

Report &
Accounts
2015



NOMINET

Report

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Chair's statement

NOMINET CHAIR, BARONESS RENNIE FRITCHIE DBE,
REVIEWS THE MILESTONES OF THE YEAR



I would like to take this opportunity to highlight the work we have done as a responsible registry, to cover important developments relating to governance and membership, and to underline the breadth of our public benefit contribution.

FY15 was a pivotal one in our development, with the work of the Board focused on ensuring we have plans for the future that will deliver on our strategy to secure long-term relevance and success for both Nominet and the namespaces we manage.

Members often have a dual role, first as members and then most, but not all members also have a transactional relationship with us as registrars. It was therefore important to us that alongside developing a more commercial dimension

to our core business, we also took time to review our operating model to gain a strategic view of membership and how the dynamics of our relationships with members should evolve.

Sir Michael Lyons began this work on our behalf in Spring 2015, meeting with members and stakeholders at an early stage to inform his thinking. His report was received in FY16, and moving forward we will pursue constructive dialogue with members on how to work together, evolve .UK, diversify in positive ways, and deliver public benefit. In January 2015, we welcomed a new CEO, Russell Haworth, whose arrival brought a renewed emphasis both on working with members to develop the core registry business and on identifying diversification opportunities that build on our expertise running .UK.

I am pleased to say that this focus on our core business meant that, despite a difficult market, we reached the 10.6 million .UK domains mark. On 1st March 2015, St David's Day, we launched .cymru and .wales, giving Welsh businesses and consumers their own home online, and broadening the scope of our registry services.


Our public benefit contribution stems from our success in running safe and

trusted namespaces for the millions of businesses, organisations and consumers who rely on them. Accordingly, it is our priority to keep .UK secure, and this year we have continued to work behind the scenes at Nominet, and in collaboration with the wider internet community, to improve resilience, counter cyber-threats, and to tackle cyber-crime. While the proportion of domains involved in criminal activity is very low indeed, we act swiftly when alerted to harm. Last year, working with registrars and law enforcement, we took steps to suspend over 3000 domains.

In addition, we continued to have a strong presence at ICANN, the IGF and at the Parliament & the Internet conference. This programme, which involves technical collaboration alongside outreach to government and political stakeholders, ensures that Nominet, its members and the domain name industry are acknowledged for the positive contribution we make to the digital economy. Over the past year, I have been struck by how the international internet community appreciates our proactive and responsible approach, with our work on the Internet Assigned Numbers Authority (IANA) transition a case in point.

**'THE FOCUS
ON OUR CORE
BUSINESS
MEANT THAT
WE REACHED
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.UK DOMAINS.'**

BARONESS RENNIE FRITCHIE
DBE CHAIR



During this year, we have been able to extend public benefit into new areas. Our work exploring the infrastructure around the 'internet of things' includes applying our research to real-life situations. This led to partnerships with pioneering projects, such as using IoT tools to support the UK's first localised, real-time 'flood map' capability.

The strategic investment in R&D has also led to the development of a pioneering network analytics capability. Alongside helping keep our namespaces safe, last year this resulted in the launch of our first product beyond domains – *turing* – that we hope will help others with DNS infrastructure.

Outside the work we do within Nominet, we were able to make a significant donation once again to The Nominet Trust, funding innovative 'tech for good' projects from Braille e-readers for the blind to digital training apps for otherwise excluded groups.

Moving forward, our public benefit contribution will flow from running a business that supports a strong digital

economy, the work of the Nominet Trust in tackling social challenges, and Nominet-led partnerships and initiatives, such as Go ON UK, that will encourage more people, to do more online.

So while we will continue to make changes in response to a changing market, environment and opportunities, the commitment to .UK and to making a positive contribution remain our cornerstones.

I would sincerely like to thank our members and registrars, our staff, and my Board colleagues for their contribution over the last financial year. The future continues to present us with both challenges and opportunities, but by working together I know our future will be in good hands.

CEO's statement

RUSSELL HAWORTH, CEO

Nominet has taken some big steps forward in FY15, with domains under management reaching 10.6m, our first non-domain product launched, .cymru./wales gaining traction and the rollout of an updated brand and website.

As an incoming CEO, my priority was a rapid yet thorough review of the business, to ensure that we were set up for success. This brought more shape and focus to our strategy of diversifying while continuing to run a world-class registry service. To support the execution of our strategy we re-structured the organisation to align with the three areas of our business – our core registry services, new markets and R&D bringing in some key hires to expand our senior team.

We ensured public benefit was part of our day-to-day decision-making, and an intrinsic part of our diversification plans. We aligned our culture around new values of integrity, performance, courage and accountability. We launched a new brand and website – which were important to reflect the breadth of our business, our ambitions for Nominet, and reach an increasingly broad spectrum of stakeholders, customers, partners and future employees.



Over the year the number of domains under management reached 10.6 million for the first time, and .UK remained the domain of choice within the UK market. The availability of .UK second-level domains, two major promotions (delivering over 60k additional registrations between June and September) and an increase in renewal rates to 73.1% (up from 69.9% in FY14), had the combined effect of countering the decline in new registrations.

Reviewing the pricing strategy for .UK domains took place in FY15 – a process that led to our decision to increase the wholesale price for domains in FY16. This recalibration stops a long-term under-valuing of .UK domains and allows us to compete in a promotion-led market and invest in our future.

Central to my approach to our core business is the desire to find ways to buck the trend of a decline in new registrations in our market. No longer able to benefit from a rising tide, the battle for market share means that a commercial outlook will continue to be an essential part of promoting .UK, .wales, and .cymru. Our promotions and co-marketing will become more sophisticated as we work with registrars to understand their business models, share insights and identify opportunities to encourage registrations and renewals.

We will be proactive in making the case for greater use of domain names, and in helping small businesses overcome the challenges preventing them adopting a more internet-savvy approach.

We have continued to invest in maintaining the high standards of customer service, resilience and performance that I know our members and registrants appreciate. Ever alert to threats, we secured DNS up-time of 100% over the course of the year, with our own systems available over 99.8% of the time (including planned down-time). Our registrar survey achieved customer satisfaction scores to be proud of (91%).

.UK remains the most trusted domain in our market, and we continue to be proactive to ensure we earn that trust. Over the course of the year, our Dispute Resolution Service provided a low-cost means to settle 745 disputes, we continued to work as part of a community to tackle cyber-crime and

worked with registrars to refine our data quality process.

Under 'new markets', we focused on business opportunities around our capabilities in network analytics. Our data visualisation tool – *turing* – stemmed from our investments in R&D and continues to be used in-house to keep our registries secure. We identified its commercial potential for those running large DNS networks, developed the proposition and launched *turing* in June, supported by a US office to pursue sales in North America.

The arrival of our first product outside domains represents a significant milestone for Nominet, but while the potential is high, new markets, not least in enterprise software – are tough to crack. Building on the foundations of FY15, we will continue to develop the *turing* proposition, with a cloud version already underway.

Our R&D team focused on applied

innovation, with the aim to establish a role for ourselves in the infrastructure around the internet of things (IoT). Over the course of the year, we became established as a partner for emerging IoT technology projects and research into dynamic spectrum management won Nominet the first OFCOM qualification to operate a TV whitespace database in the UK.

We continued a programme to identify and reduce spending during FY15 which re-calibrated our cost level. The FY15 year benefited from the absence of the FY14 one-off launch costs for .wales and .UK and in addition we held back on some typical areas of spend during the year, marketing in particular, as we assessed our overall strategy. The impact of these factors resulted in a year on year reduction in other operating charges of £2.7m. Combined with the increase in turnover of £0.8m this improved our underlying operating profit by £3.5m

(before provisions against investments, donations and impairment charges).

I have enjoyed my discussions with members over the course of the year, which have been insightful and candid. I hope to build on this to form stronger partnerships across the full spectrum of Nominet members as we develop the core registry business and explore new opportunities.

We are taking a long-term view of the market, our products, the political landscape and the potential of game-changing technologies. By being proactive now, we can continue to thrive, invest in our future and contribute to the wider digital economy.

Our blueprint for future success involves better engagement with members, launching sophisticated promotions, providing greater data-driven insights to the channel, establishing partnerships to help reach new markets and increasing awareness for the value of domains in an evolving internet landscape.

We are also focused on capitalising on the potential of *turing*, and finding an opportunity in the IoT infrastructure. Crucially I want to do this in a way that delivers a clear, significant and tangible public benefit.

Finally, I would like to extend my thanks to everyone who has contributed in a year where we dialled up our ambitions and made significant strides towards creating the Nominet of tomorrow.

‘BY BEING PROACTIVE NOW, WE CAN CONTINUE TO THRIVE, INVEST IN OUR FUTURE AND CONTRIBUTE TO THE WIDER DIGITAL ECONOMY.’

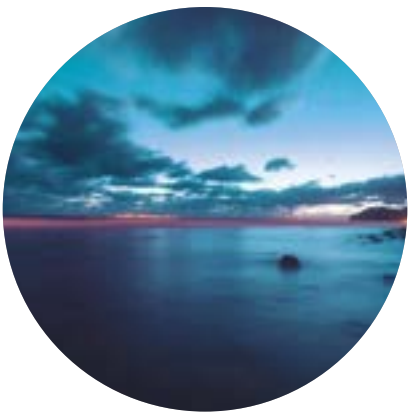
RUSSELL HAWORTH, CEO

Our story

NOMINET IS A QUIET FORCE AT THE HEART OF THE INTERNET, MOST NOTED FOR OUR ROLE RUNNING THE .UK INTERNET INFRASTRUCTURE. MILLIONS OF BUSINESSES AND CONSUMERS RELY ON US, AND IT IS A ROLE WE PERFORM WITH PRIDE.

