	Euro	Australian Dollar	Other currencies	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	5,225	-	2,224	-	1,562	9,011
Other receivables	322	-	72	-	156	550
Amounts owed by Group undertakings	260	-	-	-	-	260
Amounts owed by parent company	8,459	-	371	-	3,056	11,886
Loan owed by parent company	3,588	-	-	-	-	3,588
Cash and cash equivalents	4,536	619	3,228	152	2,270	10,805
Lease liabilities	(1,944)	-	(345)	(209)	(786)	(3,284)
Trade payables	(146)	-	(47)	-	(88)	(281)
Bank loan	-	-	-	-	(9)	(9)
Amounts owed to Group undertakings	(301)	-	-	-	(174)	(475)
Amounts owed to parent company	(7,435)	-	(3,014)	(3,615)	(2,121)	(16,185)
Loans owed to Group undertakings	(158,455)	-	(1,128)	(20,482)	-	(180,065)
Accruals	(1,270)	-	(476)	(373)	(570)	(2,689)
Other payables	(621)	-	(152)	-	(141)	(914)
	(147,782)	619	733	(24,527)	3,155	(167,802)

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 17. FINANCIAL INSTRUMENTS (CONTINUED)

#### iii) Currency risk (continued)

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
Loans 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	(156,631)	-	(1,067)	(18,829)	-	(176,527)
Accruals	(1,470)	-	(796)	(259)	(736)	(3,261)
Other payables	(863)	-	(186)	-	(106)	(1,155)
	(145,531)	2,190	2,917	(24,786)	4,519	(160,691)

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 2020 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 +/- £2,002,000.

#### 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 2020

### 18. CAPITAL AND RESERVES

	2020	2019
GROUP AND COMPANY	£'000	£'000
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.
Share-based payments reserve	Capital injection from ultimate parent in relation to issuing instruments to employees of the group
Retained earnings	Cumulative net gains and losses recognised in the Statement of comprehensive income.

### 19. CONTINGENT LIABILITIES

There is a contingent liability in relation to corporation tax of £2,264,000 (2019: £4,941,000) due to the anti-hybrid tax rules. The contingent liability will crystallise or expire by the end of 2021.

### 20. 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.

### 21. 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 21
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

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 21. RELATED PARTY TRANSACTIONS (CONTINUED)

The cost of sales in respect to intercompany domain purchases was £5.7m in 2019. Due to the transfer pricing agreement effective January 2020, the group now provide services to the parent company and therefore no longer incur the cost of domain purchases.

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.

### 22. 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
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	5 Churchill Place, London, E14 5HU	UK
Easily Limited	5 Churchill Place, London, E14 5HU	UK
CSC Brand Protection Limited	5 Churchill Place, London, E14 5HU	UK
CSC DBS Holdings Limited *	5 Churchill Place, London, E14 5HU	UK
NetNames France Holdings 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

## Corporation Service Company (Europe) Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

#### 22. LIST OF SUBSIDIARIES (CONTINUED)

TRADING ENTITIES	Registered Office	Country of incorporation
CSC Digital Brand Services (Switzerland) GmbH (formerly NetNames GmbH)	Grundstrasse 22A 6343 Rotkreuz	Switzerland
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
<b>DORMANT ENTITIES</b>		
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

#### Summary of changes in subsidiary undertakings

On 10 November 2020, CSC France, a company registered in France, was liquidated

On 11 November 2020, CSC Digital Brand Services Group AB, a company registered in Sweden, was merged into NN Sweden AB. Subsequently, NN Sweden AB changed its name to CSC Digital Brand Services Group AB.

#### 23. POST BALANCE SHEET EVENTS

The retail operation, consisting of Easily Limited plus the trade name and customer lists owned by several other group subsidiaries was sold in January 2021. See notes 24 and 25 for further details.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 24. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

As at 31 December 2020, the group classified net liabilities totalling £637,000 as held for sale. This consisted of the retail operation, which was sold in January 2021.

	<b>Assets held for sale as at 31 December 2020</b>
	<b>£'000</b>
<b>Non-current assets</b>	
Trade name	246
<b>Current assets</b>	
Trade receivables	9
Prepayments and accrued income	139
Cash and cash equivalents	42
<b>Total assets classified as held for sale</b>	<b>436</b>
	<b>Liabilities held for sale as at 31 December 2020</b>
	<b>£'000</b>
<b>Current liabilities</b>	
Trade payables	(216)
Accruals and deferred revenue	(605)
Corporation tax	(132)
Other taxation	(121)
<b>Total liabilities classified as held for sale</b>	<b>(1,073)</b>

### 25. DISCONTINUED OPERATIONS

The group has reclassified the profit and loss amounts below to discontinued operations in 2020 and 2019 as they relate to the performance of the operations classified as held for sale.

The retail operation, consisting of Easily Limited plus the trade name and customer lists owned by several other group subsidiaries, was sold in January 2021 for £1.1m.

Ascio (the reseller operation), Netnames USA Inc and Capital Markets were disposed of in 2019. 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.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 25. DISCONTINUED OPERATIONS (CONTINUED)

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.

