



**NOMINET**



Annual report and financial statements

For the 18 month period to 31 March 2018



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## OFFICERS AND PROFESSIONAL ADVISERS

**Company registration number**  
03203859

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

**Directors**  
Mark Wood - *Chair*  
Richard Armour  
Eleanor Bradley  
Volker Greimann  
Russell Haworth  
Ben Hill (*appointed 22 May 2018*)  
Simon McCalla  
Stephen Page  
Kelly Salter  
David Thornton  
Jane Tozer MBE OBE

**Secretary**  
Simeon Foreman

**Bankers**  
National Westminster Bank plc  
91 London Road  
Headington  
OXFORD OX3 9AF

**Solicitors**  
CMS Cameron McKenna LLP  
160 Aldersgate Street  
LONDON EC1A 4DD

**Investment managers**  
Quilter Cheviot Limited  
2 Snowhill  
BIRMINGHAM B4 6GA

**Independent Auditors**  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
3140 Rowan Place  
Oxford Business Park South  
OXFORD OX4 2WB

# CHAIR'S STATEMENT



AS CHAIR OF THE NOMINET BOARD, IT IS A PLEASURE TO BE ABLE TO LOOK BACK OVER A PERIOD IN WHICH THE ORGANISATION HAS PERFORMED WELL ACROSS ALL ITS CORE OPERATIONS WHILE BEGINNING TO LEVERAGE ITS FORMIDABLE SKILLS TO DEVELOP PROMISING NEW AREAS OF BUSINESS.

Of paramount importance is that we maintain and build on our excellent track record running .UK, and continue to be a positive contributor to the internet community, both in the UK and on the international stage, where Nominet has a very influential voice. Over the past 18 months we have continued to operate as a trusted, reliable and responsible registry, receiving positive feedback from customers and members.

In addition, our work with law enforcement has helped tackle criminality in the namespace and the Board is proud that Nominet is so passionately dedicated to making the internet a safe space for everyone.

In 2017, the Board approved an ambitious strategy built around maintaining the prominence and resilience

of the core registry business while developing commercial opportunities in new areas.

These include a significant investment in growing our cyber business, building on our expertise and market-leading analytics to help businesses and organisations tackle the myriad threats to DNS-based security. Our work in cyber security, alongside initiatives such as developing wireless technology solutions, will help position Nominet at the heart of the changing digital infrastructure.

Our commercial success underpins the contribution we can make to the wider digital world. We have sharpened the focus of our public benefit programme, bringing all funded initiatives under the Nominet brand. Three workstreams – connected, inclusive and secure – will ensure the programme is

aligned with our priorities. Our goal is to improve the lives of one million young people by the end of 2020. The team will build on the initiatives we have in place, identifying critical issues presented by the digital age and partnering with organisations best placed to address them at scale.

As part of this new approach to public benefit, we have agreed with Nominet Trust that it should become independent of Nominet and pursue its own social tech agenda. Nominet Trust now has a new governance structure and will continue its work under the name of the Social Tech Trust. We applaud the team for their achievements over the last ten years and wish them well.





Nominet is an organisation of talented, highly-motivated people led by an outstanding management team and overseen by a robust and expert Board. The Board is committed to overseeing the efficient management of core businesses while setting strategy for a careful diversification which will shape Nominet as a dynamic, flourishing digital business, recognised as an important force in the UK's tech economy.

I would like to extend my thanks to members, Board colleagues and the whole Nominet Team for their contribution to building this impressive and unique organisation.

**MARK WOOD** | Chair, Nominet

# CEO's STATEMENT



YOU WILL NOTICE THAT THIS REPORT COVERS A LONGER PERIOD THAN USUAL – EIGHTEEN MONTHS - AS WE HAVE CHANGED OUR FINANCIAL YEAR END TO 31 MARCH TO COINCIDE WITH THE UK TAX YEAR. IT IS WORTH BEARING THIS IN MIND WHEN LOOKING AT OUR FINANCIAL RESULTS AND OUR PROGRESS. WE WILL RETURN TO THE USUAL TWELVE MONTH REPORTING IN 2018-19.

During the last 18 months, we have refined our business strategy. Our resulting plans centre on three things: ensuring the strength of the .UK registry, diversifying our business through commercial success in other areas, and increasing the impact of our public benefit activities. A specific programme - 'Project 2020' - is now underway to ensure we make significant headway by the end of that year. Progress has been made in each area.

Our core business continues to perform well, with .UK retaining its position as the UK's favourite domain. We now manage over 12 million domains, almost four million of which were new registrations. Working with the channel on five promotions has been key. The promotion on Right of Registration contributed to the significant rise in domains under management, although due to the nature of the activity this has not yet led to a revenue uplift. Our renewal rate is holding steady at 74%.

Nominet customers continue to receive award-winning service from our team, who handled over 60,000 calls and

introduced online web chat while maintaining customer satisfaction ratings at almost 90%.

The challenge of GDPR saw the wider domain industry struggle to reach a consensus. Our own work in this area has been comprehensive over this period, including a consultation and subsequent implementation of a new WHOIS policy for .UK, workstreams to update internal processes, training for all staff, and webinars for members.

As a responsible registry, we continue to work closely with law enforcement to keep the .UK namespace safe. Our established processes for dealing with criminality enabled swift suspensions of over 29,000 domains over the period.

In registry services, our portfolio of TLDs places us in the top five of the world's registries. We have begun preparing for the next round of new gTLD applications by raising awareness of our offer to brands, and by establishing partnerships that can complement our offer.

Our investment in our DNS and cyber security capabilities has delivered significant revenue and a strong new business pipeline. For the last year we have run outsourced DNS and DNS analytics for the UK Government's Public Sector Network (PSN). Our work has received strong endorsement from the National Cyber Security Centre (NCSC), leading to discussions with a variety of national infrastructure organisations, corporates and governments internationally.

Our pioneering work on wireless technologies, most notably TV whitespace (TVWS), has led to strategically significant agreements. We are now Microsoft's partner of choice for TVWS projects globally. Our global platform for dynamic spectrum management (DSM) is deployed in projects in France, South Africa and Kenya, while we are well positioned to capitalise on opportunities in the United States following the expected Federal Communications Commission (FCC) approval of our TVWS database for use in that market.





Closer to home, our DSM platform has helped connect rural communities in Scotland and Wales. This led to our involvement in 5G Rural First - a Government-funded project. We are working alongside Cisco and other partners to encourage the development of the 5G ecosystem in remote areas.

Our Internet of Things toolkit underpins our contribution to the DRIVEN consortium's autonomous vehicle project. By focusing on the transfer of data, we are helping create the digital infrastructure required to make the driverless car era a reality. We are excited by the progress of the trials so far.

Financially, Nominet remains in a healthy position, with a strong balance sheet. Our revenue for the 18 month period was £56.4m – reflecting the extended accounting period, the flow through in revenue recognised of the wholesale domain price rise and new revenue streams, notably from

our PSN contract with the UK Government. Our operating profit, before public benefit activities, was £16.3m – largely a pro-rata increase compared with the previous period.

Underpinning all operations is our profit with a purpose ethos. We have supported the Prince's Trust and the Micro:bit Foundation, as well as running our own Nominet Digital Neighbourhood projects to provide training and opportunities for young and disadvantaged people. We look forward to doing more as we build up our programme to help improve a million lives.

Long-standing champions of encouraging women into technology, we recently signed the Tech Talent Charter (TTC) to help improve diversity in the industry. This commits us to ensuring our recruitment processes reflect best practice. Building on that, Nominet has hosted events locally to share expertise and knowledge.

We have delivered an increased programme for members. Twelve webinars on subjects including GDPR, strategy and ICANN updates have taken place, and regular lunches across the country aim to strengthen how we communicate and engage. The programme has been well-received and feedback incorporated into the plan moving forward.

Looking back on the 18 month period, we feel confident that we have laid the foundations to deliver on our strategy, and have the finances, commitment and talent to support this exciting evolution of the Company.

**RUSSELL HAWORTH** | CEO, Nominet

# PUBLIC BENEFIT

THE INTERNET IS NOW INGRAINED IN MOST ASPECTS OF OUR EVERYDAY LIVES AND IS A POWERFUL INFLUENCE ON BUSINESSES AND INDIVIDUALS. NOMINET IS COMMITTED TO HARNESSING THIS POWER FOR GOOD, TO BENEFIT EVERYONE IN SOCIETY, AND WE OPERATE AS A PROFIT WITH A PURPOSE COMPANY. THIS MEANS WE INTEGRATE CORPORATE RESPONSIBILITY THROUGHOUT OUR OPERATIONS AND MAKE A SIGNIFICANT CONTRIBUTION TOWARDS SOME OF TODAY'S MOST PRESSING CHALLENGES AT THE INTERSECTION OF TECHNOLOGY AND SOCIETY.

Since 2008 we have donated over £45m to tech for good initiatives, helping over 10 million people. Much of this has been via Nominet Trust, the charity we founded and – until this financial period – have funded to support tech for good projects that tackle social change.

During the 18-month period, Nominet Trust has supported over 30 ventures from donations totalling over £4m across two main areas, digital engagement and tech4good. The grants awarded have supported innovative start-ups such as Disrupt Disability and TapSOS, to more established organisations such as Action For Children and Carers Trust.

Separate to the work of Nominet Trust, we have continued to run and support initiatives directly, many of which encourage and develop young peoples' digital skills. The projects have included our own programme, Nominet Digital Neighbourhood, which offers training and paid work experience to young people with digital skills but limited opportunities, and then connects

them with local SMEs, to help them both prosper online. We are also a founding patron of the Prince's Trust Online – its online platform – and a founding partner of the Micro:bit Foundation, helping to advance digital skills in young people.

Looking ahead to the next financial year, we are committed to building on our achievements and increasing our impact on areas where technology can create positive and lasting change.







**DOM RABAN**, MD of Corporation Pop, who received funding from Nominet Trust Social Tech Seed funding programme for his hospital app, says:

“In 2011 my then 13-year-old daughter was diagnosed with cancer. Her journey through the NHS system was characterised by a lack of information at every stage of the process which left her with a deep mistrust of the medical system...Her experience left me wanting to use my professional capability to respond to the problem and find a technology solution...With this fantastic support from Nominet Trust we can now begin the next crucial stage of development.”