Set up in days of internet infancy, Nominet was formed to create a professional setting for the management and registration of .uk domain names.

Domain names are a small but vital cog in the internet eco-system. Humans communicate in words, but computers talk numbers. The domain name system allowed memorable internet addresses – using words – to be used rather than relying simply on the numbering system of IP addresses.



The commitment to bringing a human dimension to technology has been with us ever since.

Before Nominet, a naming committee of forward-looking pioneers oversaw an essentially manual vetting process for registration of domain names. In 1996, Nominet was formed by one of the committee, Oxford physicist and internet academic Dr Willie Black, to create a professional way to cope with the growing demand for domain names. Although a full seven years after the creation of the World Wide Web by Sir Tim Berners-Lee, this was before the mass adoption of the internet by consumers and businesses was fully underway. Nominet took over management of 26,000 .uk domain name registrations (by contrast, there are now around 10.6 million .uk registrations).

It was a world where, apart from country specific endings or ‘country codes’, there were only five generics, including .com. In the mid-eighties, two decisions were made that have created the UK’s internet landscape we know today. First was the decision to

use .uk – in preference to the possible .gb; the other, to opt for a sub-domain system that created a portfolio of names intended for different uses – including .co.uk for businesses and .org.uk for charities and non-profit organisations.

Nominet itself was set up as a membership organisation, giving members, who are in the main registrars of domain names, a say in how the company is run and access to discounted wholesale pricing, but no entitlement to a share in any proceeds.

While often described as ‘not-for-profit’, this terminology has led to an element of confusion over the years. Nominet is not a charity, but a company with a constitutional commitment to delivering public benefit. We do aim to be profitable, and always have been, but we have built our reputation on providing a high-quality service at a reasonable cost. We must be a successful and sustainable business, so we can continue to invest in our service, and contribute to building a more trusted internet and a strong digital economy.

With the growth of the internet, and with it domain name registrations,

an unwelcome development was an increased instance of cyber-squatting (registering, trafficking in, or using a domain name with bad-faith intent to profit from the goodwill of a trademark belonging to someone else).

We responded by introducing the Dispute Resolution Service, a much respected way of dealing with conflict over how a domain name is used, preventing abusive registrations. Since its creation in 2001, this low cost alternative to the courts, with mediation as its first resort, and independent judgement as its last resort, has tackled over 10,000 cases.

Our responsible approach has been followed ever since, most notably today with our commitment to working with law enforcement and the wider industry to protect internet users by suspending domains connected with crime.

A corollary to our high-speed, open registration process is our rapid response to tackling the activities of rogue elements.



NOMINET IS
A COMPANY WITH
A CONSTITUTIONAL
COMMITMENT
TO DELIVERING
PUBLIC BENEFIT.



‘WE ARE PLANNING FOR THE FUTURE WHILE STAYING TRUE
TO OUR BELIEFS & BUILDING ON OUR KEY STRENGTHS ...

BEING A TRUSTED GUARDIAN OF THE .UK NAMESPACE & RUNNING A WORLD CLASS REGISTRY.’

Lesley Cowley OBE took over running the business in 2002, and under her tenure, .uk domain names experienced a prolonged period of growth and Nominet’s reputation as a world class registry was cemented. .co.uk became the pre-eminent domain; trusted and more popular than .com in the UK. A position it still retains to this day.

Despite the success of domain names, by 2005 tensions in the design of original model of governance were starting to show, and the organisation felt its future was under threat by the destabilising influence of a very few members with vested interests.

After many years under the original model, we instigated a governance review, which resulted in a campaign to persuade the membership to change the

company’s constitution. This resulted in a more stable governance arrangement, most notably with a stated commitment to running in the public interest, the introduction of independent directors, and a re-weighted voting structure in 2010.

With the internet economy increasingly too important to fail, the Government introduced a safety net in the Digital Economy Act – reserve powers to step in, should that be needed, to secure a safe .UK namespace. It’s a power that we work hard to ensure is never needed.

Our preference for industry self-regulation is based on our belief that business can be both successful and responsible. Our own actions are driven by the need to take smart, timely

and appropriate action, working with others, in response to threats to the .UK namespace.

Our efforts to create a reliable and trusted space include an increasing focus on cyber-security. In an arms race against cyber-criminals, we do what we can, working with others and independently. Our skill in monitoring and interpreting patterns of traffic led us to identify and help fix a major weakness in the global internet infrastructure in 2015. While we have been successful in keeping .UK up and running, resting on our laurels is not an option – we acknowledge that we cannot assume we will stay immune from the denial of service (DDoS attacks) that have damaged others.

As the digital economy was booming,

we were making a surplus; and were able to use the proceeds from domain name registrations to create and fund a charitable foundation – the Nominet Trust.

The Nominet Trust was set up in 2008 to invest in projects to harness the positive power of the internet. It has pioneered investing in innovative projects, filling a vital gap between initial funding and achieving the scale required to maximise impact. It has supported large and small initiatives, from encouraging digital skills to supporting charities using the internet to transform the impact of their work. It’s a success in which we as Nominet, our members and our registrants can all take pride.

The work of the Nominet Trust complements Nominet’s own substantial



contribution to the digital economy: running a resilient and trusted .UK that supports millions of businesses and consumers, and our long-standing commitment to working with the wider community to build a safe and trusted internet.

At Nominet, we have long recognised that we are part of a wider internet infrastructure, and have built relationships across a wide range of stakeholder groups in order to inform our thinking and play a larger role where it is appropriate. For example, we have also played our part in promoting a healthy digital economy, with campaigns to educate businesses and consumers about how to stay safe online.

Although we are a relatively small organisation, based in Oxford, from the

beginning we recognised the importance of working closely with others in the international sphere. This includes ICANN (the international body responsible for domain names) and the Internet Governance Forum (IGF), where the vital matters of who and how the internet is run are discussed. In this regard, Nominet has always punched above its weight, making strong contributions to policy discussions and technical fora, working with others to tackle cyber-crime, and helping shape the future of the internet.

Having enjoyed a period of growth, the domain name market began to mature in the UK, while at the same time a programme to significantly expand the number of domains extensions available was underway.

The Board saw this as an opportunity to play to our strengths, and made some important strategic decisions. As a result, we embarked on a programme to expand our reach as a registry, as well as diversifying to offset dependence on a single income stream. In 2012, mindful of the potential of emerging technology to both disrupt and enhance our business, the Board decided to invest in a research and development team.

We embraced the liberalisation of the domain name world, working with brands wishing to have their own piece of internet real estate, and with the Welsh government to offer .cymru and .wales to those wishing to make a Welsh home online. Leading brands looking for a high-quality service have chosen us to run their back-end registry operations.

We were also delighted to be selected under the EBERO scheme as one of the few organisations that would be trusted with taking over any failing registries around the world.



In one of the most significant changes to the .UK namespace for many years, we launched second-level .uk domains in June 2014. Sitting alongside the ever-popular .co.uk and .org.uk, .uk offers a shorter domain combined with the recognition and trust of the .UK brand family. It has already grown to equal the size of .org.uk.

Our efforts to make more of our expertise in the Domain Name System (DNS), and our investment in R&D led to the creation of a network analytics tool that we use to help keep our namespaces safe. With commercial potential to help other businesses running a large DNS network, this tool was developed into Nominet's first product beyond domains – *turing*. Launched in 2015, turing is being used by a major ISP.

The fast developing internet of things (IoT), and more specifically the infrastructure required to support it, is another area of focus. Our involvement with innovative projects is under-pinned by a clear logic – finding solutions to the infrastructure problems posed by gathering, securing, accessing and processing information from a large number of devices. Again, we believe the DNS can be part of the answer.

Nominet was conceived when domain names were in their infancy, before mass adoption of the internet. Fast forward a generation, and we have a more complex role within a bigger and more sophisticated digital economy than

was ever envisaged. We need to operate in a fast-paced, commercial domain name industry, to help represent the UK domain name industry on a global stage, embrace new technologies and continue to demonstrate a responsible and collaborative approach to tackling cyber-crime.

With our business adapting to a changing world and increasingly diverse audiences, it was important to review our stakeholder model. In 2015 Sir Michael Lyons was commissioned to produce a report for the Board. His work underlined the importance of maintaining an external perspective, and highlighted that as we work with a widening group of stakeholders. Our relationships with members, at the centre of the organisation, continues to deserve special attention.

Under the leadership of CEO Russell Haworth, we are planning for the future while staying true to our beliefs and building on our key strengths: being a trusted guardian of the .UK namespace and running a world class registry. By being a successful business, we remain able to invest in our world-class infrastructure and service and in new opportunities to deliver public benefit.

In an ever-changing world, we will continue to re-appraise what we do, why we do it and how we can continue to build a successful, forward-thinking business that contributes to a thriving internet that is trusted, safe, and a powerful force for good.

CONTRIBUTING TO
A THRIVING INTERNET
THAT IS TRUSTED,
SAFE & A POWERFUL
FORCE FOR GOOD.





Corporate governance

The Board is responsible for setting the company's vision and strategic aims, ensuring that the necessary financial and other resources are in place and holding the Executive to account for delivering the strategy.

Nominet is a private company limited by guarantee and is not obliged to adopt the provisions of the UK Corporate Governance Code. However during the year, as part to the Board's commitment to ensuring high standards of corporate governance, an assessment of compliance against the provisions of the UK Corporate Governance Code was carried out and reported via the Audit and Governance Committee to the Board.

