ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021

Nominet UK Company Limited by Guarantee

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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	Andrew Green CBE – Chair (appointed 21 July 2021) Eva Lindqvist (appointed 21 July 2021) Robert Binns Dr. Stephen Page Rory Kelly Adam Leach James Bladel Philip Buckingham Anne Taylor David Thornton
Company Secretary	Rory Kelly
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 One Kingsway LONDON WC2B 6AN
Independent auditors	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Seacourt Tower Botley OXFORD OX2 0JJ

CHAIR'S STATEMENT

Fellow Nominet Members,

When I was appointed as Chair of Nominet on 21st July I wrote to you about what I hoped to achieve at Nominet and specifically about a series of strategic reviews that the Board had agreed to undertake. I want to use this forward-looking Chair's Statement to report back to you on progress on these reviews.

Before I start it is important to understand that this is very much an interim report. Many things will evolve. We are only at the start of our interactions with the UK Registry Advisory Council and are now recruiting a new CEO who will bring valuable new insights. Nevertheless, following many interactions with members, ongoing feedback from the Listening Process, and with the support of the Nominet team, the Board is in a position to take a number of decisions and commitments to shape the future direction of Nominet.

Purpose and Operating Principles

We must be clear about the fundamentals of our organisation, our focus and what will guide our decision-making as a public benefit company. As we move forward, we have adopted the following interim vision:-

'To be a force for good in the UK digital economy and the global internet community, with the .UK registry at the centre of our work, delivering services that make our world more connected, inclusive and secure.'

And the following interim mission:-

'To provide a world class .UK namespace that the UK can rely on; operate Critical National Infrastructure that is safe, secure and resilient; and protect public services from cyber threat.'

We have also set out interim Operating Principles that will guide our work as we move forward. They are listed out in the table opposite.

As a suite, they will ensure the company is focused on delivering a positive contribution to the wider world.

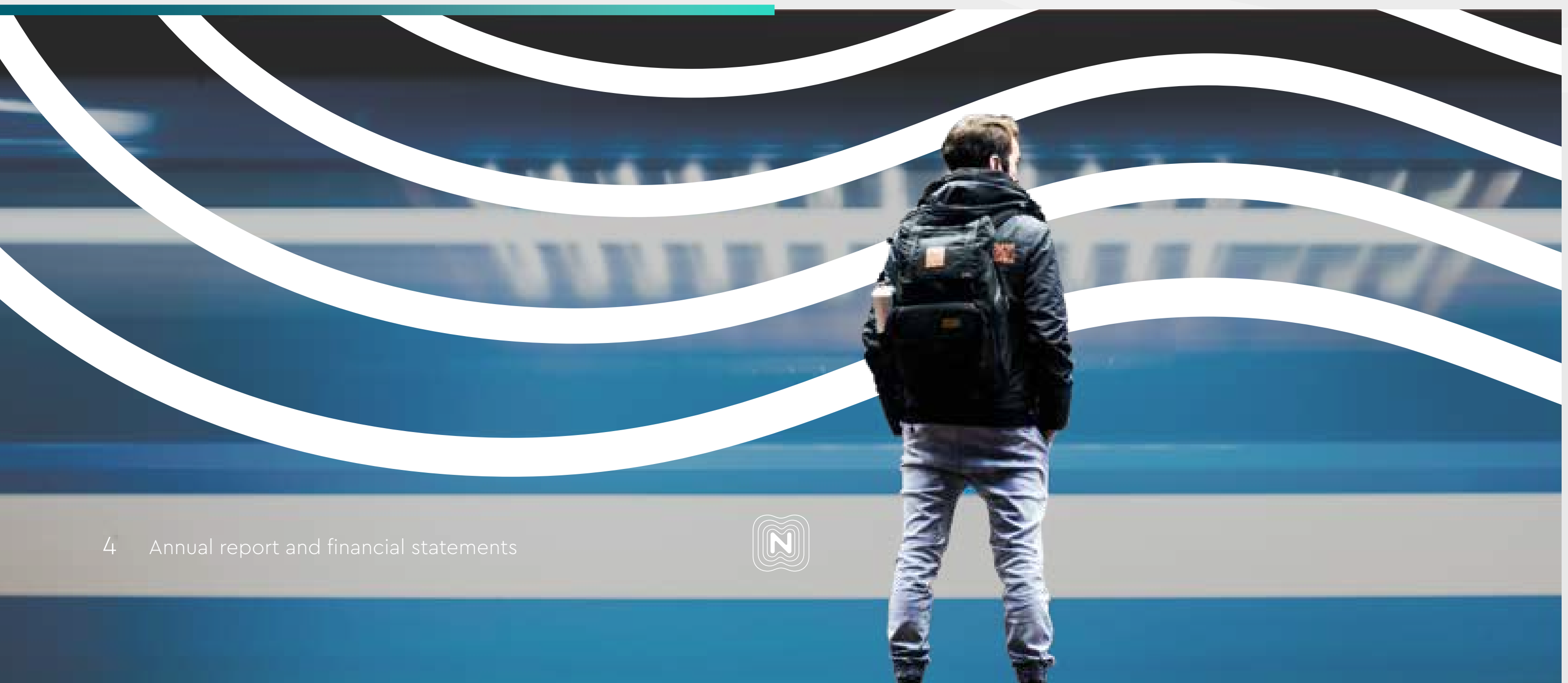
Purpose is placed above profit.