“In my classroom they were so happy and excited to use the micro:bit. It is a perfect solution for letting the student learn in an intuitive way.”

**APOORVA KUMAR**,  
Microsoft Hour of Code.  
St. Pauls Secondary School,  
Ambaala, India.



**CASSIE-DREW**,  
a student from Cardiff says:

“I learnt a lot more than I thought I would... I think the program is a brilliant idea and will be telling other people about it.”



**RICHARD CLEMENTS**, Founder of Clear Cut Solutions, the small business that was paired with Cassie-Drew, says:

“Business-wise I have had a really great January (first week of the month was my biggest revenue since launching), this was off the back of an improved social media presence thanks to Cassie-Drew.”

**JAHID HUSSAIN**,  
a student from London says:

“I thoroughly enjoyed the experience and the training gave me the confidence I needed to be able to advise an established business on its social media marketing strategy. I can now include this experience in my personal statement for University, on my CV and during job interviews - which will give me the leg up I need in my job search.”



**TOM BARRATT**, Director, Frodas, the charity and social enterprise consultancy that paired with Jahid Hussain, says:

“Jahid was a bright guy and showed a good understanding of my business even though he's still a student yet to work in the world of business. He offered some good advice which we're putting into practice.”

# CORPORATE GOVERNANCE

**NOMINET IS A PRIVATE COMPANY LIMITED BY GUARANTEE AND THEREFORE, GIVEN ITS SIZE AND STRUCTURE, IS NOT OBLIGED TO ADOPT AND HAS NOT ADOPTED THE PROVISIONS OF THE UK CORPORATE GOVERNANCE CODE. WE HAVE REPORTED ON OUR CORPORATE GOVERNANCE ARRANGEMENTS BY DRAWING UPON BEST PRACTICE AVAILABLE, INCLUDING THOSE ASPECTS OF THE UK CORPORATE GOVERNANCE CODE WE CONSIDER TO BE RELEVANT TO THE COMPANY.**

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. The Board usually meets on a bi-monthly basis, and in line with best practice guidance for structuring decisions, there are several committees that focus on specific areas and report in to the main Board.

Nominet has two wholly-owned subsidiaries; Nominet Registrar Services Limited (NRS) and Nominet US Inc. NRS is a non-trading ICANN accredited registrar formed as a legally distinct company to comply with ICANN rules on the formal separation of registry and registrar and Nominet US Inc. is a corporation formed as an employment vehicle for our US-based staff.

During the 18 month period to 31 March 2018 Nominet was also the sole member of the Nominet Charitable Foundation ("Nominet Trust"), a separate independent charity. Subsequent to the period end a new partner for the Nominet Trust has replaced Nominet as the member of the charity and Nominet is progressing its own direct public benefit work programme.

Board members are required to declare their interest in any matter to be discussed at a meeting of the directors and where appropriate, directors are not party to any discussion or decision where they have an interest.

During the 18 month period to 31 March 2018, the Board comprised of seven non-executive directors (NEDs), including the Chair, and three executive directors, including the CEO. Members approved a resolution in 2017 to provide for a fourth appointed NED, post currently vacant. A fourth executive director post was appointed subsequent to the 31 March 2018 period end.

Mark Wood was appointed Chair of the Board in April 2017 following Irene Fritchie stepping down after the 2017 AGM. The Board were very saddened by the loss of Andrew Pinder, who died in April 2017. In the same month members elected Kelly Salter to replace Denesh Bhabuta as the fourth elected NED. Stephen Page joined as an appointed NED in November 2017. All three of the Executive directors were re-appointed by the Board during the reporting period. The proportion of women on the Board during the period was 30%.

The Board met nine times during the 18 month period to 31 March 2018 covered by this report. Standing agenda items include updates from the Chair, CEO and committee chairs, updates on strategy implementation and key projects alongside regular reviews of company performance and financial information. The Board approved the plans for Project 2020 and the budgets to support its delivery, the membership engagement and corporate affairs strategies, recommendations to hold prices during the reporting period and the creation of a Cyber Advisory Panel to support the Executive in this area. The Board also agreed to dissolve the Developments, Mergers and Acquisitions (DMA) committee.



# BOARD MEMBERS



MARK WOOD (Chair)



RUSSELL HAWORTH



DICKIE ARMOUR



ELEANOR BRADLEY



VOLKER GREIMANN



BEN HILL



SIMON MCCALLA



STEPHEN PAGE



KELLY SALTER



DAVID THORNTON



JANE TOZER MBE OBE

# BOARD COMMITTEES AND SUBSIDIARIES

NOMINET HAS FOUR BOARD COMMITTEES; AUDIT AND GOVERNANCE, NOMINATIONS, REMUNERATION AND INVESTMENT. THE TERMS OF REFERENCE FOR EACH OF THESE CAN BE FOUND ON THE COMPANY WEBSITE AND UPDATES ON THE ACTIVITIES OF EACH DURING THE REPORTING PERIOD ARE PROVIDED BELOW. MEMBERSHIP OF AND ATTENDANCE AT COMMITTEES BY DIRECTORS IS SHOWN IN THE TABLE ON PAGE 14.

## AUDIT AND GOVERNANCE COMMITTEE

The Audit and Governance Committee met four times during the reporting period and on these occasions:

- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"><li>• Met with the external and internal auditors in the absence of the executive, in accordance with governance best practice.</li><li>• Received updates from the external auditors on the Company's accounts for 2015-16 and draft annual report, and approved the audit plan for 2018.</li><li>• Approved the annual report and accounts for 2015-16 under delegated authority from the Board.</li></ul> | <ul style="list-style-type: none"><li>• Considered the performance of the external auditors and provided feedback to them.</li><li>• Reviewed the risk register, and reports from Internal Audit on the internal controls and systems in place to manage and mitigate risk.</li><li>• Reviewed a model and sensitivities of Nominet's funding requirements to maintain and support .UK operations in the event of a market-changing event.</li></ul> | <ul style="list-style-type: none"><li>• Reviewed reports on health and safety.</li><li>• Received an annual update on IT security.</li><li>• Conducted a self-review exercise and reviewed the terms of reference.</li></ul> |
|--|--|--|

Standing agenda items at each committee meeting advise of any whistleblowing concerns (none reported during the period) and any payments made between £250k and £500k. Payments above £500k require Board approval.



## NOMINATIONS COMMITTEE

The Nominations Committee met twice during the reporting period and on these occasions:

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>Received updates on the separate Chair recruitment panel and process, chaired by Jane Tozer.</li> <li>Agreed the process and appointed panel for the NED interviews that resulted in Stephen Page's appointment. Gatenby Sanderson were the recruitment agency who supported this work.</li> </ul> | <ul style="list-style-type: none"> <li>Received updates and approved documents related to NED elections in both 2017 and 2018.</li> <li>Reviewed the board skills audit findings in 2016 and agreed the approach for the 2018 refresh.</li> </ul> | <ul style="list-style-type: none"> <li>Agreed the process to recruit and appoint a CFO and engage Eton Bridge Partners to support this work.</li> <li>Reviewed the overall 2018 board and committee effectiveness self-review findings.</li> <li>Conducted a self-review exercise and reviewed the terms of reference.</li> </ul> |
|---|---|---|

## REMUNERATION COMMITTEE

The Remuneration Committee met six times during the reporting period and on these occasions:

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>Considered the HR implications of changing the financial year end to 31 March 2018.</li> <li>Approved the company wide bonus payments for the twelve months to 30 September 2016 and 2017.</li> <li>Approved arrangements for bonus schemes and objectives for the six months from 1 October 2017 to 31 March 2018 and the following twelve months to 31 March 2019.</li> <li>Reviewed and agreed objectives for the executive directors and received progress updates on performance levels.</li> </ul> | <ul style="list-style-type: none"> <li>Approved new commission schemes for Registry Services Provision and New Business teams.</li> <li>Considered a market rate review of remuneration for the whole company.</li> <li>Approved pay review budgets for the six months from 1 October 2017 to 31 March 2018 and the following twelve months to 31 March 2019.</li> <li>Received updates on third-party reviews of the Chair and NED fees from Gatenby Sanderson and Aon Radford.</li> <li>Reviewed pay decisions and awards for staff and executive directors. The Committee makes a recommendation to the full Board on CEO remuneration.</li> </ul> | <ul style="list-style-type: none"> <li>Considered a review of company benefits and approved a new Reward Strategy, to be introduced from April 2018, which includes a simplified company bonus scheme for all staff and a new long-term incentive scheme to replace the Executive stretch objectives bonus scheme.</li> <li>Received updates on staff pension scheme arrangements as a result of auto-enrolment legislation changes.</li> <li>Undertook a self-review and evaluation exercise and reviewed the terms of reference.</li> </ul> |
|---|---|---|

There were also two workshop sessions to develop the new long-term incentive scheme.

# BOARD COMMITTEES AND SUBSIDIARIES

## NOMINET BONUS SCHEMES IN THE 18 MONTH PERIOD TO 31ST MARCH 2018

Nominet had two bonus schemes in operation, plus sales commission schemes for certain staff in sales or account-based roles.

**The Company bonus scheme** covered all employees except those fully on a commission scheme. The Company bonus scheme was based on a number of threshold measures and financial targets agreed by the Remuneration Committee, including successful operation of .UK. No company bonus would be awarded if any of the threshold measures were not achieved.

The Company threshold measures and financial targets were achieved, and employees received a bonus payment depending on their individual performance rating, the level of the Company's performance above the financial targets, and the on-target bonus level associated with their role.

**The Executive bonus scheme** covered the C team, and comprised the Company bonus scheme and additional stretch bonus scheme payments to C team members based on their individual performance against individual stretch objectives agreed by the Remuneration Committee.

**The commission schemes** for sales and account management roles applied to staff in the Registry Services Provision and New Business teams. All staff on commission do not participate in the Company bonus scheme except for two staff who participate in both schemes on a 50:50 basis.