Nominet is following the principles of the Code as far as is practicable, relevant and appropriate for a company of this size, but there were some areas where compliance could be strengthened and actions have been taken to address this both in the business and in this document.

In line with best practice guidance for structuring decisions, Nominet has a number of committees and working groups to focus on specific areas and then report in to the main Board. It has a two wholly-owned subsidiaries. The first is Nominet Registrar Services Limited (NRS), an ICANN accredited registrar set up as a legally distinct company to

comply with ICANN rules on the formal separation of registry and registrar. The second is Nominet US Inc. incorporated in order to facilitate the expansion of new business development opportunities and provide an employment vehicle for our US-based staff. Nominet is also the sole member of the Nominet Charitable Foundation ("Nominet Trust"), a separate independent charity.

The Board usually meets every two months. Every Board member is required to declare their interest in any matter to be discussed at a meeting of the directors. Where appropriate, directors are not party to any discussion or decision where they have an interest. Our external auditors reviewed the register of Board members' interests during their audit of the company's financial statements.

During FY15, our Board comprised of three executive directors, including the CEO and seven non-executive directors, including the Chair. Four of the non-executives are elected by the membership. During the year, Clive Grace and Nora Nanayakkara both stood down from their non-executive roles after the

AGM 2015 in June whilst Dickie Armour was re-elected for a third term and David Thornton became a new Board member. Andrew Pinder joined the Board in July and following the resignation of Oliver Hope the Board appointed Jane Tozer in August until AGM 2016. Currently the proportion of women on the Board is 30% although this reduced to 20% after Nora Nanayakkara left and then 22% for the period after Oliver Hope left until Jane Tozer was appointed in August.

The Board met seven times during the year. Following each meeting of the Board a communiqué is published on the company website to outline the matters discussed. Regular agenda items and activities in Board meetings include review of performance and financial information, updates on key projects and implementation of the strategy as well as reports from the Executive on policy, operational and technical issues. The Board commissioned Sir Michael Lyons to undertake a review of the Nominet model. In addition to these items, the Board agreed strategic objectives and values for the company, commenced work to review pricing and oversaw the launch of .cymru and .wales domains into general availability and our *turing* network analytics product. The Board carried out an internal evaluation exercise as part of corporate governance best practice and linked to future succession planning, as

well as working with the Nominet Trust to appoint new trustees and review their articles of association.

The Board approved the budget for the financial year starting on 1 October 2015 and agreed to make a charitable donation of £4m to the Nominet Trust.



WE DONATED
£4 MILLION TO
THE NOMINET
TRUST

**FOR INTERNET EDUCATION
& SAFETY INITIATIVES**

Board members



Baroness Rennie Fritchie, DBE
Chair

Baroness Fritchie DBE joined as Chair of Nominet in 2010, and was reappointed following a member vote in 2013.

She is an Independent Crossbench Peer, a consultant on strategy and leadership working out of Mainstream Development, Chair of Lloyds Bank Foundation England and Wales and Chancellor for the University of Gloucestershire.

She holds seven Honorary Degrees from universities across Britain and is a Fellow of City & Guilds London and The Chartered Institute for Public Finance. She was appointed a Dame Commander of the Order of the British Empire in 1996 and a life peer in 2005.



Russell Haworth
Chief Executive Officer

Russell joined Nominet as CEO in January 2015. He leads the organisation as it develops its core registry business, explores the potential of new technologies in the global internet sector, and delivers on its commitment to ensuring the internet is a force for good.

He has extensive experience in the digital information, content and software services sectors and has held senior roles across four continents, covering both established and emerging markets. Russell holds an MBA from the Kellogg School of Management, and is a charter member of the Institute of Marketing.



Eleanor Bradley
Chief Operating Officer

Eleanor joined the Board as an executive director in December 2012. She leads the teams responsible for service delivery, finance, policy, corporate services and commercial activity related to our registry business.

Eleanor also heads up Nominet's business continuity and risk management work, key areas of focus in a company operating at the heart of the UK Internet. She has over 15 years' experience in the internet industry with a focus on customer service, continuous improvement and stakeholder engagement.



Simon McCalla
Chief Technology Officer

Simon joined the Board as an executive director in November 2012. He leads the team responsible for the technology behind Nominet's world class registry services, providing a vital resource on which millions of businesses and individuals depend.

Building on Nominet's expertise with the Domain Name System, Simon provides technical leadership within the UK and international internet communities, regularly representing Nominet with technical, government and media audiences. Simon is a fellow of the British Computer Society, and has over 20 years' experience overseeing information technology for global enterprises.



Piers White, MBE
Non-Executive Director

Piers was appointed to the Board in June 2010 and reappointed by members in May 2012 and in June 2015. He is an experienced non-executive director, with an extensive Board-level business career.

He is a non-executive director at The Hyde Housing Association, ACS International Schools Ltd, Chair of Ploughshare Innovations Ltd, Chair of Courier Facilities Ltd and a Governor of Croydon College. Previously, Piers held a number of executive roles in banking.

Piers is a member of the Chartered Institute of Marketing and an associate of the Chartered Institute of Bankers. He was awarded an MBE for public service in 2009.



Andrew Pinder, CBE
Non-Executive Director

Andrew was elected to the Board in June 2015. He is the Chairman of PhonepayPlus and Digital Mobile Spectrum Limited (DMSL) and has a long and distinguished career in both the private and public sectors.

After 18 years in the Inland Revenue, where he became Director of IT, Andrew moved to the private sector, becoming Director of Operations and Technology at Prudential Corporation before joining Citibank Investment Bank as Head of European Operations and Technology. In 2000 Andrew was appointed as e-Envoy by the then Prime Minister, Tony Blair and was awarded a CBE in 2004.



Jane Tozer, OBE, MBE
Non-Executive Director

Jane was appointed to the Board in August 2015. She is an experienced non-executive with a current portfolio including StatPro plc, F&C Global Smaller plc, JPMorgan Income & Growth plc, Asthma UK and Three Rivers' Citizen's Advice Bureau.

Jane has a strong technology background, after starting her career at IBM she became CEO of a software house and has served as a director of a variety of quoted, private, and public sector businesses. She was awarded an MBE for services to the IT sector in 1991, and an OBE for services to the public service and voluntary sectors in 2009.



Denesh Bhabuta
Non-Executive Director

Denesh was elected to the Board in May 2014. He has extensive experience of the Internet industry and is currently a Director and Principal Consultant at Meidan Ventures Limited, Executive Director and Event Manager for the UK Network Operators Forum (UKNOF), and Event Coordinator for the DNS Operations, Analysis, and Research Centre (DNS-OARC) in the USA.

Denesh is also joint Director and Chairman of event management company D&A Events in Portugal and Chairman of Usurp, a UK based not-for-profit art collective which develops opportunities for communities to work with artists and activists from diverse backgrounds.



Dickie Armour
Non-Executive Director

Dickie was elected to the Board in May 2011 and re-elected in 2013. An internet entrepreneur, author and speaker, Dickie has extensive experience of the internet services and domain name market, having set up, run and sold two successful hosting businesses.

He is currently General Manager of Fibranet Services Ltd, a domain name registrar and software development company, and MyBrandEmail, a software service that helps brands offer personalised email addresses. Dickie is a regular participant at ICANN meetings around the world.



David Thornton
Non-Executive Director

David was elected to the Board in June 2015. He registered his first domain name in April 1997 and began working in the internet industry in 2002.

As a Director of the domain name investment company Name Account Inc, David has a significant interest in domain name policy as well as brand identity.

David has enjoyed contributing to several online domain name communities, responding to past policy consultations and meeting Nominet members and domain name enthusiasts at a range of industry events.

IN LINE WITH BEST
PRACTICE GUIDANCE FOR
STRUCTURING DECISIONS,
NOMINET HAS A NUMBER
OF COMMITTEES TO
FOCUS ON SPECIFIC
AREAS & THEN REPORT
IN TO THE MAIN BOARD.

**YOU CAN FIND MORE INFORMATION ON THESE
COMMITTEES ON THE FOLLOWING PAGES.**

Board committees

AUDIT & GOVERNANCE COMMITTEE

PURPOSE

In September 2014 the Board revised the terms of reference for the Audit Committee which became the Audit and Governance Committee to reflect an increased focus on governance. The committee consists of at least two non-executive directors who are all independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement. The committee reports to the Board on how it is discharging its responsibilities following each committee meeting.

The role of the committee is to monitor the financial processes and controls resulting from policies set by the Board, in addition to monitoring the integrity of the company's financial statements and any significant judgements therein. The committee particularly focuses on the independence, scope, results and effectiveness of the external audit, as well as reviewing the effectiveness of the safeguards in place to mitigate any independence concerns resulting from non-audit services provided by the external auditors.

It looks at the effectiveness of the processes of governance and value for money. The committee also checks on compliance with policy, statutory requirements, professional standards and the operation of internal controls. Full terms of reference are available on the Nominet website.

REPORT FROM THE CHAIR

The Audit and Governance Committee met four times over the last financial year, in December, April, June and September. On these occasions we:

- Met with the external auditors in the absence of the executive in accordance with governance best practice and received updates from the external auditors on the draft annual report and company's accounts.
- Reviewed the risk register and reports from Internal Audit on internal controls and systems in place to manage and mitigate risk.
- Initiated an assessment of Nominet's compliance with the requirements of the UK Corporate Governance Code and to reflect any changes required in the annual report and accounts.