We are committed to running an efficient company, without compromising our ability to run critical infrastructure and deliver a service of the highest quality. And we are committed to a more open and collaborative relationship with members. In all of these matters, we have reviewed what we do, identified where we can do better, and committed to necessary corrective action.

When appointed, a new CEO will lead a more fulsome exercise on the vision, mission and the operating principles to ensure that they are appropriate and give the organisation, members and customers a shared understanding of purpose related matters. In the meantime, I welcome members' views on these important building blocks for the new Nominet. Please do share your views on the vision, mission and operating principles with us.

Interim Operating Principles

Purpose	As a public benefit company we are driven by making our world more connected, inclusive and secure. We will only commit resources to activities that further our purpose.
Aims	We are here to contribute to the digital economy. We want to evolve and grow to ensure we offer world-class services and stay competitive, but our aim is not to maximise the revenues or profits of the .UK registry.
Responsibility	We are committed to running the .UK registry in the public interest, considering our members, customers, Government stakeholders and those who rely on our services.
Transparency	We will be open and honest with members, sharing the information they need to play their part in the governance of the organisation. We will present members with a clear rationale for key decisions.
Operating model	We aim to run an efficient business, managing costs but generating a surplus that is invested back into developing or improving our service provision or public benefit activities that further our purpose.
Quality	We aim to provide excellent services to all our customers. We will ensure .UK is and remains a flagship and responsible registry; being proactive to ensure it is trusted, reliable and safe.
Pricing	We will offer a world class service, while ensuring we run efficiently so our prices will remain competitive and accessible to all.
Fairness	The size of your domain business will not be a barrier to participation in activities to register or promote .UK domains. Published wholesale prices will be transparent and accessible to all members on equitable terms.
Innovation	We will seek ways to improve the services we deliver, so that we can continue to meet stakeholder expectations. Future new business areas will be discussed with members.
Remuneration	Our purpose, KPIs and rewards will align. We aim to attract and retain the talent we need at reasonable cost.
Diversity	We value diversity and inclusiveness in our workforce, leadership and Board and will seek to increase ways to hear different perspectives.
Conduct	Everyone will be treated with courtesy and respect at all times.
Environment	We are carbon neutral and will continue to work to reduce the impact of our business on the environment.
Risk	The Board will take a responsible approach to risk – setting appropriate levels that will foster development and innovation.



Public Benefit

Nominet exists for the Public Benefit. Public Benefit is not just about our contributions to good causes. Our services, not least our infrastructure supporting millions of organisations, form a large part of the positive contribution we make to the wider world. In addition to our core operations, we look to contribute in four ways:

- **Working with our Members to deliver Public Benefit**
- **Supporting the Digital Economy**
- **Contributing to the Internet Community**
- **Measurable Social Impact**

PUBLIC BENEFIT COMPANY

CONNECTED | INCLUSIVE | SECURE

Operating in the public interest underpins all our activities

TRUSTED .UK REGISTRY

Relied on by millions of businesses

Resolving disputes and tackling online crime

CRITICAL NATIONAL INFRASTRUCTURE OPERATOR

Safe, secure, resilient infrastructure

Underpins .UK Registry and Government services

PROTECTING PUBLIC SERVICES

900+ Government organisations (6m users)