## INVESTMENT COMMITTEE

The Investment Committee met four times during the reporting period and on these occasions:

- Reviewed the investment strategy and related asset allocations, using reports provided by Quilter Cheviot, the investment portfolio managers, to assess the performance of the various asset classes held within the Nominet portfolio.
- Reviewed the Company's cash-flow forecasts at each meeting and oversaw a planned reduction in cash holdings achieved through transfers into the portfolio.
- Reviewed the panel of banks used by the Company, particularly related to creditworthiness and moved to exception reporting as to whether these should be changed.
- Commenced the planning and preparation for a future tender for investment management services.
- Conducted a self-review exercise and reviewed the terms of reference.

## NOMINET REGISTRAR SERVICES LIMITED

Nominet Registrar Services Limited (“NRS”) is a wholly owned subsidiary of Nominet UK originally established and engaged, as an ICANN accredited registrar, in the business of providing generic top level domain names (gTLDs) to the wholesale (reseller) market in respect of .cymru and .wales. A decision was taken in July 2015 to “mothball” the Company but retain the ICANN accreditation. The NRS Board met twice during the reporting period with these meetings focused on the continued mothballed status, risk review, approval of the financial statements and to seek the undertaking from Nominet UK guaranteeing all outstanding liabilities of NRS which exempts NRS from a statutory audit under the Companies Act 2006.

## NOMINET US INC.

Incorporated in July 2015, Nominet US Inc. is a wholly owned subsidiary of Nominet UK established as a vehicle for employing staff based in the United States of America to support and facilitate expansion of new business in that region. The Nominet US Inc. Board met four times during the reporting period to consider matters related to the governance, operation and finances of the subsidiary and the development of new business opportunities.





# REGISTER OF ATTENDANCE AT MEETINGS

Member	Board	Audit and Governance Committee	Remuneration Committee	Nominations Committee	Investment Committee	Nominet Registrar Services (NRS) Ltd	Nominet US Inc.	DMA
Mark Wood <sup>1</sup>	6(6)		5(5)	1(1)				
Dickie Armour	6(9)		4(6)		4(4)			1(1)
Eleanor Bradley	9(9)				4(4)	2(2)	4(4)	
Volker Greimann	9(9)	4 (4)		2(2)				
Russell Haworth	9(9)			2(2)		2(2)	4(4)	1(1)
Simon McCalla	9(9)			2(2)			4(4)	
Stephen Page <sup>2</sup>	3(3)	1(1)						
Kelly Salter <sup>3</sup>	6(6)	1(1)						
David Thornton	9(9)		6(6)	2(2)				
Jane Tozer	9(9)	4(4)	6(6)	2(2)	4(4)			
Directors leaving the Board in period covered by report								
Irene Fritchie <sup>4</sup>	3(3)		1(1)	1(1)				1(1)
Andrew Pinder <sup>5</sup>	2(3)	1(2)	1(1)					1(1)
Denesh Bhabuta <sup>6</sup>	3(3)	2(2)				1(1)		

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.

<sup>1</sup> Joined 29th April 2017

<sup>2</sup> Joined 1st November 2017

<sup>3</sup> Joined 29th April 2017

<sup>4</sup> Retired 28th April 2017

<sup>5</sup> Died in office 9th April 2017

<sup>6</sup> Retired 28th April 2017

# INTERNAL CONTROLS AND RISK MANAGEMENT

During the reporting period, the Audit and Governance Committee carried out two substantive reviews of the Executive's risk mitigation activity and agreed the areas that should be included in the Internal Audit programme for 2019 and 2020. The Board is responsible for approving the Company's strategy, risk attitude and risk appetite. Our risk management approach seeks to balance risk and reward rather than eliminate risk entirely.

The Executive's risk treatments and mitigation activities are guided by the Company's risk appetite which is set by the Board and has remained unchanged since March 2016.

*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 outside of its technical operations and has a medium risk appetite for risk in the commercial activities relating to the core domain name registry business.*

*Nominet 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 in these diversified market areas.*

The Board of Directors holds responsibility for ensuring that Nominet maintains a sound system of risk management and control. Nominet's risk management strategy is to identify, understand and appropriately treat the risks that Nominet faces as an organisation.

The Board's Audit and Governance Committee has been tasked with the regular review and assessment of the controls and risk mitigations that are in place to ensure their adequacy. Responsibility for identifying and treating risks on a day-to-day basis lies with management and is led by the Executive Team.

The Nominet risk management system is designed to enable the business to understand, manage and where appropriate reduce risk, rather than eliminate business risk completely. The system provides a framework within which decisions can be made based on sound risk assessment and appropriate levels of tolerable risk can be identified.

Following the release of the new ISO standard for risk management, ISO 31000:2018, we have begun work to align our risk management approach with the new standard. The new standard provides more strategic guidance than ISO 31000:2009, to which we had previously aligned ourselves, which we welcome.

Regular reviews of the Risk Register have been delivered by the Executive to ensure the register accurately captures and describes the risks faced by the business. The Audit and Governance Committee review the adequacy of the risk treatment arrangements that have been delivered by the Executive at each of their meetings with an annual in depth Substantive Risk Review. The Board consider strategic risk items at their meetings.

The Company's internal audit function reports to the Audit and Governance Committee at each meeting on the findings of the cross-company programme of internal audit activity with any significant findings being escalated in real-time.

# INTERNAL CONTROLS AND RISK MANAGEMENT

Nominet continues to maintain and operate a business continuity management system certified to the ISO standard for Societal Security (ISO 22301:2012). In addition to this, and recognising the criticality of our 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 20000-1:2011) and Information Security (ISO 27001:2013) which are externally assessed on a regular basis.

To ensure we are both contributing our expertise to the community and receiving current information about security threats and available responses, Nominet participates

in a variety of business continuity and security forums. We continue to maintain strong relationships with governmental and non-governmental groups that focus on these concerns. Through this work we ensure that we are at the centre of security discussions about the UK and global internet.

## MANAGING OUR RISKS

The risk landscape that we are operating within continues to evolve with Nominet facing potential new threats and opportunities. Over the last eighteen months effective risk management has become a performance enabler and at Nominet we have put our risk

appetite at the front of our decisions in diversification and new business areas. We aim to balance risk and return, enabling the business to clearly identify its risk attitude and risk appetite which in the long term will contribute to the success of the Company.

Risks are consolidated from all business areas into a Risk Register which is considered by the Audit and Governance Committee at each of its meetings. Responsibility for identifying and managing risks, and the associated controls and mitigations, is allocated to individual senior business leads within the organisation with oversight from the Executive Team.

## DESCRIPTION OF RISK

## WHAT WE ARE DOING TO MANAGE THE RISK

### CRITICAL INFRASTRUCTURE DISRUPTION

Critical to our business is the infrastructure and technology through which we provide our core services.

The current climate of targeted DDoS attacks globally means the threat level for this risk remains high.

- Significant investment in the resilience of our DNS and registry infrastructure.
- Robust business continuity and disaster recovery plans are in place, tested on a regular basis and reviewed regularly.
- Strong and effective IT & Security policies and operational controls are in place and certified to international standards.
- Working within industry and community groups to share and receive best practice and information.

### FAILURE TO DIVERSIFY

We are committed to further diversifying our products and services, building on our skills and reputation to deliver our strategic objectives.

- Ongoing investment in our Emerging Technology capability to deliver technical innovations that can be transformed into commercially successful new products.
- Strengthened Business Development capability to seek out new opportunities for Nominet through which we can deliver continued public benefit.



## FAILURE TO SUCCESSFULLY GROW

We fail to deliver our plans for the development and growth of our business due to capacity challenges, capability constraints, or disruptive technologies that we do not leverage successfully.

- Established framework for decision making to ensure risk levels and deployment capabilities are understood.
- Effective approaches to risk assessment, management and mitigation regarding business development and growth are deployed.
- Rigorous project and programme management approach including reviews of controls, check points and each in-flight programme.
- The Board ensures due diligence is applied to decisions to explore new business areas.

## MARKET RELATED RISKS

We are operating in a maturing market and are facing all the associated challenges; highly competitive environment, consumer behaviour changes, consolidation of industry players and emerging technology threats. To remain competitive and relevant we must innovate and adapt.

- Ensuring quality of our core business through initiatives to improve industry standards and reputation of the UK namespace.
- Developing and maintaining high quality products that meet the needs of our customers and stakeholders with investment in activities that deliver public benefit.
- Investing in the continued development of our products and brands and seeking out innovative ways to invest in new opportunities for growth.

## INCREASED REGULATORY BURDEN

Nominet is subject to strategically damaging or limiting regulation.

- We continue to focus on demonstrating that the industry can effectively self-regulate its activities.
- We ensure the high standards of registrars operating in the UK namespace.
- 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.

## REPUTATION AND BRAND

Our reputation is damaged by a significant adverse event leading to a loss of trust and confidence amongst our stakeholders.

- Ongoing commitment to operating as a profit with a purpose organisation.
- Balancing the needs of our broad and diverse range of stakeholders; focus on business continuity and service resilience, customer service, multi-stakeholder policy work and the development of products and services to enhance trust and confidence in the internet.
- Engagement of key stakeholders.



# STRATEGIC REPORT

THE DIRECTORS PRESENT THEIR ANNUAL REPORT  
AND THE FINANCIAL STATEMENTS OF THE GROUP  
FOR THE 18 MONTH PERIOD TO 31 MARCH 2018.

## INTRODUCTION

The principal activity of the Company and Group is the provision of DNS services for internet domains, primarily within the .UK namespace. The principal activity of the subsidiary, Nominet Registrar Services Limited, is maintaining ICANN accreditation and the subsidiary Nominet US Inc. is to facilitate the expansion of new business development opportunities.

The Group and parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## BUSINESS REVIEW AND KEY FINANCIAL INDICATORS

The trading results for the 18 month period and the Group's financial position at 31 March 2018 are shown in the attached financial statements.