- Recommended that enhanced checks and vetting take place on to appointed non-executives, to the same level applied to executive directors.
- Reviewed arrangements to receive assurance on health and safety and IT security within the company.
- Monitored the arrangements to ensure insurance cover is in place.
- Conducted the annual self-review exercise and reviewed the terms of reference.



INVESTMENT COMMITTEE

PURPOSE

The Investment Committee monitors the development and application of Nominet's investment strategy, to ensure investments are made according to that strategy and related asset allocation limits. The committee assesses the performance of our investment managers, Quilter Cheviot, in matters of compliance with the strategy, service provision and value for money.

The committee also sets and reviews treasury policy, including monitoring the distribution of the company's cash balances, and proposing recommendations on treasury policy to the Board as appropriate. The Investment Committee was established in March 2011 and is required to meet at least twice a year. Full terms of reference are available on the Nominet website.

REPORT FROM THE CHAIR

The Investment Committee met three times over the last financial year, in November, February and June. On these occasions we:

- Reviewed the investment strategy and related asset allocations, using reports provided by Quilter Cheviot to assess the performance of the various asset classes held within the Nominet portfolio.

- In the light of changes to the worldwide economic climate and markets following a slowing of growth in China, paid particular attention to the allocation of assets across different asset classes and geographies.
- Made a recommendation that was approved by the Board in July 2015 to realise gains from the investment portfolio in a planned manner over the next four years.
- Reviewed the company's cash-flow forecasts at each meeting.
- Reviewed the panel of banks used by the company, particularly related to creditworthiness.
- Considered investment manager provision arrangements and recommended to continue with Quilter Cheviot until July 2017 when arrangements will be reviewed again.
- Conducted the annual self-review exercise and reviewed the terms of reference.

Over the course of the financial year, the Company contributed an additional sum of £3m. Including these contributions, the market value of the portfolio increased from £47.7m (1st October 2014) to £52.7m (30th September 2015).

From FY16 onwards the investment portfolio will be reported in the financial statements at market value as part of the transition to International Financial Reporting Standards (IFRS).

REMUNERATION COMMITTEE

PURPOSE

The Remuneration Committee determines and reviews the application of the company's remuneration strategy and advises on the specific remuneration packages of the executive directors, including the CEO, so as to:

- ensure that executive directors are rewarded for their individual contributions to the Company's overall performance in accordance with Nominet's policy on pay and remuneration;
- demonstrate that executive pay is set by a committee which has no personal interest in the outcome of its decision and which gives due regard to the interests of the public and of the financial health of the company.

It provides a medium of public accountability, which is not controlled by the company's Management, and upholds the company's principles of remuneration, which are:

- Pay competitive base salaries defined as between median and upper quartile of the market.
- To reward our best performers the most and not to reward poor performance.
- Attract great employees to grow the business.

- Motivate employees to continue to excel by supporting a performance oriented culture.
- Create the environment to retain the right employees to promote continuity and preserve intellectual capital.
- Maintain a reasonable cost structure.
- Be driven by local market and industry data.

The full terms of reference can be found on Nominet's website.

GOVERNANCE

The Committee members are all non-executive directors. The Committee operates under delegated authority from the Board, and makes recommendations on matters reserved to the Board related to remuneration, such as the CEO's remuneration. No Director plays a part in any discussion about his or her own remuneration. In determining the Directors' remuneration for the year, the Committee uses Towers Watson market data and takes advice from the Director of HR.

REPORT FROM THE CHAIR

The Remuneration Committee met four times during the last financial year, in October, March, July and September with a further meeting was held in October 2015 to finalise arrangements related to FY15 bonus arrangements.

On these occasions we:

- Received updates on the programme to introduce full flexible benefits for staff in FY16 with total rewards statements implemented in December 2014.
- Reviewed measures related to the protection and security of intellectual property and how these relate to staff contractual employment clauses.
- Noted a travel and expenses policy for non-executive directors implemented by the Executive.
- Reviewed the elements of the UK Corporate Governance Code that apply to the Committee.
- Undertook a self-review and evaluation exercise and reviewed the terms of reference.
- Confirmed the company level bonus at 67% (from a possible maximum payment of 125%, reduced in year to 100%) for FY15.
- Reviewed pay decisions and awards for staff and executive directors. The Committee makes a recommendation to the full Board on CEO remuneration.
- Approved the company bonus scheme for FY16.
- Reviewed, amended and agreed objectives for the executive directors for FY16, recommending the CEO objectives to the Board for approval.

Pay rises during this year amounted to 2.5%. In line with our remuneration principles to differentiate strongly between different levels of achievement, staff who achieved very high levels of performance were rewarded with increases of up to 8%, while 25 employees received no increase in pay.

During the year ended 30 September 2015 it became apparent that financial thresholds were not going to be met and the Committee agreed to revise the measures but limit the bonus pot to a maximum of 75%, and introduced new targets to provide an opportunity for staff to "win-back" an additional 25% on top. This provided for a maximum bonus pot of 100% rather than 125% originally agreed.

At the year end, the Remuneration Committee assessed company performance at 67%. The bonus pot was then distributed in line with individual employee performance, with only the highest performers receiving a bonus. In total, £475k was distributed to employees below the executive level and £115k was paid to the executive team relating to FY15 and £45k from deferred bonus payments from FY13.

Nominet Bonus Schemes

Nominet has two bonus schemes in operation, the first covers the majority of employees and the second applies only

to the Executive directors.

The company scheme is based on a number of threshold measures being achieved to trigger a bonus pot being payable, with the actual size of the bonus pot being determined by the level of achievement beyond the thresholds. The thresholds are agreed by the Remuneration Committee and provide an opportunity for a bonus pot of 125% being made available for exceptional out performance. The apportionment of the pot is then determined by the performance of individual members of staff and the target bonus amount (either 10 or 20%) that applies to their post.

The Executive bonus scheme, like the bonus scheme for other employees, is about both company performance and their individual performance against objectives agreed by the Remuneration Committee. One third of any bonus awarded to an executive is then deferred for a period of three years from the beginning of the original review period. This element is subject to adjustment based on company performance against medium term objectives in the intervening period. This provides an opportunity for the deferred bonus element to be uplifted by 150% of the original amount or simply returned as the original amount, subject to continued employment.

NOMINATIONS COMMITTEE

PURPOSE

Established in March 2010 the Nominations Committee is required to meet at least twice a year. Its role is to evaluate the balance of skills, knowledge, experience, diversity and general capability on the Board and oversee the appointments of the appointed non-executive directors and any executive appointments.

The committee endeavours to ensure that any appointments maintain or improve the composition of the Board and their work is regularly reported to the Board. The full terms of reference are available on the Nominet website.

REPORT FROM THE CHAIR

The Nominations Committee met four times over the last financial year, in January, March, July and September. In these meetings the committee:

- Considered the elections process for 2015, appointing the sub-committee to oversee this work and received a report of the elections with recommendations to the Board. The committee approved the candidate pack for the elections materials.
- Undertook a review of Board skills and considered the implications of this in succession planning for the departure of appointed non-executive directors and in readiness for the recruitment of a new Chair from AGM 2017.
- Oversaw independent non-executive recruitment process to make a recommendation for the appointment of Andrew Pinder, and then following Oliver Hope's resignation, the appointment of Jane Tozer.
- Considered the recruitment to the Chief Commercial Officer (CCO) vacancy and following a recruitment campaign which failed to identify a preferred candidate, recommended that this executive vacancy be held open at this time.
- Reviewed the requirements of the UK Corporate Governance Code that apply to the committee and its work.
- Conducted the annual self-review exercise and reviewed the terms of reference.

WORKING GROUPS

There were a number of working groups meeting during the course of the year but following a review in November 2015 these were dissolved and their work incorporated in to the Board and Committee work programmes.



Subsidiaries

NOMINET REGISTRAR SERVICES LIMITED (NRS)

PURPOSE

Incorporated in July 2012, Nominet Registrar Services Limited (“NRS”) is a wholly owned subsidiary of Nominet UK engaged, as an ICANN accredited registrar, initially in the business of providing generic top level domain names (gTLDs) to the wholesale (reseller) market in respect of .cymru and .wales.

REPORT OF THE CHAIR

The NRS Board met three times during the last financial year, in December, February and June. The main business related to monitoring performance and financial data on the Welsh gTLDs and considering the future options for NRS in order to make a recommendation to the Nominet UK Board. In view of the wide accessibility of .cymru and .wales domain names through other ICANN accredited registrars and low volumes through NRS, it was agreed in July 2015 that NRS would be “mothballed” but the ICANN accreditation would be retained. Work to ensure this happens is underway.

NOMINET US

PURPOSE

Incorporated in July 2015, Nominet US Inc. is a wholly owned subsidiary of Nominet UK established to facilitate the expansion of new business development opportunities and employing staff based in the United States of America. No formal meetings were held in the period covered by this annual report.

REGISTER OF ATTENDANCE AT MEETINGS

Member	Board	Audit and Governance Committee	Remuneration Committee	Nominations Committee	Investment Committee	Nominet Registrar Services (NRS) Ltd
Rennie Fritchie	7 (7)		4 (4)	4 (4)		
Dickie Armour	7 (7)	4 (4)			2 (3)	
Denesh Bhabuta	7 (7)			4 (4)		3 (3)
Eleanor Bradley	7 (7)	4 (4)*	4 (4)*		3 (3)	3 (3)
Clive Grace ¹	5 (5)	2 (2)				
Russell Haworth ²	5 (5)	2 (3)*	3 (3)*	4 (4)		1 (2)
Oliver Hope ³	4 (5)	2 (2)	3 (3)			
Simon McCalla	7 (7)			4 (4)		
Nora Nanayakkara ⁴	5 (5)	2 (2)	3 (3)	1 (2)		
Andrew Pinder ⁵	2 (2)	2 (2)	2 (2)			
David Thornton ⁶	2 (2)			2 (2)		
Jane Tozer ⁷	1 (1)	0 (1)	0 (1)			
Piers White	5 (7)	2 (2)	4 (4)		3 (3)	3 (3)

Figures in the table denotes the meetings attended with the figure in brackets being the number of meetings available for that member to attend i.e. 9(10) is nine of a possible ten meetings attended.