Critical part of NCSC's Active Cyber Defence programme

WORKING WITH OUR MEMBERS TO DELIVER PUBLIC BENEFIT

Working on the issues and with the charities aligned to Nominet's purpose that our members care about

Members GiveHub

SUPPORTING THE DIGITAL ECONOMY

Ensuring everyone has the skills needed to be part of a society that is digital by default

Contributing to sector and building a workplace that values diversity

CONTRIBUTING TO THE INTERNET COMMUNITY

Working with our stakeholders in the UK and internationally

Stepping up and playing our part in the relevant technical and policy fora

Supporting standards development

Playing our part to ensure the internet is safe and secure

MEASURABLE SOCIAL IMPACT

Our One Million Lives programme to help a million young people a year tackles the challenges of growing up in a complex digital world

This covers access to essential digital services, digital access, digital skills and careers, internet safety for all and protection from online harms

Your Board are committed over the next three years to spending c£5m per annum on public benefit activities from our operating surplus.

Why this amount? We have heard members' concerns about the decline in Public Benefit spending. This commitment restores funding to the higher levels of previous years. And we are confident that we can spend this amount and more wisely in support of projects that help society, the digital economy and ensure we play our part in the internet community.

In recognition of the increased public benefit spend, we will establish a new Public Benefit Board sub-committee including both elected and appointed non-executive directors with input from experienced external advisors.

Reserves

Nominet has built up substantial reserves over the last seven years, in part to fund an acquisition strategy that is no longer in play. Some of that has come from contributions from operations but c£50m is as a result of a very successful investment strategy that has been overseen by the Investment Committee of the Board. However, reserves currently stand at over £110m[1] – a level that is too high for a company driven by a commitment to public benefit.

Your Board intends to reduce the reserves to c£50m over the next three years.

Why this level? This is a first step, reducing our reserves significantly but prudently. Our initial work indicates that this level will insulate customers from any sudden impact from volume changes, give confidence to Public Benefit partners, and ensure that we are able to take all reasonable steps to protect the Critical National Infrastructure that we are responsible for from emerging threats and technological change.

Deciding what to do with over £60m of surplus reserves to ensure we maximize the impact we have is a significant responsibility. More than £10m of it is needed to finish important network and systems modernisation work to ensure that Nominet's core registry service remains world class and secure against increasing cyber security threats.

We have already committed to spend £25m on new Public Benefit activity and will add up to a further £25m from reserves (recognising that market conditions will affect the final amount), making a total of c£50m over the next 3 years. This spend is in addition to the £5m from operating surplus that the Board committed to above.

We have more work to do to decide at how best to utilise for the public benefit the additional reserve funds and will keep members informed as we progress. As noted above, given the increased amounts involved we will be strengthening governance around this area to ensure we continue to spend public benefit money effectively.

Cost Efficiency and Pricing

Your Board are committed to running Nominet efficiently and to fair pricing.

I am pleased to see so many members taking part in this year's promotions which are an important way to keep .UK attractive and competitive.

Nominet's core technology and operating systems require investment over the coming years, not least to reduce manual activities which reduce quality and increase costs. As explained above, some of the surplus reserves will be invested in this area which will reduce the long-term cost base. After this period of investment, the resulting efficiencies should help to protect customers from price increases or allow reductions, assuming business volumes and cyber threats are at expected levels and inflation does not increase significantly.

At today's cost base and having committed to c£5m per annum Public Benefit spend, Nominet is forecast to generate modest surpluses over the next few years. Your Board considered an immediate price reduction but, given the uncertainty of the current economic climate and inflationary pressures, concluded that a commitment to continue to freeze prices to the end of calendar year 2023 was a more prudent approach. Pricing will be reassessed at the end of this period.

Your Board will freeze the annual wholesale price of a domain until at least 2024.

Non .UK services

We have made some progress with reviewing non .UK services.

Going forward your Board is committed to ensuring that all non .UK services contribute to reducing the overall cost of running the core registry.

Any non .UK services will be strictly run to ensure reasonable paybacks; that they have a high chance of reducing the overall cost of running the core registry; and they fit with our vision and purpose.

While none is planned, in future members will be given clear visibility of any major new proposed diversification.