## REVENUE

With the benefit of the Right of Registration and other promotions, the .UK register at 31 March 2018 closed at 12.0 million domain names under management (30 September 2016 – 10.6 million). The Right of Registration promotion was launched during the period to promote the awareness and take up of rights for .UK holders but has not yet led to an uplift in revenues. With the maturing domain market, underlying .UK registrations were slightly down for the period whilst renewal rates for domains have slightly improved.

Our registry services portfolio of TLDs has expanded in number and domains under management have seen significant growth over the period to nearly 1.6m domains (30 September 2016 – 0.1m).

The Group's revenue increase largely reflects the 18 month accounting period, increasing by £26.3m to £56.4m (2016: £30.1m). With income recognised by spreading the sale value of domains over the new registration or renewal period, the revenue has benefitted from the flow through of the .UK domain price rise implemented on 1 March 2016. This has also been combined with revenues from associated DNS and cyber security services, notably from our PSN contract with the UK Government.



## EXPENDITURE

Operating charges of £40.1m represented 71.1% of revenue (2016: £21.3m, 70.8% of revenue).

Staff and other personnel costs of £20.5m have increased pro rata by 14.3% reflecting growth in average headcount of 9.2% to deliver the Project 2020 strategy together with underlying wage inflation for the 18 month period and a tight market for technology and sales team skills. This investment has been to ensure the strength of the .UK registry and the implementation of diversification plans.

Average staff numbers increased to 166 (2016: 152) and permanent staff payroll cost increased pro rata by 11.0% reflecting the above staff cost factors.

## OTHER COSTS

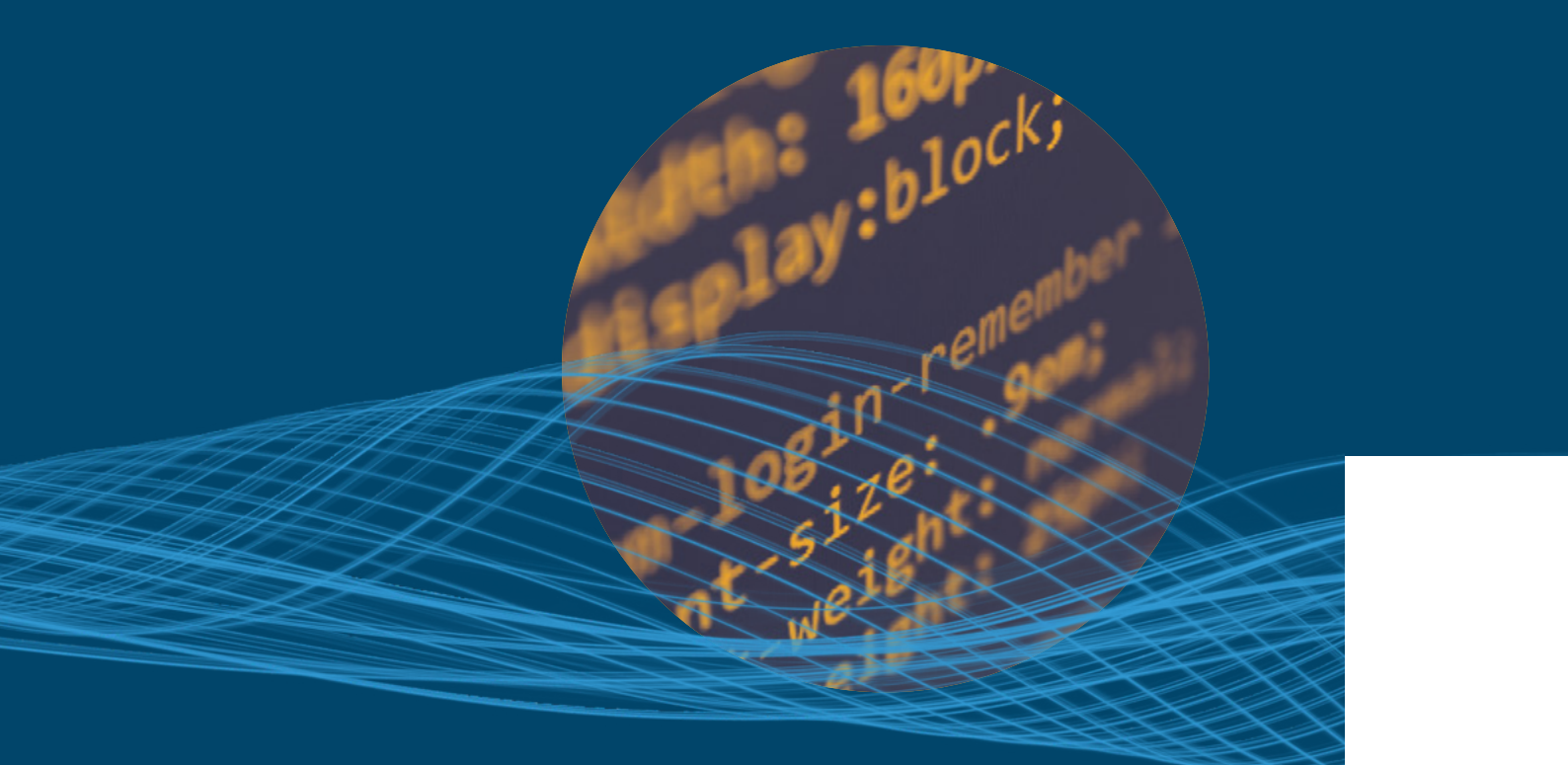
Our investment in technical systems and infrastructure has continued to further improve the service and resilience of .UK together with supporting the expanded DNS services provided to the UK Government. Depreciation for the 18 month period has similarly increased, reflecting infrastructure investment to support core and expanded services.

To promote the .UK namespace, engagement and collaboration with the channel and new business activities, our communications and marketing costs have increased over the period.

## OPERATING PROFIT

Operating profit before Public Benefit Initiatives increased to £16.3m, representing 28.9% of revenue (2016: £8.7m, 29% of revenue). The increase in profitability was driven by the extended accounting period delivering increased revenue and ongoing tight control over operating expenditure. The donation to the Nominet Trust of £5.4m made at the end of the prior period related to 17 months of activity during the current accounting period to 31 March 2018. In anticipation of a new governance structure for Nominet Trust, no further donations were made in this accounting period. As a result, combined with the extended accounting period, the overall operating profit reported was £15.7m (2016: £2.6m).





INVESTMENTS

The 18 month period was a strong one for investors with recent volatility more influenced by political factors rather than underlying global business economic performance. The investment portfolio has performed well during this period.

In line with the plan to reduce the Group’s surplus cash balances held on low yielding deposits a further £22.5m (2016: £7.2m) of contributions were made into the portfolio and returns during the period reinvested. With the prior year adoption of IFRS, investments are included in the consolidated statement of financial position at their fair value. With additional contributions, realisations made, income and market movements, the fair value of the investment portfolio increased during the year and closed at £95.8m (2016: £64.8m).

During the period we realised £3.1m of gains on the disposal of investments within the portfolio (2016: £0.5m) and investment income from the portfolio during the period was £3.0m (2016: £1.3m). With gains and investment income reinvested in the portfolio the level of these reflect investment decisions of the professional investment managers.

PUBLIC BENEFIT INITIATIVES AND CHARITABLE DONATION

With the workstreams of connected, inclusive and secure, public benefit initiatives have been brought under the Nominet brand during the current period with expenditure of £0.6m (2016: £0.7m). The prior year donation to the Nominet Trust of £5.4m made at the end of the prior period reflected funding for a 17 month programme during the current accounting period.

BALANCE SHEET AND CASH FLOW

Retained earnings for the Group increased by £19.1m during the period to £64.4m (2016: £45.3m).

Cash generated from operations was £20.2m (2016: £8.2m after donations to Nominet Trust of £5.4m). The other key cash movements included capital expenditure on fixed assets £2.6m (2016: £0.6m) and £22.5m contribution to the investment portfolio (2016: £7.2m). As a net impact of the above investment policy to reduce surplus cash balances, the cash balances held at the period end reduced by £6.1m to £3.7m (2016: £9.8m).

EVENTS SINCE THE BALANCE SHEET DATE

There have been no material adjusting events up to the date the financial statements have been formally approved by the directors.

Subsequent to the 31 March 2018 period end, a fourth executive director was appointed, and as noted in the Chairs' statement, Nominet UK ceased to be the member of Nominet Trust.

## OUTLOOK AND FUTURE DEVELOPMENTS

Nominet is committed to running .UK as a safe and trusted namespace and delivering a world-class service for our core business. In a mature market for domains, Nominet will continue to develop innovative analytics and technologies to drive insight and deliver new sales and renewals together with investing in people and infrastructure to provide a trusted and safe .UK namespace, benefiting members as well as the wider digital economy.

The 'Project 2020' programme outlined in the Chair and CEO's reports aims to diversify the business, broadening our DNS based registry expertise, cyber security and dynamic spectrum services. Nominet remains committed to delivering public benefit and is developing the programme of initiatives for the three workstreams of connected, inclusive and secure.

## 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, ensuring capital protection, 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. Further details of the risks related to financial instruments and the Group's policies and procedures for managing these are given in note 22 to the financial statements.

### *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 in the unlikely event it became 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 risks 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 services to mitigate dependence on domain revenue.

Further details of the risks impacting the Group are given on pages 2 to 5 as part of the CEO and Chair's statement, which form part of this Strategic Report.

### *IMPACT OF BREXIT*

The Directors have considered the potential implications of Brexit on the Group, and do not expect there to be any significant impact on the principal risks, future performance or position of the business.

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

ON BEHALF OF THE BOARD

**MARK WOOD** | Chair  
19 June 2018



# REPORT OF THE DIRECTORS

## INFORMATION GIVEN IN THE STRATEGIC REPORT

Information on the future developments of the business, financial instrument risk management and research and development activities is given in the Strategic Report.