*denotes in attendance at meeting.

1 Stood down following AGM on 2nd June 2015

2 Appointed 4th January 2015

3 Resigned from Board on 26th June 2015

4 Stood down following AGM on 2nd June 2015

5 Appointed 1st July 2015

6 Appointed on 2nd June 2015

7 Appointed on 1st August 2015

INTERNAL CONTROLS AND RISK MANAGEMENT

During the year, the Board considered and agreed changes to the company's risk appetite statement on the recommendation of the Audit & Governance Committee.

Nominet's risk appetite for its core registry business is low in relation to its technical operations which are run on a highly prudent basis. However, reflecting the changing market and the need for Nominet to respond, it recognises the need to accept a greater degree of commercial risk in its core business and has a medium risk appetite for commercial risks in this area.

The business also has a medium risk appetite for strategic matters including diversification activity in adjacent and new markets, and is willing to accept higher losses in the pursuit of higher returns.



Nominet's risk management strategy is to identify, understand and appropriately treat the risks that Nominet faces as an organisation. The Board of Directors holds responsibility for ensuring that Nominet maintains a sound system of risk management and control. The Board's Audit and Governance Committee has been tasked with regularly assessing that adequate controls are in place to mitigate risk where possible. Responsibility for identifying day-to-day company risks and deploying risk treatments lies with management and is led by the Executive Team.

As risk can seldom be eliminated entirely, the risk management system is designed to manage and reduce risk rather than eliminate business risk completely. We continue to align our risk management process with the best practice guidance set out in the ISO 31000:2009 risk management framework.

During the year work took place to ensure that the Risk Register continues to fully and accurately reflect the risks faced by the business. We have further refined the way that we present risk within the Risk Register with a strong focus on identifying the root strategic risks that we face to enable risk elements to be most effectively grouped together for treatment.

The Audit and Governance Committee review the Risk Register and the risk treatment arrangements being progressed at each of their meetings. An annual full review of the Risk Register also takes place and the Board consider strategic risk items at their meetings.

The company's internal audit function reports regularly to the Audit and Governance Committee on the findings of the cross-company programme of internal audit activity.

Nominet maintains and operates a business continuity management system certified to the ISO standard for Societal Security (ISO 22301:2012), to ensure disaster recovery and emergency response plans are fit for purpose and well tested. In addition to this, and recognising our dependence on IT security and system stability, we maintain a regular schedule of security testing using external experts and hold ISO certifications for IT Service Management (ISO 20000:2011) and Information Security (ISO 27001:2013) which are externally assessed on a six monthly basis.

Nominet has strong relationships with governmental and non-governmental groups and through these we continue to work to ensure that we are at the centre of security discussions about the UK internet.

MANAGING OUR RISKS

Taking and managing risks is an inevitable and necessary part of doing business and, like all businesses, Nominet faces potential threats and opportunities that could affect the long term success of the company. A successful risk management approach balances risk and rewards, enabling the business to clearly identify their risk attitude and risk appetite. This relies on a sound judgement of risk likelihood and impact, and a willingness to potentially accept higher losses in the pursuit of higher returns.

The Board is responsible for approving the company's strategy, risk attitude and risk appetite. Our risk management approach enables informed decision-making based on an assessment of the impact and likelihood of events, and seeks to balance risk and reward rather than eliminate risk entirely.

Risks are consolidated from across the business into a strategic risk register which is considered by the Audit and Governance Committee at each of its meetings. Responsibility for managing each risk and the associated controls and mitigations is allocated to individual business leads within the organisation with oversight from the Executive Team.

Description of risk	What we are doing to manage the risk
<p>Business disruption Critical to our business is the infrastructure and technology through which we provide our core services.</p>	<ul style="list-style-type: none"> ● Robust disaster recovery and business continuity plans are in place, tested on a regular basis and lessons learned fed back into the improvement cycle. ● Strong externally validated IT policies and operational controls are in place. ● Investment in the resilience of our DNS infrastructure with the completion of a DNS constellation programme in the FY14/15. ● Appropriate levels of security are in place and both carefully monitored and externally assessed.
<p>Market risk We now operate in an increasingly competitive environment as a result of the launch and establishment of new Top Level Domains and shifting consumer behaviours to non-domain services. We must ensure we invest and adapt to remain competitive and relevant.</p>	<ul style="list-style-type: none"> ● Continuing to focus on the quality of our core business through initiatives to improve industry standards and reputation of the UK namespace. ● Investing in the development of our products and brands. ● Maintaining the high quality of our products and investing in new products to deliver public benefit and meet the needs of our customers and potential customers.
<p>Business development and change We fail to deliver our plans for the development and growth of our business due to capacity or capability constraints or as a result of disruptive technologies that we do not leverage successfully.</p>	<ul style="list-style-type: none"> ● Effective approaches to risk assessment, management and mitigation regarding business development and growth are deployed. ● Operation of a rigorous project management approach including reviews of each in-flight programme to consider governance structures, resource requirements, progress, dependencies between projects and risks. ● The Board ensures appropriate rigour and prioritisation is applied to decisions to explore new business areas. ● Engagement of key stakeholders and colleagues involved in and affected by change.
<p>Reputation and brand Our reputation is damaged by a significant adverse event leading to a loss of trust and confidence amongst our stakeholders.</p>	<ul style="list-style-type: none"> ● Ongoing commitment to operating in the public interest, recognising our obligation to balance the needs of our broad and diverse range of stakeholders. ● Focus on business continuity and resilience, customer service, multi-stakeholder policy development and the development of products and services to enhance trust and confidence in the internet.
<p>Regulation Nominet is subject to strategically damaging regulation.</p>	<ul style="list-style-type: none"> ● We continue to focus on demonstrating that the industry can effectively self-regulate its activities. ● In relation to our core business we have launched a programme of registrar reviews to ensure high standards across the industry. ● We maintain strong relationships with key Government stakeholders and a commitment to the multi-stakeholder model for developing policy in relation to the broader governance of the internet.
<p>Failure to diversify We are committed to diversifying our products and services building on our skills and reputation to deliver our strategic objectives.</p>	<ul style="list-style-type: none"> ● Ongoing investment in our Research & Development and business development capability to deliver technical innovations and commercially successful new products.

HAVING A POSITIVE IMPACT ON THE ENVIRONMENT

Nominet is committed to reducing the impact of its work on the environment and to reducing carbon emissions. We continue to do this through a range of

methods ranging from encouraging and promoting sustainable travel, scrutinising our energy consumption, energy usage patterns and energy

consumption reduction options, recycling food waste, paper, plastics and all electrical goods.



WE ASK POTENTIAL
SUPPLIERS TO INCLUDE
DETAILS OF THEIR
ENVIRONMENTAL
CREDENTIALS AND
SOLUTIONS WHEN
THEY SUBMIT TENDERS
FOR BUSINESS TO US.

OFFICERS & PROFESSIONAL ADVISERS

Company registration number

03203859

Registered office

Minerva House
Edmund Halley Road
Oxford Science Park
OXFORD
OX4 4DQ

Directors

Baroness Irene Fritchie DBE Chair
Richard Armour
Piers White MBE – Senior Independent Director
Eleanor Bradley
Simon McCalla
Denesh Bhabuta
Russell Haworth
Andrew Pinder CBE
David Thornton
Jane Tozer MBE OBE

Secretary

Simeon Foreman

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Auditor

Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
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Oxford Business Park South
OXFORD
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Strategic report

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE FINANCIAL STATEMENTS
OF THE GROUP FOR THE YEAR ENDED 30 SEPTEMBER 2015

INTRODUCTION

The principal activity of the Group is the registration and maintenance of internet domain names, primarily within the .UK namespace. The principal activity of the subsidiary, Nominet Registrar Services Ltd, is maintaining ICANN accreditation. During the year a new subsidiary Nominet US Inc. was incorporated in order to facilitate the expansion of new business development opportunities.

BUSINESS REVIEW AND KEY FINANCIAL INDICATORS

Income and Registry performance

The register closed the year at 10.6 million domain names under management, marginally up from 10.5 million at the end of last year. In line with overall market trends for the maturing domain market and following the successful launch of the new .UK domain in June 2014, the level of new registrations fell by 4.2% compared to the previous year. This was however offset by the renewal rate for domains increasing to 73.1% from 69.9% the previous year.

Underlying revenues grew by 3% to £28.9m, due to the benefit of the increased rate of renewals and a higher proportion of single year registrations. The operating profit before exceptional items (charitable donation, investment provision movement and impairment of development costs) increased to £7.6m, representing 26% of revenue (2014: £4.0m, 14% of revenue). The main reasons for this increase in profitability were the increased revenue achieved in the year, non-recurring costs in 2014 and ongoing tight control over operating expenditure. The material movements are detailed below.