Turning to each of our current non .UK businesses in turn:

CyGlass

Your Board has decided not to continue with the strategy of building a portfolio of complementary cyber businesses and has therefore started a process to sell CyGlass.

Why? The strategy clearly does not have the support of members, is furthest away from the registry business and would have needed very significant financial resources to complete.

The pandemic has slowed business development, although a strong pipeline now exists. Nominet's first six monthly accounts will be published in December. In those you will see that the losses – which are expected in a start up business – are approximately £2.2m for the period, this is at a similar run rate to the funding required for CyGlass in FY21.

The sale process is complex and, as is normal, uncertain. An accounting judgement has been made for the FY21 accounts reducing the carrying value of CyGlass, noted below in the statement from the Acting Chair. When the sale

[1] Subject to market volatility

CHAIR'S STATEMENT (CONTINUED)

process has concluded, we will give an estimate of the total financial impact on Nominet.

Nominet's Cyber Services

Your Board is committed to the Nominet Protective Domain Name Service (PDNS) and supports a plan to make the business profitable in FY24.

Why? Nominet's cyber services use DNS technology to protect vital public services. Over 900 public sector organisations and 1000 Health and Social Care organisations benefit from the protective PDNS service we provide for the National Cyber Security Centre (NCSC). In response to the Covid-19 pandemic, the service was extended to prevent disruption to NHS and private sector organisations deemed critical to vaccine production and distribution.

PDNS is an innovation jointly developed with the NCSC. NCSC and the department responsible for our regulation (DCMS) have stated that they view PDNS as Critical National Infrastructure alongside our core registry service.

PDNS has demonstrated its efficacy during high profile cyber-attacks. Current customers include the UK and Australian Governments. Nominet also provides key DNS services to the UK Public Services Network (PSN). The services we provide are valued by our customers and enable us to retain a high level of cyber expertise that also supports the core registry.

Individual contracts contribute positively but continuing development costs are not being covered. In the six-monthly accounts in December, you will see that losses for the period were approximately £1m. A clear opportunity exists to make a significant contribution to Nominet as the business grows.

Your Board intends that the total further costs incurred before break-even (including this financial year) will not exceed £5m.

There is risk in achieving this plan, but this must be set against the significant financial and reputational costs of trying to exit contracts early.

Registry Services business

Your Board intends to continue with the Registry Services business.

Why? This relatively small business contributes positively to Nominet's overheads and helps keep the team abreast of developments in the global registry space. There are a number of interesting development opportunities as the TLD environment evolves.

Remuneration Policy

On my appointment, I spoke to you about the need for Nominet to have a strong team, at a reasonable cost.

Nominet is an important part of the Critical National Infrastructure. The businesses of registrants, and many public services depend on Nominet running smoothly 100% of the time. It has complex global networks and systems and a very varied group of stakeholders.

We need to attract a CEO who can inspire the confidence of members and employees and has strong operational capability. We will need someone happy to put purpose above profit and revenue growth but nevertheless with the experience to manage an important business undergoing a significant technical transformation.

The steps we have taken will ensure the package received by an incoming CEO will be significantly less than in prior years. We have also removed the Long-Term Incentive scheme, a mis-step that the Board has corrected. For the record, my own remuneration at £90k pa is lower than the preceding Chair's.

Under the CEO, we need to attract and retain skilled technical and operational teams. With the recruitment of Eva Lindqvist as Chair of the Remuneration Committee we have someone with the experience to steer remuneration going forward, ensuring it reflects our focus on our role supporting a thriving digital economy.

Eva's work has included reviewing the salary levels, which moving forward will use membership organisations and similar sized tech companies as its benchmark.

Alongside the annual report, we have published our first ever Remuneration Policy Statement.

Your Board, led by Remuneration Committee Chair Eva Lindqvist will publish annually a Remuneration Policy Statement and also a Remuneration Report that clearly sets out how the policy has been implemented in that year.

This will include the normal disclosures on pay, bonus, any other rewards and the targets used to assess performance.

Member Engagement and Transparency

I hope that in reading this short Chair's statement and our other communications you can begin to see us respond to members' demand for greater transparency and explanation of the Nominet Board's decisions.

Your Board is committed to sharing information and sharing the rationale for key strategy decisions with members so that they can perform their role in governance.