## DIRECTORS

The directors who served the Company during the 18 month period were as follows:

Mark Wood (*Appointed 29 April 2017*)

Baroness Irene Fritchie DBE (*Retired 28 April 2017*)

Richard Armour

Denesh Bhabuta (*Retired 28 April 2017*)

Eleanor Bradley

Volker Greimann

Russell Haworth

Simon McCalla

Stephen Page (*Appointed 1 November 2017*)

Andrew Pinder CBE (*Died in office 9 April 2017*)

Kelly Salter (*Appointed 29 April 2017*)

David Thornton

Jane Tozer MBE OBE

Subsequent to the 31 March 2018 period end, Ben Hill was appointed as a director of the Company on 22 May 2018.

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 financial statements.

## 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 (Section 393, Companies Act 2006) 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 International Financial Reporting Standards (IFRSs) as adopted by the EU. The parent Company financial statements have also been prepared under IFRS as adopted by the EU.

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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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 preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report, Chair's statement and CEO's statement include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

ON BEHALF OF THE BOARD

**MARK WOOD** | Chair  
19 June 2018





# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMINET UK

## OPINION

We have audited the financial statements of Nominet UK (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2018 which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flow, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent

company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit and the parent company's profit for the period then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.



## BASIS FOR OPINION

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

## WHO WE ARE REPORTING TO

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of 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.

## CONCLUSIONS RELATING TO GOING CONCERN

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

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



## OTHER INFORMATION

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

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

We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, 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
- 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.

## RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary



to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**NICHOLAS WATSON |**  
Senior Statutory Auditor

for and on behalf of  
Grant Thornton UK LLP

Statutory Auditor,  
Chartered Accountants  
Oxford

*19 June 2018*

# PRINCIPAL ACCOUNTING POLICIES

The Group has adopted the accounting policies set out below in the preparation of these financial statements. All of these policies have been applied consistently throughout the period unless otherwise stated.

## BASIS OF ACCOUNTING

The financial statements of the Group and parent Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and those parts of the Companies Act 2006 that are relevant to companies that report in accordance with IFRS.

The Group and parent Company financial statements are presented in sterling (£).

## 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. All transactions and balances between group companies are eliminated on consolidation.

Acquisitions are accounted for under the acquisition method and the results of companies acquired or disposed of are included in the statement of

profit or loss 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.

## GOING CONCERN

The directors have reviewed the Group's business plan and forecasts for a period at least 12 months from the signing of these financial statements and believe that the Group has adequate resources to continue operations for the foreseeable future, being at least 12 months from the signing of these financial statements, and accordingly continue to adopt the going concern basis in preparing these financial statements.

## REVENUE RECOGNITION

Revenue represents fees for domain name registration, 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 and released over the life of the subscription on a straight line basis.

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

Revenue from fixed price contracts is recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of the work performed. Revenue not billed to customers is included in debtors as accrued income. Revenue which is only earned upon the completion of contractual milestones is recognised once those milestones have been completed in full.

## OPERATING EXPENSES

Operating expenses are recognised in the statement of profit or loss upon utilisation of the service or as incurred.

## DONATIONS

Donations are recognised in the statement of profit or loss once they have been approved by the board and paid to the receiving party.



## PUBLIC BENEFIT INITIATIVES

Payments are recognised in the statement of profit or loss on an accruals basis in line with commitments agreed by the Board.

## EMPLOYEE BENEFITS

The Group has defined contribution plans under which fixed amounts are made to employees' personal pension schemes. The payments are charged in the statement of profit or loss when they are due.

Accrual is made for holiday pay, based on a calculation of the number of days holiday earned during the year, but not yet taken.

## PROPERTY, PLANT AND EQUIPMENT

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 on a straight line basis as follows:

Leasehold buildings -	2%
Computers -	33.33%
Other assets:	
Fixtures and fittings -	20%
Fit out costs -	10%
Other equipment -	20%

## INTANGIBLE ASSETS - RESEARCH AND DEVELOPMENT COSTS

Research expenditure is recognised in the statement of profit or loss as an expense as incurred.

Development costs incurred are capitalised where the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is amortised on a straight line basis over the anticipated life of the benefits arising from the completed product or project.

Capitalised development expenditure is reviewed annually, and where future benefits are deemed to be less than the carrying value of the asset, the impaired element of the balance of any related capitalised development is written off to the income statement.

Amortisation is provided at the following rates:

gTLD development costs  
- over 10 years

other development costs  
- over the life of the asset

## ADVANCE LAND LEASE PAYMENT

Advance land lease payments, representing payments to secure long leasehold land, are reflected in the financial statements as non current assets.



## IMPAIRMENT OF NON-FINANCIAL ASSETS

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

## FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss that are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

### *CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS*

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables
- Available for sale investments

Loans and receivables comprise trade and other receivables and are initially recognised at fair value less provision for impairment. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the income statement.

Available for sale investments are included in the balance sheet at their fair value as at each balance sheet date. Any unrealised fair value gains or losses on available for sale investments arising during the year are recorded in the statement of comprehensive income (within other comprehensive income) net of the associated deferred tax liability. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in

other comprehensive income is reclassified from the equity reserve to the statement of profit or loss. Interest calculated using the effective interest method and dividends are recognised in the statement of profit or loss within finance income.

### *CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES*

The Group's financial liabilities include trade and other payables. Financial liabilities are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

## 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 the statement of profit or loss on a straight line basis over the period of the lease.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and term deposits with an original maturity of no more than 3 months.

## PROVISIONS AND CONTINGENT LIABILITIES

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

## TAXATION

Income tax on the profit or loss for the periods presented comprise current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the

corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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



## FOREIGN CURRENCY TRANSLATION

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in UK sterling (£) which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are



retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Results of the overseas subsidiaries are translated into sterling at the weighted average rates for the accounting period, which is effected by translating each overseas subsidiary's monthly result at exchange rates applicable to each of the respective months. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate ruling at that date. Differences on exchange resulting from the translation of overseas assets and liabilities are recognised in the consolidated statement of comprehensive income.

#### STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BY THE GROUP

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period

beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

IFRS 9 "Financial Instruments" – This introduces changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

Classification changes under IFRS 9 will have no impact on the classification of current financial assets. Financial assets will be classified as fair value through the statement of comprehensive income.

IFRS 15 "Revenue from Contracts with Customer" – This presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides guidance on how to account for arrangements with multiple performance obligations and other complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

Management carried out a detailed review of the impact of IFRS 15 on revenue recognition and have concluded that there will be no material impact.

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes

the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The standard is not expected to have a material impact on the Group's financial statements.

#### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Assumptions and estimates are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other outside sources.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

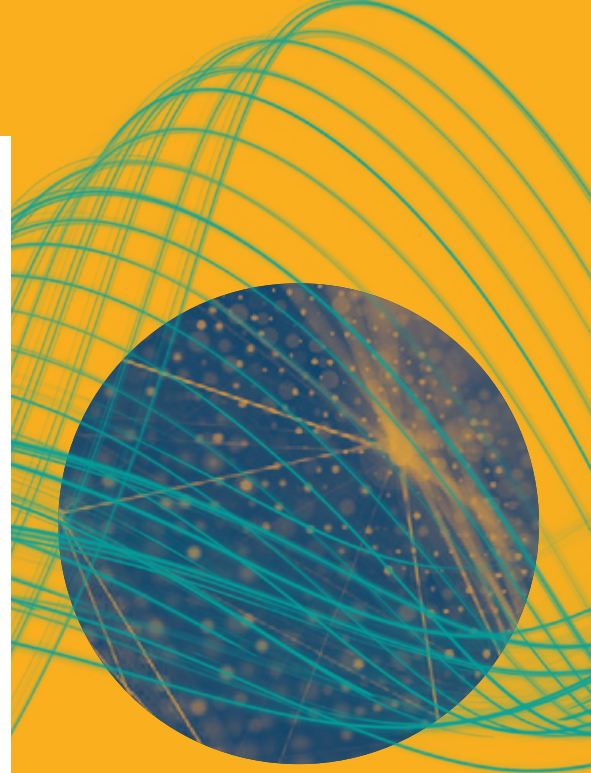
- Recognition of contract revenues – recognised amounts of contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This

includes the assessment of the profitability of on-going contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

- Useful lives of depreciable assets – Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected future use of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the future use of certain IT equipment and software.
- Estimation uncertainty – estimates and assumptions are used in the measurement of assets, liabilities, income and expenses. Actual results may be significantly different.
- Fair value measurement – Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

- Distinguishing the research and development phases of a new project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.
- Assessing the recoverability of the deferred tax asset requires judgement as to when the temporary differences will reverse and the impact of this on future taxable profits. Management have considered this with reference to forecast future profit levels and the nature of the temporary differences.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>18 months to 31 March 2018</b>	12 months to 30 September 2016
	Note	<b>£000</b>	£000
<b>Revenue</b>	1	<b>56,410</b>	30,057
Other operating charges	2	<b>(40,091)</b>	(21,343)
Donation to Nominet Trust		-	(5,400)
Public Benefit Initiatives		<b>(573)</b>	(738)
<b>Total operating charges</b>		<b>(40,664)</b>	(27,481)
<b>Operating profit before donation to Nominet Trust and Public Benefit Initiatives</b>		<b>16,319</b>	8,714
Operating profit		<b>15,746</b>	2,576
Income from available for sale investments	11	<b>3,019</b>	1,317
Finance income	4	<b>47</b>	96
Profit on disposal of available for sale investments	11	<b>3,097</b>	499
<b>Profit before taxation</b>		<b>21,909</b>	4,488
Taxation	5	<b>(2,826)</b>	(43)
<b>Profit for the period</b>		<b>19,083</b>	4,445

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Profit for the period</b>		<b>19,083</b>	4,445
<b>Other comprehensive income</b>			
<b>- Items that may subsequently be reclassified to income statement</b>			
Fair value gains on available for sale investments net of associated deferred tax		<b>4,490</b>	4,365
Release of fair value gains on available for sale investments net of associated deferred tax following disposal during the period		<b>(1,875)</b>	(1,313)
Exchange differences on retranslation of net assets of foreign currency operations		<b>10</b>	(58)
<b>Total comprehensive income for the period</b>		<b>21,708</b>	7,439

All amounts relate to continuing activities.