Expenditure

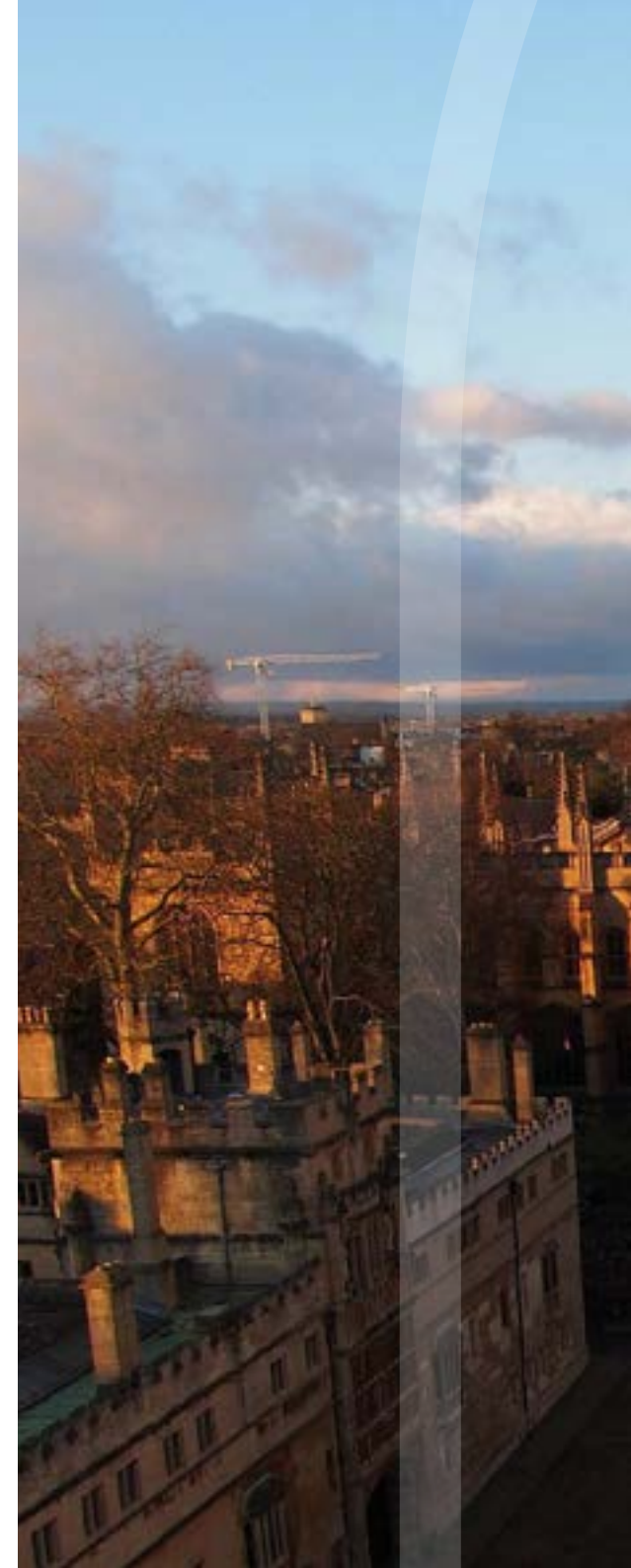
Operating charges decreased by £2.7m to £21.3m (2014: £24.0m). Operating costs now represent 73.8% as a proportion of revenue (2014: 85.7%).

Staff costs of £11.0m and other administrative costs of £3.1m have been reduced year on year by £0.5m and £1.4m respectively, largely attributable to the non-recurring contractor, preparation and launch costs and other marketing and promotional spend for the launch of second level .UK registrations and the .cymru/wales project which occurred in 2014. In addition, the business has continued with its on-going focus of cost down activities.

Average staff numbers decreased to 155 (2014: 156) and permanent staff payroll cost increased by £0.7m. This increase reflected the annual pay review, staff mix changes and certain redundancy payments in the year.

Other costs

Depreciation decreased by £0.5m to £1.8m (2014: £2.3m) due to the timing of the historic infrastructure refresh in 2012 leading to fully depreciated assets.







Investments

2015 was a difficult year for investors with markets being impacted by concerns over the Chinese economic growth, Greek membership of the Euro together with the prospects of rising US interest rates and tensions over the Ukraine. Under the circumstances and despite the current volatility of the markets, the investment portfolio has performed well.

A further £3.0m (2014: £4.0m) capital contributions was made into the portfolio and this increased the cost of investments net of provisions to £45.9m (2014: £40.7m). The market value of the investment portfolio also improved during the year and closed at £52.7m (2014: £47.7m).

As required by our accounting policy, we have aligned the carrying value of our investments with the prevailing market values for any specific individual investments where the market value at 30 September 2015 was below the historic cost. Given the current volatility in certain sectors, the result of this review was to increase the investment impairment provision by £1.3m (2014: decrease £0.1m).

During the year we realised £2.6m of gains on the disposal of investments within the portfolio (2014: £1.4m) and investment income from the portfolio during the year was £1.1m (2014: £1.0m).

The Bank of England base rate remained at 0.5% throughout the year and interest earned remained at a similar level to 2014 at £0.1m

Charitable Donation

We conducted a review of our financial year-end position and our future financial projections and were pleased to be able to donate £4.0m to Nominet Trust (2014: £3.0m). The Trust was incorporated in 2008 with the objectives of funding internet education, inclusion and safety initiatives and since it was founded Nominet has contributed £39.0m.

In addition to the above, during the year the Company contributed £8,563 (2014: £9,090) to charities. A proportion of this sum matched donations made by Nominet staff to various fundraising activities organised by a staff volunteer led "Charity Action Group".

Balance Sheet

Retained funds increased by £5.0m during the financial year to £39.2m (2014: £34.2m)

Underlying operating cash inflow from like-for-like operations (excluding the donation to Nominet Trust) was £9.3m (2014: £8.5m)

The key cash movements included £4.0m donation to Nominet Trust (2014: £3.0m), capital expenditure on fixed assets £1.0m (2014: £1.0m) and £3.0m contribution to the investment portfolio (2014: £4.0m). As a result the cash balances increased by £0.8m to £10.5m (2014: £9.7m).

OUTLOOK AND FUTURE DEVELOPMENTS

Nominet is committed to running a safe and trusted namespace of .UK and delivering a world-class service for our core business. Whilst responding to the need for diversification of our business, Nominet remains committed to delivering public benefit and to remaining a membership organisation.

The market in which we operate is more dynamic and faces direct challenges from new gTLDs to alternative online strategies offered by social media. Nominet will continue to invest in people, technology and services to ensure that our registry business .UK is recognised as one of the most desirable and trusted domains in the world which benefits members and their customers, as well as the digital economy at large. Developing our registry business will include wider commercial promotional activities, increased partnerships and collaboration with the channel.

Alongside leading the way with our domain registry services, Nominet is continuing to identify ways to diversify so as to create a wider portfolio of technology driven solutions and services to lead and shape the internet of tomorrow.

Nominet's work in new products and services is focused on network analytics and security. Originally developed to keep .UK safe, (which it continues to do on a daily basis), the *turing* product

‘NOMINET CONTINUES TO INVEST IN OUR R&D TEAM WHO ARE EXPLORING NEW TECHNOLOGIES AND OPPORTUNITIES.’

already has great potential to help other businesses running a large DNS network and we are investing in supporting the commercial development of it.

Nominet continues to invest in our R&D team who are exploring new technologies and opportunities. Our focus in this applied innovation arena is on internet infrastructure, within the context of the internet of things. While we are involved with innovative projects from flood prevention to smart car parking, those projects are under-pinned by a clear logic – finding solutions to the infrastructure problems posed by gathering, securing, accessing and processing information from a large number of devices.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial instrument investment risk

The Group uses various financial instruments. These include cash and

equity investments. The main purpose of these financial instruments is to manage the finances for the Company's operations ensure capital protection and long term capital growth and income. The existence of these financial instruments expose the Company to a number of financial risks although as a result of cash balances available to the Company these risks are minimal.

External risks

The Group acknowledges the infrastructure and technology that we use to deliver our core services may be targeted by third parties with malevolent intent. Accordingly a strong emphasis is placed on investing in the security and resilience of our DNS infrastructure to mitigate risk of business disruption.

The Group operates in a self-regulating industry, however the government retains reserved powers to intervene if necessary. Therefore the Group continues to maintain strong relationships with key government

stakeholders and makes every effort to demonstrate the efficacy of self-regulation.

The Group acknowledges the impact that external risk could have on Nominet's reputation and brand.

Market risks

The Group is operating in a more competitive environment and as a result is investing both in its core .UK proposition and in delivering a diversified portfolio of products and services to mitigate dependence on a single income stream.

This report was approved by the board and signed on its behalf.

ON BEHALF OF THE BOARD

Baroness I Fritchie DBE

Chair

17th February 2016

Report of the directors

INFORMATION ON THE FUTURE DEVELOPMENTS OF THE BUSINESS & FINANCIAL RISKS IS GIVEN IN THE STRATEGIC REPORT

Directors

The directors who served the Company during the year were as follows:

Baroness Irene Fritchie DBE – Chair | **Clive Grace** OBE (Resigned 02 June 2015) | **Richard Armour** | **Nora Nanayakkara** (Resigned 02 June 2015)

Piers White MBE – Senior Independent Director | **Eleanor Bradley** | **Simon McCalla** | **Denesh Bhabuta** | **Oliver Hope** (Resigned 26 June 2015)

Russell Haworth (Appointed 5 January 2015) | **Andrew Pinder** CBE (Appointed 1 July 2015) | **David Thornton** (Appointed 3 June 2015) | **Jane Tozer** MBE OBE (Appointed 1 August 2015)

The Board has maintained a policy for the conduct of Board members for declaring an interest in another entity. Nominet holds and maintains a register of these interests of Board members which is reviewed annually by the auditors during their audit of the Group's accounts.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial

statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time

the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom

governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The Company's articles require annual reappointment of the auditors. Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with s485(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

This report was approved by the board and signed on its behalf.