	Retail Operation 2020	Total 2020
	£'000	£'000
Revenue	2,829	2,829
Cost of sales	(1,970)	(1,970)
Operating expenses	(476)	(476)
Amortisation	(24)	(24)
Gain on foreign exchange	58	58
Finance income	6	6
<b>Profit before tax</b>	<b>423</b>	<b>423</b>
Corporation tax expense	(130)	(130)
<b>Profit from discontinued operations</b>	<b>293</b>	<b>293</b>

	Retail Operation 2019	Netnames USA Inc 2019	Ascio 2019	Capital Markets 2019	Total 2019 restated
	£'000	£'000	£'000	£'000	£'000
Revenue	2,543	-	3,347	2,089	7,979
Cost of sales	(1,912)	-	(2,458)	-	(4,370)
Operating expenses	(414)	-	(48)	(3,613)	(4,075)
Depreciation	-	-	(3)	(87)	(90)
Amortisation	(23)	-	-	-	(23)
Gain/(loss) on foreign exchange	1	-	(819)	93	(725)
Finance income	-	-	-	2	2
Finance costs	-	-	(2)	(305)	(307)
<b>Profit/(loss) before tax</b>	<b>195</b>	<b>-</b>	<b>17</b>	<b>(1,821)</b>	<b>(1,609)</b>
Corporation tax expense	(89)	-	-	-	(89)
<b>Profit/(Loss) from discontinued operations</b>	<b>106</b>	<b>-</b>	<b>17</b>	<b>(1,821)</b>	<b>(1,698)</b>

The table below shows the restatement of continuing operations in the 2019 consolidated statement of comprehensive income, due to recognising the retail operation as a discontinued operation.

# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 25. DISCONTINUED OPERATIONS (CONTINUED)

	2019	Retail Operation	Total 2019 restated
	£'000	£'000	£'000
Revenue	41,408	(2,543)	38,865
Cost of sales	(7,602)	1,912	(5,690)
Operating expenses	(53,168)	436	(52,732)
Finance income	5	-	5
Finance costs	(5,226)	-	(5,226)
<b>Loss before tax</b>	<b>(24,583)</b>	<b>(195)</b>	<b>(24,778)</b>
Corporation tax expense	(3,430)	89	(3,341)
<b>Loss from continuing operations</b>	<b>(28,013)</b>	<b>(106)</b>	<b>(28,119)</b>

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

	Retail Operation 2020	Total 2020
	£'000	£'000
Net cash outflow from operating activities	(524)	(524)
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	-
<b>Net decrease in cash generated by discontinued operations</b>	<b>(524)</b>	<b>(524)</b>

	Retail Operation 2019	Netnames USA Inc 2019	Ascio 2019	Capital Markets 2019	Total 2019 Restated
	£'000	£'000	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	475	-	350	(1,172)	(347)
Net cash inflow/(outflow) from investing activities	-	-	-	(441)	(441)
Net cash inflow/(outflow) from financing activities	-	-	-	1,287	1,287
<b>Net increase/(decrease) in cash generated by discontinued operations</b>	<b>475</b>	<b>-</b>	<b>350</b>	<b>(326)</b>	<b>499</b>



# Corporation Service Company (Europe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 26. 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:

	2020	2019
		<i>Restated</i>
	£'000	£'000
Operating loss	(30,285)	(19,557)
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	34,998	52,289
<b>Adjusted operating profit</b>	<b>4,713</b>	<b>1,755</b>

### 27. IMPACT OF INTRODUCING NEW TRANSFER PRICING

The group performed the role of a sales and customer support operation to its parent including administration and management support, commencing 1 January 2020, after the sale of intellectual property to the parent in December 2019. Associated with this, a new transfer pricing policy was implemented from this date. The implementation of the transfer pricing policy has had a significant impact on the financial statements, of which the key elements are summarised below:

In 2019, several subsidiaries within the group recognised revenue from external customers. They were deemed principal to the contracts and recognised revenue together with the associated cost of sales. The sale of the intellectual property together with the new transfer pricing agreement moved the control of these customers to the parent company. In 2020, the subsidiaries were remunerated from the parent company for performing specific services for other group companies, and are therefore now agents to the external customers. They were remunerated for performing these services from the parent company. Due to this, there is no cost of sales recognised in 2020 (2019: £5.8m). There are also therefore no prepayments made in relation to these costs in 2020 (2019: £1.7m).

As there is no longer control of the external customers, the intangible asset in relation to customer relationships has been fully impaired in 2020 (note 11).

In relation to continuing operations, as there is no external revenue from customers, there is no deferred revenue recognised in the group (2019: £8.4m). See note 15. However, some subsidiaries still act as a billing agent on behalf of the group and therefore still recognise trade receivable balances.

Under IFRS 15, commission payments in relation to servicing external customers should be spread evenly over the expected life of the customer. As the customers are no longer under the control of the subsidiaries, prepaid commissions of £1.0m, of which £0.2m were current and £0.8m non-current per the 2019 consolidated financial statements, were written off to the consolidated statement of comprehensive income. All commissions earned in 2020 are recognised when they are earned and will no longer be spread over the life of the external customers.