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2018	30 September 2016
	Note	£000	£000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant & equipment	8	7,698	7,171
Intangible assets	9	153	-
Advance land lease payment		1,564	1,581
Available for sale investments	11	95,802	64,775
Deferred tax asset	12	312	341
		105,529	73,868
<b>Current assets</b>			
Trade and other receivables	13	8,022	8,750
Corporation tax asset	15	-	954
Cash and cash equivalents		3,732	9,860
		11,754	19,564
<b>Total assets</b>		<b>117,283</b>	<b>93,432</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	3,901	4,801
Corporation tax liability	15	163	-
Deferred income	16	26,467	24,269
		30,531	29,070
<b>Non current liabilities</b>			
Trade and other payables	17	-	27
Deferred tax liability	12	1,333	1,020
Deferred income	16	11,084	10,688
		12,417	11,735
<b>Total liabilities</b>		<b>42,948</b>	<b>40,805</b>
<b>Net assets</b>		<b>74,335</b>	<b>52,627</b>
<b>EQUITY AND RESERVES</b>			
Retained earnings		64,429	45,336
Available for sale investments		9,906	7,291
<b>Total funds</b>		<b>74,335</b>	<b>52,627</b>

These financial statements were approved by the directors and authorised for issue on 19 June 2018, and are signed on their behalf by: **MARK WOOD** | Chair  
Company Registration Number: 03203859

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

# COMPANY STATEMENT OF FINANCIAL POSITION

		31 March 2018	30 September 2016
	Note	£000	£000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant & equipment	8	7,695	7,166
Intangible assets	9	153	-
Advance land lease payment		1,564	1,581
Available for sale investments	11	95,802	64,775
Deferred tax asset	12	312	341
		105,526	73,863
<b>Current assets</b>			
Trade and other receivables	13	8,017	8,743
Corporation tax asset	15	-	954
Cash and cash equivalents		3,722	9,843
		11,739	19,540
<b>Total assets</b>		<b>117,265</b>	<b>93,403</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	3,917	4,788
Corporation tax liability	15	163	-
Deferred income	16	26,467	24,269
		30,547	29,057
<b>Non current liabilities</b>			
Trade and other payables	17	-	27
Deferred tax liability	12	1,333	1,020
Deferred income	16	11,084	10,688
		12,417	11,735
<b>Total liabilities</b>		<b>42,964</b>	<b>40,792</b>
<b>Net assets</b>		<b>74,301</b>	<b>52,611</b>
<b>EQUITY AND RESERVES</b>			
Retained earnings		64,395	45,320
Available for sale investments		9,906	7,291
<b>Total funds</b>		<b>74,301</b>	<b>52,611</b>

These financial statements were approved by the directors and authorised for issue on 19 June 2018, and are signed on their behalf by: **MARK WOOD** | Chair  
Company Registration Number: 03203859

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

# CONSOLIDATED CASH FLOW STATEMENT

		18 months to 31 March 2018	12 months to 30 September 2016
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	20,228	8,215
Income taxes paid		(1,680)	(1,419)
Net cash generated by operating activities		18,548	6,796
<b>Cash flows from investing activities</b>			
Income received from available for sale investments		3,019	1,317
Interest received from cash and cash equivalents		47	96
Purchase of property, plant and equipment		(2,590)	(561)
Development costs		(153)	-
Acquisition of available for sale investments		(22,500)	(7,200)
Income re-invested in available for sale investments		(2,499)	(1,096)
Net cash used in investing activities		(24,676)	(7,444)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,128)</b>	<b>(648)</b>
Cash and cash equivalents at the beginning of the period		9,860	10,508
Cash and cash equivalents at the end of the period		3,732	9,860

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



# COMPANY CASH FLOW STATEMENT

		<b>18 months to 31 March 2018</b>	12 months to 30 September 2016
	Note	<b>£000</b>	£000
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	<b>20,226</b>	8,225
Income taxes paid		<b>(1,674)</b>	(1,419)
Net cash generated by operating activities		<b>18,552</b>	6,806
<b>Cash flows from investing activities</b>			
Income received from available for sale investments		<b>3,019</b>	1,317
Interest received from cash and cash equivalents		<b>47</b>	96
Purchase of property, plant and equipment		<b>(2,587)</b>	(555)
Development costs		<b>(153)</b>	-
Acquisition of available for sale investments		<b>(22,500)</b>	(7,200)
Income re-invested in available for sale investments		<b>(2,499)</b>	(1,096)
Net cash used in investing activities		<b>(24,673)</b>	(7,438)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,121)</b>	(632)
Cash and cash equivalents at the beginning of the period		<b>9,843</b>	10,475
Cash and cash equivalents at the end of the period		<b>3,722</b>	9,843

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

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

	18 month period to 31 March 2018			12 month period to 30 September 2016		
	Available for sale investments	Retained earnings	Total	Available for sale investments	Retained earnings	Total
	£000			£000		
<b>GROUP</b>						
Balance brought forward	7,291	45,336	52,627	4,239	40,949	45,188
Profit for the period	-	19,083	19,083	-	4,445	4,445
Fair value gains (losses) on available for sale investments net of associated deferred tax	4,490	-	4,490	4,365	-	4,365
Release of fair value gains on available for sale investments net of associated tax following disposal during the period	(1,875)	-	(1,875)	(1,313)	-	(1,313)
Exchange differences on retranslation of net assets of foreign currency operations	-	10	10	-	(58)	(58)
	9,906	64,429	74,335	7,291	45,336	52,627
<b>COMPANY</b>						
Balance brought forward	7,291	45,320	52,611	4,239	40,972	45,211
Profit for the period	-	19,075	19,075	-	4,348	4,348
Fair value gains (losses) on available for sale investments net of associated deferred tax	4,490	-	4,490	4,365	-	4,365
Release of fair value gains on available for sale investments net of associated tax following disposal during the period	(1,875)	-	(1,875)	(1,313)	-	(1,313)
	9,906	64,395	74,301	7,291	45,320	52,611

Nominet UK's constitution does not allow any profit to be distributed to members. Instead, funds are retained to develop on-going operations, future investments and to support Public Benefit initiatives.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REVENUE

The revenue and profit before tax are attributable to the one principal activity of the Group.

An analysis of revenue, based on the geographical location of the registrars and other customers, is given below:

	<b>18 months to 31 March 2018</b>	12 months to 30 September 2016
	<b>£000</b>	£000
United Kingdom	<b>32,683</b>	18,018
Overseas	<b>23,727</b>	12,039
	<b>56,410</b>	30,057

## 2. OTHER OPERATING CHARGES

<b>Staff and other personnel costs</b>	<b>20,500</b>	11,953
Technical systems and infrastructure	<b>6,674</b>	3,141
Other administrative	<b>5,384</b>	2,313
Depreciation of owned property, plant & equipment	<b>2,061</b>	1,180
Depreciation of non-current asset	<b>17</b>	-
Loss on disposal of owned property, plant & equipment	<b>2</b>	-
Operations	<b>1,009</b>	448
Facilities	<b>1,366</b>	838
Communications and marketing	<b>3,078</b>	1,470
	<b>40,091</b>	21,343

## 3. OPERATING PROFIT

Operating profit is stated after charging:

Depreciation of owned property, plant & equipment	<b>2,061</b>	1,180
Depreciation of non-current asset	<b>17</b>	-
Loss on disposal of owned property, plant & equipment	<b>2</b>	-
Auditor's remuneration:		
Audit fees – Company and Group	<b>28</b>	26
Non-audit fees – taxation services	<b>11</b>	15
Operating lease costs:		
Equipment	<b>43</b>	24
Buildings	<b>168</b>	-

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



#### 4. FINANCE INCOME

	18 months to 31 March 2018	12 months to 30 September 2016
	£000	£000
Bank interest receivable	47	96

#### 5. TAXATION EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Nominet UK at 19.33% (2016: 20%) and the reported tax expense in profit or loss are as follows:

Profit before tax	21,909	4,488
Domestic tax rate for Nominet UK	19.33%	20%
Expected tax expense	4,235	898
Adjustment for:		
Non-deductible expenses	6	9
Chargeable gains	1,120	555
Tax exempt income	(1,661)	(674)
Research and development enhancement	(747)	(407)
Other differences	3	(8)
Tax credits	1	-
Adjustment to tax charge in respect of previous periods	(45)	(413)
Fixed asset differences	39	23
Adjust closing deferred tax to average rate of 17%	(125)	60
<b>Actual tax expense</b>	<b>2,826</b>	<b>43</b>

Tax expense comprises:		
Current tax expense	2,842	389
Adjustment to tax charge in respect of previous periods	(45)	(413)
	<b>2,797</b>	<b>(24)</b>
Deferred tax expense:		
Origination and reversal of temporary differences	29	67
<b>Tax expense</b>	<b>2,826</b>	<b>43</b>
Deferred tax expense, recognised directly in other comprehensive income	316	277

Note 12 provides information on deferred tax assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Group during the financial period amounted to:

	<b>18 months to 31 March 2018</b>	12 months to 30 September 2016
	<b>No.</b>	No.
Operations	<b>126</b>	106
Office	<b>27</b>	34
Management	<b>13</b>	12
	<b>166</b>	152

The aggregate payroll costs of the above were:

	<b>£000</b>	£000
Wages and salaries	<b>15,773</b>	9,460
Social security costs	<b>1,844</b>	1,094
Other pension costs	<b>594</b>	378
	<b>18,211</b>	10,932

## 7. DIRECTORS

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

Emoluments receivable	<b>2,105</b>	1,264
Pension contributions to defined contribution pension schemes	<b>37</b>	56
	<b>2,142</b>	1,320

Emoluments of highest paid director:

Emoluments receivable excluding pension contributions	<b>692</b>	389
Company pension contributions to defined contribution pension schemes	<b>16</b>	20
	<b>708</b>	409



The previous summary is expanded in the following table:

	Salary/fees	Bonus	Pension	Other costs and benefits*	18 months to 31 March 2018	12 months to 30 September 2016
	£000					
Mark Wood	77	-	-	1	78	-
Irene Fritchie	58	-	-	-	58	100
Richard Armour	51	-	-	2	53	31
Denesh Bhabuta	18	-	-	-	18	31
Eleanor Bradley	279	177	17	18	491	293
Volker Greimann	51	-	-	-	51	13
Russell Haworth	383	306	-	19	708	409
Simon McCalla	270	158	20	51	499	324
Stephen Page	16	-	-	-	16	-
Andrew Pinder	21	-	-	-	21	33
Kelly Salter	32	-	-	-	32	-
David Thornton	51	-	-	-	51	31
Jane Tozer	65	-	-	1	66	34
Piers White	-	-	-	-	-	21
<b>18 months to 31 March 2018</b>	<b>1,372</b>	<b>641</b>	<b>37</b>	<b>92</b>	<b>2,142</b>	
12 months to 30 September 2016	844	339	56	81		1,320

\* Other costs and benefits consist of private health insurance, company car allowances, sales commission payments and other one-off payments.