ON BEHALF OF THE BOARD

Baroness I Fritchie DBE

Chair

17th February 2016

Auditor's report

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NOMINET UK

We have audited the financial statements of Nominet UK for the year ended 30 September 2015 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 September 2015 and of the Group's profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the other information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements. This other information comprises only the Chair's Statement, the Chief Executive's Statement, Our Story, Corporate Governance, Board Members, Board Committees, Internal Controls and Risk Management, the Strategic Report and Report of the Directors.

Matters on which we are required to report by exception

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

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

Nicholas Watson

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies remain unchanged from the prior year and are set out below.

Basis of consolidation

The financial statements consolidate the accounts of Nominet UK and all of its subsidiary undertakings ("subsidiaries"). These are adjusted, where appropriate, to conform to Group accounting policies.

Acquisitions are accounted for under the acquisition method and the results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes retrospectively.

The results of subsidiaries acquired or incorporated during the year are included from the effective date of acquisition or incorporation. A separate profit and loss account for the parent Company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006.

The profit for the financial year for the Company, as opposed to the Group, was £4,876k (2014: £2,668k).

Turnover

Turnover represents fees for domain name registration and related services and membership subscriptions, excluding value added tax. Only subscriptions and fees relating to this accounting period are included as income of this accounting period. That part of subscriptions and fees which relates to future accounting periods is included on the balance sheet as deferred income.

Turnover from the auction of domain names is recognised when the ownership of the domain name passes to the customer.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold buildings	2%
Computers	33.33%
Other assets:	
Fixtures and fittings	20%
Fit out costs	10%
Other equipment	20%
Leasehold land is not depreciated.	

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred.

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project, as set out in SSAP 13 – Research and Development.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the impaired element of the balance of any related research and development is written off to the profit and loss account.

Amortisation is provided at the following rates:

gTLD development costs	<i>over 10 years</i>
other development costs	<i>over the life of the asset</i>

Investments

Fixed asset investments are stated at the lower of cost and market value.

Movements in unrealised provisions are included in operating expenses. Realised profits and losses on disposal, net of any provisions previously made, are disclosed after operating profit.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not

that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Consolidated profit & loss account

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		2015	2014
	Note	£000	£000
Turnover	1	28,882	28,026
Movement in provision against investments	10	(1,267)	81
Donation to the Nominet Trust		(4,000)	(3,000)
Impairment of development costs	9	–	(579)
Other operating charges	2	(21,330)	(24,020)
Total operating charges		26,597	27,518
Operating profit	3	2,285	508
Operating profit before amounts provided against investments, donation to charitable foundation & impairment of development costs		7,552	4,006
Income from fixed asset investment	10	1,138	958
Interest receivable	6	90	101
Profit on disposal of investments	10	2,608	1,360
Profit on ordinary activities before taxation		6,121	2,927
Tax on profit on ordinary activities	7	(1,116)	(343)
PROFIT FOR THE FINANCIAL YEAR	18	5,005	2,584

All amounts relate to continuing activities.

The Group has no recognised gains or losses other than the results for the year as set out above in both the current and preceding financial period.

The accompanying accounting policies and notes form part of these financial statements.

Consolidated **balance sheet**

AS AT 30 SEPTEMBER 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	8	9,371	10,172
Intangible assets	9	–	–
Investments	10	45,906	40,660
		55,277	50,832
Current assets			
Debtors	11	6,701	6,016
Cash at bank		10,508	9,695
		17,209	15,711
Creditors: amounts falling due within one year	13	4,315	3,586
Net current assets		12,894	12,125
Total assets less current liabilities		68,171	62,957
Deferred income	14	28,987	28,778
		39,184	34,179
Reserves			
Profit & loss account	18	39,184	34,179
TOTAL FUNDS		39,184	34,179

These financial statements were approved by the directors and authorised for issue on 17th February 2016, and are signed on their behalf by Baroness I Fritchie DBE, Chair

Company Registration Number: 3203859

The accompanying accounting policies and notes form part of these financial statements.

Company balance sheet

AS AT 30 SEPTEMBER 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	8	9,371	10,172
Intangible assets	9	–	–
Investments	10	45,906	40,660
		55,277	50,832
Current assets			
Debtors	11	6,736	6,254
Cash at bank		10,475	9,595
		17,211	15,849
Creditors amounts falling due within one year	13	4,294	3,572
Net current assets		12,917	12,277
Total assets less current liabilities		68,194	63,109
Deferred income	14	28,987	28,778
		39,207	34,331
Reserves			
Profit & loss account	18	39,207	34,331
TOTAL FUNDS		39,207	34,331

These financial statements were approved by the directors and authorised for issue on 17th February 2016, and are signed on their behalf by:

Baroness I Fritchie DBE, Chair

Company Registration Number: 3203859

The accompanying accounting policies and notes form part of these financial statements.

Consolidated **cash flow statement**

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	<i>Note</i>	2015 £000	2014 £000
Net cash inflow from operating activities	19	5,313	5,509
Returns on investments and servicing of finance	19	1,228	1,059
Taxation	19	(787)	(387)
Capital expenditure and financial investment	19	(4,941)	(5,793)
Increase in cash	19	813	388

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Group.
An analysis of turnover, based on the geographical location of the registrars, is given below:

	2015 £000	2014 £000
United Kingdom	17,579	18,072
Overseas	11,303	9,954
	28,882	28,026

2 Other operating charges

	2015 £000	2014 £000
Staff	10,979	11,478
Technical	2,916	3,054
Other administrative	3,106	4,529
Depreciation and loss on disposal of fixed assets	1,848	2,270
Operations	285	266
Facilities	930	944
Communications	1,266	1,479
	21,330	24,020

During the year the Company made a donation of £4.0m (2014: £3.0m) to the Nominet Trust. This amount has been separately disclosed on the face of the profit and loss account due to its material nature.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

3 Operating profit

Operating profit is stated after charging:

	2015	2014
	£000	£000
Depreciation of owned fixed assets	1,848	2,270
Auditor's remuneration:		
Audit fees	25	25
Non-audit fees	13	20
Operating lease costs:		
Plant and machinery	28	42

Non-audit fees include tax compliance, VAT and other tax advisory services.

4 Particulars of employees

The average number of staff employed by the Company during the financial year amounted to:

	2015	2014
	No	No
Operations	106	104
Office	39	41
Management	10	11
	155	156

	2015	2014
	£000	£000
The aggregate payroll costs of the above were:		
Wages and salaries	8,723	8,102
Social security costs	998	982
Other pension costs	399	319
	10,120	9,403

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

5 Directors

Remuneration in respect of directors, as set by the Remuneration Committee, was as follows:

	2015 £000	2014 £000
Emoluments receivable	1,055	1,089
Pension contributions to money purchase pension schemes	54	47
	1,109	1,136

Emoluments of highest paid director:

	2015 £000	2014 £000
Total emoluments (excluding pension contributions)	265	308
Company pension contributions to defined contribution pension schemes	20	17

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

5 Directors (continued)

The above summary information is expanded in the table set out below:

	Salary / fees £000	Bonus (PRP)* £000	Pension £000	Other costs and benefits** £000	2015 £000	2014 £000
Lesley Cowley	—	—	—	—	—	325
Russell Haworth	152	75	20	38	285	—
Irene Fritchie	125	—	—	—	125	135
Richard Armour	31	—	—	—	31	30
Clive Grace	25	—	—	—	25	30
Andrew Pinder	8	—	—	—	8	—
Oliver Hope	23	—	—	—	23	11
Nora Nanayakkara	22	—	—	—	22	30
Jane Tozer	5	—	—	—	5	—
Piers White	36	—	—	—	36	32
Eleanor Bradley	156	61	17	21	255	246
Simon McCalla	158	60	17	18	253	247
Denesh Bhabuta	31	—	—	—	31	11
David Thornton	10	—	—	—	10	—
Sebastian Lathinen	—	—	—	—	—	20
Thomas Vollrath	—	—	—	—	—	19
Year ended 30 Sep 2015	782	196	54	77	1,109	
Year ended 30 Sep 2014	768	137	47	184		1136

* Of the bonus amount disclosed above, £23k relates to the uplift of the deferred element of bonus for Financial Year Ending 30 September 2013. Of the remaining £173k disclosed above, £58k is deferred for a period of three years from the beginning of the original review period. The deferred element is subject to a potential increase depending on company performance against medium term objectives.