# NOTES TO THE FINANCIAL STATEMENTS

## 8. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold buildings	Computers	Fixtures, fittings and equipment	Total
	£000			
<b>Cost</b>				
At 1 October 2016	6,771	11,424	2,851	21,046
Additions	-	2,282	308	2,590
Disposals	-	(1,998)	-	(1,998)
<b>At 31 March 2018</b>	<b>6,771</b>	<b>11,708</b>	<b>3,159</b>	<b>21,638</b>
<b>Depreciation</b>				
At 1 October 2016	1,234	10,437	2,204	13,875
Charge for the 18 month period	203	1,430	428	2,061
Disposals	-	(1,996)	-	(1,996)
<b>At 31 March 2018</b>	<b>1,437</b>	<b>9,871</b>	<b>2,632</b>	<b>13,940</b>
<b>Net book value</b>				
At 31 March 2018	<b>5,334</b>	<b>1,837</b>	<b>527</b>	<b>7,698</b>
At 30 September 2016	5,537	987	647	7,171

The Oxford office is built on land owned by Magdalen College and leased by the Company over 150 years. The advance land lease payment is reflected as a non current asset.



## 8. PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Leasehold buildings	Computers	Fixtures, fittings and equipment	Total
	£000			
<b>Cost</b>				
At 1 October 2016	6,771	11,419	2,850	21,040
Additions	-	2,279	308	2,587
Disposals	-	(1,995)	-	(1,995)
<b>At 31 March 2018</b>	<b>6,771</b>	<b>11,703</b>	<b>3,158</b>	<b>21,632</b>
<b>Depreciation</b>				
At 1 October 2016	1,234	10,436	2,204	13,874
Charge for the 18 month period	203	1,428	427	2,058
Disposals	-	(1,995)	-	(1,995)
<b>At 31 March 2018</b>	<b>1,437</b>	<b>9,869</b>	<b>2,631</b>	<b>13,937</b>
<b>Net book value</b>				
At 31 March 2018	<b>5,334</b>	<b>1,834</b>	<b>527</b>	<b>7,695</b>
At 30 September 2016	5,537	983	646	7,166

The Oxford office is built on land owned by Magdalen College and leased by the Company over 150 years. The advance land lease payment is reflected as a non current asset.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. INTANGIBLE FIXED ASSETS - GROUP AND COMPANY

	Development costs	Total
	£000	
<b>Cost</b>		
At 1 October 2016	579	579
Additions	153	153
Disposals	-	-
<b>At 31 March 2018</b>	<b>732</b>	<b>732</b>
<b>Amortisation and impairment</b>		
At 1 October 2016	579	579
Charge for the 18 month period	-	-
Impairment	-	-
<b>At 31 March 2018</b>	<b>579</b>	<b>579</b>
<b>Net book value</b>		
At 31 March 2018	<b>153</b>	<b>153</b>
At 30 September 2016	-	-

Intangible assets relate to development costs associated with the generic top level domains project and development costs associated with new business product development. The carrying value of the development costs associated with the generic top level domains project 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 these costs.

Each development project must be reviewed at the end of each year to ensure criteria for recognition are still met.



## 10. GROUP ENTITIES

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 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. For the 18 month period ended 31 March 2018, Nominet Registrar Services Limited (Company number 08158704) has taken the entitled exemption from audit under section 479A of the Companies Act 2006. Nominet UK has therefore given a guarantee under section 479C of the Companies Act 2006.

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 thousand \$0.001 shares were issued to Nominet UK.

Nominet Limited and Nominet Registrar Services Limited are incorporated in the UK. Nominet US Inc. is incorporated in the USA.

## 11. AVAILABLE FOR SALE INVESTMENTS - GROUP AND COMPANY

	<b>31 March 2018</b>	30 September 2016
	<b>£000</b>	£000
At beginning of period	<b>64,775</b>	52,653
Additions	<b>22,500</b>	7,200
Re-invested gains on disposal of available for sale investments	<b>3,097</b>	499
Re-invested income	<b>3,019</b>	1,317
Management charges and foreign exchange movements	<b>(520)</b>	(221)
Movement in unrealised gain/(loss)	<b>2,931</b>	3,327
<b>At end of period</b>	<b>95,802</b>	64,775

# NOTES TO THE FINANCIAL STATEMENTS

## 12. DEFERRED TAX ASSET AND LIABILITY - GROUP AND COMPANY

	31 March 2018	30 September 2016
	£000	£000
Deferred tax asset	312	341
Deferred tax liability	1,333	1,020

**DEFERRED TAX ASSET** The movement in the deferred tax asset balance during the period was:

Balance brought forward	341	408
Profit or loss account movement arising during the period (note 5)	(29)	(67)
<b>Balance carried forward</b>	<b>312</b>	<b>341</b>

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

Excess of taxation allowances over depreciation	308	299
Other short term timing differences	4	42
<b>Balance carried forward</b>	<b>312</b>	<b>341</b>

**DEFERRED TAX LIABILITY** The movement in the deferred tax liability balance during the period was:

Balance brought forward	1,020	743
Statement of comprehensive income movement arising during the period	313	277
<b>Balance carried forward</b>	<b>1,333</b>	<b>1,020</b>

The deferred tax liability is on unrealised gains on available for sale investments.

### 13. CURRENT TRADE AND OTHER RECEIVABLES

	31 March 2018	30 September 2016
	£000	£000
<b>GROUP</b>		
Trade receivables	2,132	4,204
Accrued income	3,527	2,919
Other receivables	49	8
Financial assets	5,708	7,131
Prepayments	2,314	1,619
Non financial assets	2,314	1,619
Trade and other receivables	8,022	8,750
<b>COMPANY</b>		
Trade receivables	2,132	4,204
Accrued income	3,527	2,919
Other receivables	48	1
Financial assets	5,707	7,124
Prepayments	2,310	1,619
Non financial assets	2,310	1,619
Trade and other receivables	8,017	8,743

All amounts are short term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

All of the Group's and Company's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses has been recorded within other expenses of £11k (12 month period to 2016: £20k).

# NOTES TO THE FINANCIAL STATEMENTS

## 14. CURRENT TRADE AND OTHER PAYABLES

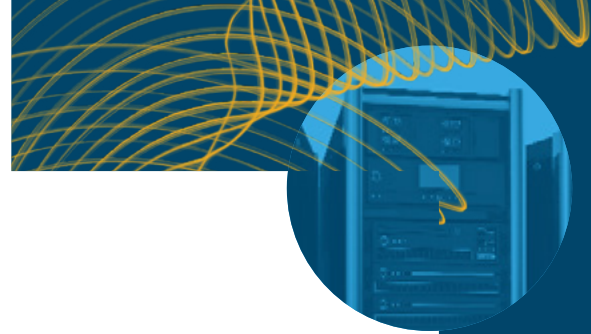
	<b>31 March 2018</b>	30 September 2016
	<b>£000</b>	£000
<b>GROUP</b>		
Trade payables	<b>528</b>	427
Other creditors	<b>342</b>	417
Accruals	<b>2,534</b>	2,739
Financial liabilities	<b>3,404</b>	3,583
Other taxation and social security	<b>497</b>	1,218
Non financial liabilities	<b>497</b>	1,218
Trade and other payables	<b>3,901</b>	4,801
<b>COMPANY</b>		
Trade payables	<b>528</b>	426
Other creditors	<b>342</b>	416
Accruals	<b>2,479</b>	2,687
Amounts owed to Group undertakings	<b>71</b>	41
Financial liabilities	<b>3,420</b>	3,570
Other taxation and social security	<b>497</b>	1,218
Non financial liabilities	<b>497</b>	1,218
Trade and other payables	<b>3,917</b>	4,788

All amounts are short term. The net carrying value of trade and other payables is considered a reasonable approximation of fair value.

## 15. CORPORATION TAX - GROUP AND COMPANY

	<b>31 March 2018</b>	30 September 2016
	<b>£000</b>	£000
Corporation tax asset	-	954
Corporation tax liability	<b>163</b>	-





## 16. DEFERRED INCOME - GROUP AND COMPANY

	<b>31 March 2018</b>	30 September 2016
	<b>£000</b>	£000
Current deferred income	<b>26,467</b>	24,269
Non current deferred income	<b>11,084</b>	10,688
	<b>37,551</b>	34,957

Deferred income consists of registration and renewal fees that relate to future accounting periods.

## 17. NON CURRENT TRADE AND OTHER PAYABLES - GROUP AND COMPANY

	<b>31 March 2018</b>	30 September 2016
	<b>£000</b>	£000
Accruals	<b>-</b>	27

## 18. OBLIGATIONS UNDER OPERATING LEASES - GROUP AND COMPANY

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

	<b>31 March 2018</b>	30 September 2016
	<b>£000</b>	£000
Within one year	<b>133</b>	15
In the second to fifth years inclusive	<b>74</b>	-
	<b>207</b>	15

# NOTES TO THE FINANCIAL STATEMENTS

## 19. 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 31 March 2018	Income to Nominet UK 18 month period to 31 March 2018	Purchases by Nominet UK 18 month period to 31 March 2018
£000			
Baroness Irene Fritchie DBE	-	-	2
Richard Armour (Freeparking Domain Registrars Inc)	(9)	179	-
David Thornton	10	13	-
Volker Greimann (Key Systems GmbH)	(32)	487	-
	(31)	679	2

	Due/(Owed) to Nominet UK at 30 September 2016	Income to Nominet UK 12 month period to 30 September 2016	Purchases by Nominet UK 12 month period to 30 September 2016
£000			
Baroness Irene Fritchie DBE	-	-	4
Denesh Bhabuta (Meidan Ventures Ltd)	-	1	-
Richard Armour (Fibranet Services Ltd)	-	38	-
Richard Armour (Freeparking Domain Registrars Inc)	(10)	73	-
David Thornton	-	2	-
Volker Greimann (Key Systems GmbH)	(21)	332	-
	(31)	446	4

Other than David Thornton, whose purchases are shown in the table above, the other directors personally made purchases from Nominet in the 18 month period. The total amount invoiced per director was less than £750 (12 month period to 30 September 2016: £750).

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

## KEY MANAGEMENT PERSONNEL

In our opinion, the key management personnel are the same as the directors whose emoluments are listed in note 7. The social security costs payable on their emoluments during the 18 month period to 31 March 2018 was £269k (12 month period to 30 September 2016: £174k).



## 20. NOTES TO THE CASH FLOW STATEMENT

	18 months to 31 March 2018	12 months to 30 September 2016
<b>GROUP</b>	<b>£000</b>	<b>£000</b>
Operating profit	<b>15,746</b>	2,576
Adjusted for:		
Depreciation of property, plant & equipment	<b>2,061</b>	1,180
Depreciation of non-current asset	<b>17</b>	-
(Increase)/decrease in trade and other receivables	<b>728</b>	(2,457)
Increase/(decrease) in trade and other payables	<b>1,664</b>	6,977
(Gain)/loss on foreign exchange	<b>-</b>	(61)
Exchange differences on retranslation of net assets of foreign currency operations	<b>10</b>	-
Loss/(profit) on disposal of property, plant and equipment	<b>2</b>	-
Cash generated from operations	<b>20,228</b>	8,215

<b>COMPANY</b>	<b>£000</b>	<b>£000</b>
Operating profit	<b>15,732</b>	2,478
Adjusted for:		
Depreciation of property, plant & equipment	<b>2,058</b>	1,179
Depreciation of non-current asset	<b>17</b>	-
(Increase)/decrease in trade and other receivables	<b>726</b>	(1,966)
Increase/(decrease) in trade and other payables	<b>1,693</b>	6,651
(Gain)/loss on foreign exchange	<b>-</b>	(117)
Cash generated from operations	<b>20,226</b>	8,225

Group and Company operating profit for the 18 month period to 31 March 2018 is stated after a donation to the Nominet Trust of £nil (12 month period to 30 September 2016: £5.4m).

## 21. COMPANY LIMITED BY GUARANTEE

The Company is limited by guarantee and each member's liability will not exceed £10. The number of members at 31 March 2018 was 2,467 (30 September 2016: 2,515).

# NOTES TO THE FINANCIAL STATEMENTS

## **22. FINANCIAL INSTRUMENTS RISK**

The Group's policy is to fund its operations through the use of retained earnings and equity and then place surplus cash into available for sale investments and deposits. Given the level of cash and available for sale investments the Group does not bear any significant liquidity risk.

The main risks associated with the Group's financial instruments relate to changes in market conditions for available for sale investments, changes in interest rate risk and to credit risk. The policies for managing these risks are kept under review by the Board.

### **a) Market conditions relating to the available for sale investments**

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 Limited, in matters of compliance with the strategy, service provision and value for money.

Sensitivity Analysis - All the available for sale investments are quoted in active markets, and are sensitive to fluctuations in market value. If the average value of the available for sale investments were to change by 5%, the effect on total comprehensive income would be £4.8m (30 September 2016: £3.2m).

### **b) Interest rate profile of financial assets**

The Investment Committee sets and reviews treasury policy, including monitoring the distribution of the Group's cash balances. Deposits are placed only after due consideration of the current credit-worthiness of the counterparty.

### **c) Credit risk**

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Credit risk of new customers is assessed before entering into contracts. At 31 March 2018, 93% of trade receivables related to current month debt (30 September 2016: 98% current month debt).

### **d) Financial liabilities**

As of 31 March 2018 the Group had no financial liabilities other than those of a trading nature.

### **e) Fair value measurement of financial assets and liabilities**

Available for sale investments are recorded at each balance sheet date at market value, with the value for each individual holding obtained from quoted prices in active markets for identical assets. A provision is made for the associated deferred tax liability on any unrealised gains.

### **f) Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from sales or purchases by the Group in currencies other than the companies' operating (or 'functional') currency, and from the conversion into sterling of results of the subsidiary, Nominet US Inc. The Group has not taken out hedges as the exposure to foreign currencies at any one time is not significant.



## 23. FINANCIAL INSTRUMENTS

### Categories of financial assets and financial liabilities

The accounting policies provide a description of each category of financial asset and financial liability and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Group 31 March 2018	Group 30 September 2016	Company 31 March 2018	Company 30 September 2016
	£000			
<b>Financial assets</b>				
Classified as loans and receivables:				
Trade and other receivables	5,708	7,131	5,707	7,124
Cash and cash equivalents	3,732	9,860	3,722	9,843
Classified as available for sale:				
Available for sale investments	95,802	64,775	95,802	64,775
	105,242	81,766	105,231	81,742
<b>Financial liabilities</b>				
Classified as financial liabilities held at amortised cost:				
Trade and other payables	3,404	3,583	3,420	3,570

### Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three specific levels of a fair value hierarchy which are defined based on the observability of significant inputs to the fair value measurements undertaken, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

All of the available for sale investments fall into the Level 1 category.

# NOTES TO THE FINANCIAL STATEMENTS

## **24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

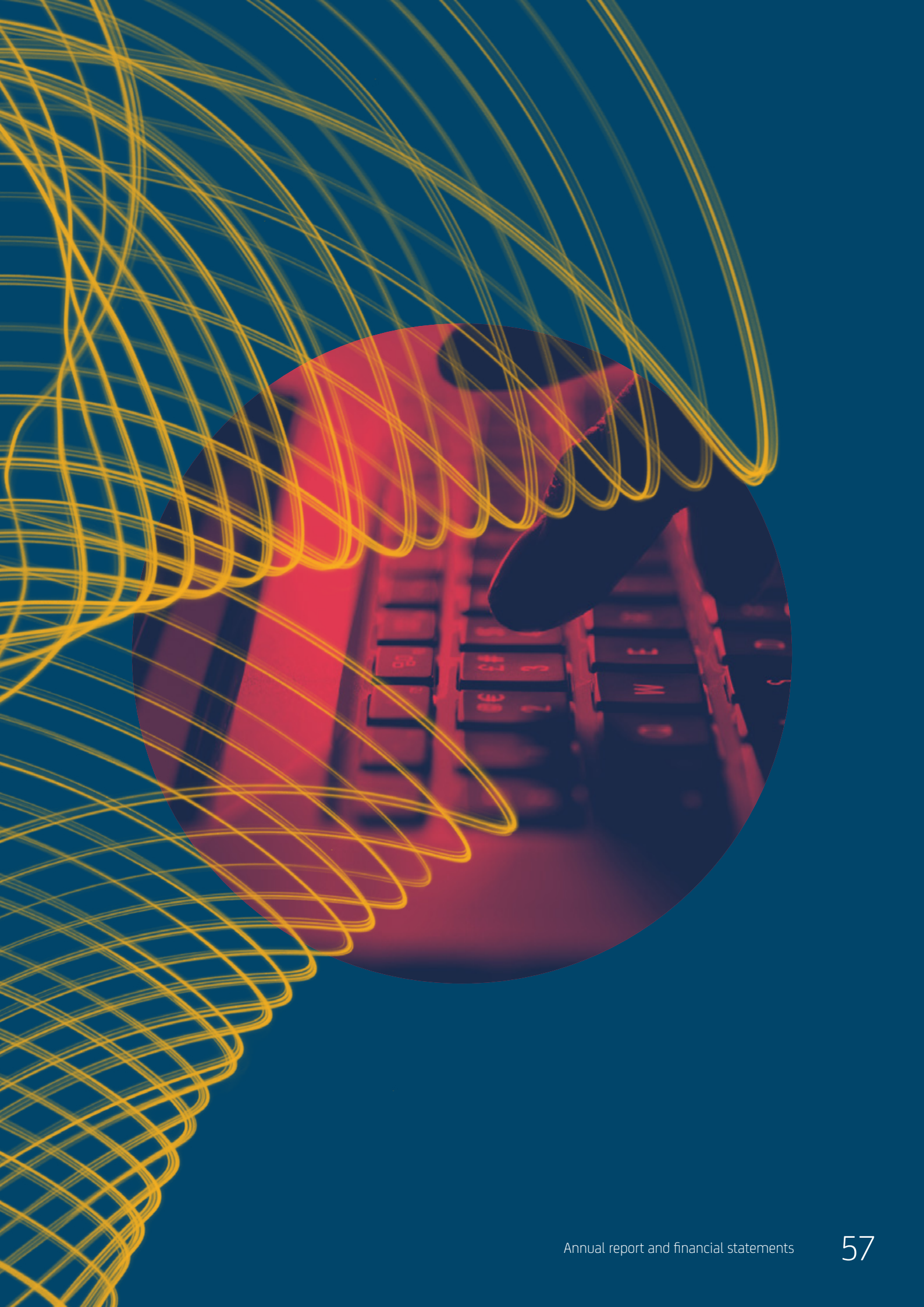
Nominet UK's constitution does not allow any profit to be distributed to members. The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to retain sufficient funds to ensure the continuation of the on-going operations and future investments. The Group has no borrowings.

## **25. CAPITAL COMMITMENTS**

At 31 March 2018 the Group and Company had capital commitments of £49,000 (30 September 2016: £103,000) relating to capital expenditure contracted but not provided for in the financial statements.

## **26. CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 March 2018 or at 30 September 2016.







# NOMINET



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