** Other costs and benefits consist of private health insurance, company car allowances and one off payments and variation in contract.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

6 Interest receivable

	2015	2014
	£000	£000
Bank interest receivable	90	101

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2015	2014
	£000	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 20.5% (2014: 22%)	1,250	483
Under/ (Over) provision in prior year	(72)	28
Total current tax	1,178	511
Deferred tax:		
Origination and reversal of timing differences (note 12)	(62)	(168)
Tax on profit on ordinary activities	1,116	343

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

7 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 20.5% (2014: 22%)

	2015 £000	2014 £000
Profit on ordinary activities before taxation	6,121	2,927
Profit on ordinary activities multiplied by rate of tax	1,255	644
Fixed asset differences	28	102
Expenses not deductible for tax purposes	172	9
Income not allowable for tax purposes	(424)	(457)
Chargeable gains	297	238
Depreciation in excess of capital allowances	57	95
Research and development enhancement	(174)	(183)
Other short term timing differences	39	35
Adjustments to tax charge in respect of previous periods	(72)	28
Total current tax (note 7(a))	1,178	511

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

8 Tangible fixed assets

Group and Company

	Leasehold land and buildings £000	Computers £000	Other assets £000	Total £000
Cost				
At 1 October 2014	8,352	10,337	2,728	21,417
Additions	—	958	90	1,048
Disposals	—	(399)	—	(399)
At 30 September 2015	8,352	10,896	2,818	22,066
Depreciation				
At 1 October 2014	964	8,764	1,517	11,245
Charge for the year	135	1,379	334	1,848
On disposals	—	(398)	—	(398)
At 30 September 2015	1,099	9,745	1,851	12,695
Net book value				
At 30 September 2015	7,253	1,151	967	9,371
At 30 September 2014	7,388	1,573	1,211	10,172

Leasehold land is not depreciated. The land is owned by Magdalen College and leased by the company over 150 years.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

9 Intangible fixed assets

Group and Company

	Development work £000	Total £000
Cost		
At 1 October 2014	579	579
Additions	–	–
Disposals	–	–
At 30 September 2015	579	579
Amortisation		
At 1 October 2014	579	579
Charge for the year	–	–
Impairment	–	–
At 30 September 2015	579	579
NBV		
At 30 September 2015	–	–
At 30 September 2014	–	–

Intangible assets relate to development costs associated with the generic top level domains project. The carrying value of the development costs has been reviewed by the directors and due to the lower than expected take up of generic top level domains to date, an impairment has been made against the full value of the intangible asset.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

10 Investments

Group and Company

	Listed investments	
	2015	2014
	£000	£000
Cost and net book value		
At 1 October	40,660	34,472
Additions	3,000	4,000
Re-invested gains on disposal of investments	2,608	1,360
Re-invested income	1,138	958
Management charges and foreign exchange movements	(233)	(211)
Movement on provision against investments	(1,267)	81
At 30 September	45,906	40,660

A provision against fixed asset investments has been made by the Company to reflect investments at the lower of cost and market value, in accordance with the accounting policy on page 32. At 30 September 2015 the total provision against fixed asset investments was £1,767k (2014: £500k).

At 30 September 2015 the aggregate market value of the fixed asset investments was £52.7m (2014: £47.7m).

In addition to the investments above, the Company has the following interests in subsidiary undertakings:

The Company holds 100% of the equity share capital of its subsidiary undertaking, Nominet Limited. Nominet Limited was incorporated for intellectual property protection purposes on 25 May 2007, when it issued one thousand £1 shares to Nominet UK. Nominet Limited has been dormant since its incorporation.

The Company also holds 100% of the equity share capital of its subsidiary undertaking, Nominet Registrar Services Limited. Nominet Registrar Services Limited was incorporated in preparation for the new gTLD project on 26 July 2012, when it issued one hundred £1 shares to Nominet UK.

The Company also holds 100% of the equity share capital of its subsidiary undertaking, Nominet US Inc. Nominet US Inc. was incorporated on 30 July 2015 in order to facilitate the expansion of new product sales. One hundred \$1 shares were issued to Nominet UK.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

11 Debtors

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade debtors	1,848	2,339	1,848	2,339
Other debtors	19	6	19	6
Prepayments and accrued income	4,426	3,325	4,426	3,325
Deferred taxation (note 12)	408	346	408	346
Amounts owed by Group undertakings	—	—	35	238
	6,701	6,016	6,736	6,254

All debtors are repayable within one year of the balance sheet date.

12 Deferred taxation

The movement in the deferred taxation account during the year was:

	2015	2014	2015	2014
	£000	£000	£000	£000
Balance brought forward	346	178	346	178
Profit and loss account movement arising during the year (note 7)	62	168	62	168
Balance carried forward	408	346	408	346

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2015	2014	2015	2014
	£000	£000	£000	£000
Excess of taxation allowances over depreciation	369	314	369	314
Other short term timing differences	39	32	39	32
Balance carried forward	408	346	408	346

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

13 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade creditors	391	616	391	616
Other taxation and social security	884	740	1,378	740
Other creditors	783	328	783	328
Accruals	1,763	1,798	1,742	1,784
Corporation Tax	494	104	–	104
	4,315	3,586	4,294	3,572

14 Deferred income

	2015	2014	2015	2014
	£000	£000	£000	£000
Amounts to be recognised within one year	19,707	20,032	19,707	20,032
Amounts to be recognised after more than one year	9,280	8,746	9,280	8,746
	28,987	28,778	28,987	28,778

Deferred income consists of those parts of membership subscription fees and registration fees that relate to future accounting periods.

15 Commitments under operating leases

At 30 September 2015 the Company had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land and buildings	
Operating leases which expire:		
Within 1 year	14	10
Within 2 to 5 years	2	15
	16	25

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

16 Related party transactions

The Company defines related parties as the directors of Nominet UK and companies that those persons could have a material influence on as related parties. Details of transactions with related parties are set out in the table below:

	Due/(Owed) to Nominet UK at 30 Sept 15 £000	Income to Nominet UK 2015 £000	Purchases by Nominet UK 2015 £000
Baroness Irene Fritchie DBE	—	—	6
Oliver Hope (Heart Internet Ltd)*	(115)	1,023	—
Oliver Hope (123-Reg)*	(570)	5,029	—
Oliver Hope (Mesh Digital Ltd)*	17	387	20
Richard Armour (Fibrinet Services Limited)	(8)	75	—
David Thornton (D Thornton)	—	1	—
	(676)	6,515	26
	Owed to Nominet UK at 30 Sept 14 £000	Income to Nominet UK 2014 £000	Purchases by Nominet UK 2014 £000
Baroness Irene Fritchie DBE	—	—	7
Sebastian Lahtinen (NetConnex Ltd)	—	1	—
Sebastian Lahtinen (London Internet Exchange)	—	—	11
Thomas Vollrath/Oliver Hope (Heart Internet Ltd)*	(104)	1,271	—
Thomas Vollrath/Oliver Hope (Webfusion Ltd)*	(549)	6,176	50
Thomas Vollrath/Oliver Hope (Mesh Digital Ltd)*	(32)	326	10
Richard Armour (Fibrinet Services Limited)	(11)	140	—
	(696)	7,915	78

Other than David Thornton whose purchases are shown in the table above the other directors personally purchased domain names from Nominet in the year. The total amount invoiced per director was less than £750 (2014: less than £750).

*Thomas Vollrath and Oliver Hope were separately elected by Nominet's membership as non-executive directors, however as both were associated with Host Europe Group their related party transactions are identical.

Oliver Hope resigned as Nominet Director on 26 June 2015

All these transactions were on an arm's length basis, on normal business terms.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

17 Company limited by guarantee

The Company is limited by guarantee and each member's liability will not exceed £10. The number of members at 30 September 2015 was 2,626 (2014: 2,734).

18 Profit and loss account

Group	2015 £000	2014 £000
Balance brought forward	34,179	31,595
Profit for the financial year	5,005	2,584
Balance carried forward	39,184	34,179
Company	2015 £000	2014 £000
Balance brought forward	34,331	31,663
Profit for the financial year	4,876	2,668
Balance carried forward	39,207	34,331

The Articles of Association of the Company prohibit all distributions to the members. These funds are retained for the continuation of the on-going operations, for contingencies and to enable education, research and development initiatives in the UK Internet industry.

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

19 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2015 £000	2014 £000
Operating profit	2,285	508
Depreciation	1,848	2,270
Impairment	–	579
Amounts provided against investments	1,267	(81)
Loss on disposal of fixed assets	–	33
(Increase)/Decrease in debtors	(623)	111
Increase in creditors	536	2,089
Net cash inflow from operating activities	5,313	5,509

The operating profit for the year ended 30 September 2015 is stated after a donation to the Nominet Trust of £4.0m (2014: £3.0m) and an increase in provisions against investments of £1,267k (2014: decrease of £81k).

Returns on investments and servicing of finance

	2015 £000	2014 £000
Income from other fixed asset investments	1,138	958
Interest received	90	101
Net cash inflow from returns on investments and servicing of finance	1,228	1,059

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2015

19 Notes to the cash flow statement (continued)

Taxation

	2015 £000	2014 £000
Taxation	(787)	(387)

Capital expenditure and financial investment

	2015 £000	2014 £000
Payments to acquire tangible fixed assets	(1,048)	(1,046)
Acquisition of fixed asset investments	(3,000)	(4,000)
Income re-invested in fixed asset investments, net of management charges and foreign exchange	(893)	(747)
Net cash outflow for capital expenditure and financial investment	(4,941)	(5,793)

Reconciliation of net cash flow to movement in net cash

	2015 £000	2014 £000
Increase in cash in the period	813	388
Net cash at the beginning of the year	9,695	9,307
Net cash at the end of the year	10,508	9,695

19 Notes to the cash flow statement (continued)

Analysis of changes in net cash

	At 1 Oct 2014 £000	Cash flows £000	At 30 Sep 2015 £000
Cash at bank	9,695	813	10,508
Net cash	9,695	813	10,508

20 Contingent liabilities

There were no contingent liabilities at 30 September 2015 or at 30 September 2014.

21 Capital commitments

At the year end the Company had capital commitments of £115,000 (2014: £nil) relating to capital expenditure contracted but not provided for in the financial statement.



NOMINET

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