Much has been done to increase dialogue between members and the organisation already, with the formation of the UKRAC and GiveHub responding to members' requests for a greater say in decision-making, alongside the vital role our elected non-executive directors play in bringing essential industry perspectives directly into the Boardroom.

While not complete at the time of writing, the feedback from the Listening Process has been valuable and has informed the commitments outlined in this statement.

The Nominet team, advised by the UKRAC, is working on the launch of a new member community – a replacement for the forum that means members can work with each other, and with us, more effectively. The team will update you shortly on launch plans.

In addition to the annual report presented at the AGM, the company will provide members with a half-yearly performance report.

We will also launch a new technical collaboration group to inform us of the changes to our systems and technology that members would value.

Your Board intends to adopt the Wates Principles on Corporate Governance.

Why? Members have called for us to display best practice in governance and as the Wates Principles emphasise the importance of both purpose and stakeholder engagement, I believe they are the best fit for Nominet.

Governance Reform

Many members (and representatives of UK Government) have asked me whether I intend to change Nominet's governance. Given the obvious interest, I think it is worthwhile to consider whether the current arrangements are a good fit for today's world. We would need to look carefully at what changes would improve our governance and gain the support of members.

If in the future we have a proposal for change, then it will be for us all as members of Nominet to decide the company's governance. Our constitution is quite clear. We need a super-majority to make any substantive change.

That time is not now; in my view future governance is a matter best tackled when trust between Nominet and its members has been restored. I hope the commitments set out will be the first step in that direction.

Thank you for showing enough interest in your Nominet membership to read this far. I'd be delighted and honoured to Chair Nominet through the agenda set out above, which I believe moves us forward into a new era. If you agree, you can vote for me, and if you don't like what I've said you can vote against.

My one plea is please vote! A membership organisation like Nominet can only thrive with active members with varying opinions.

Finally, I'd like to thank Robert Binns for standing in as Acting Chair – which he chose to do without any additional remuneration. I'd also like to thank the rest of the Board and the Executive for working diligently to re-focus Nominet in a way that I hope will restore members' trust in the company.

Andrew Green CBE
Chair, Nominet

As the Chair was appointed in July 2021, Non-Executive Director Robert Binns will update members on the activities of the financial year.

ACTING CHAIR'S STATEMENT

This year has been a critical one for Nominet and the future governance and direction of the company. The message from the EGM earlier in the year, and the vote to remove five board members was clear; the company and its members had drifted too far apart, change was required, and trust must be restored. In my role as Acting Chair following the EGM, a key task was to ensure operational stability, while embarking on a reform agenda and recruiting a new Chair to lead Nominet through a period of significant change.

Meaningful change of course can take time, and I thank the members for their patience as we began to tackle the issues raised.

Responding to members

As a first step, in April, we launched our Listening Process – an extensive programme of research to gather stakeholder feedback, taking care that we hear views from across a diverse member base as well as from wider stakeholders, including employees, government and clients. We trust that this has provided the opportunity for all to have their say on the company, and the changes we can make to move forward, together. The results have informed the interim report set out by Chair Andrew Green CBE following his appointment in July 2021.

Following a decision in February to freeze Board pay, we reviewed and closed the Long-Term Incentive scheme. As a result, no further accruals have been made for FY21 and the closure of the scheme will result in lower overall remuneration moving forward.

The UK Registry Advisory Council (UKRAC) was formed in July following an election, and there are a number of issues where we seek their input, not least our policy on expired domains and the complex challenge of dealing with online harms. The council creates an important mechanism enabling members to contribute to registry matters.

Looking at our support for social impact initiatives, we provided funding of £3.7m in FY21 vs £1.9m in FY20. We want to ensure our programming remains significant and growing and have now committed over the next three years to spending c£5m per annum on public benefit activities from our operating surplus. We are proud of the increasing reach of this programme and the impact that our collaborations with partners are having on the issues affecting young and vulnerable people. It was great to see recognition for our Digital Transformation Partnership with Samaritans when it won the Telecoms & Technology Charity Partnership at the Third Sector Business Charity Awards. Details of our activities over the year can be found in our Public Benefit statement. Our ability to fund activity at this scale over the long term is linked to the performance of the business.

Business performance

Our total revenue was £49.8m, up 10.9% on FY20 (£45.0m), reflecting a healthy .UK registry performance as the world increasingly moved online during the pandemic. Overall, the growth in .UK revenue contributed 50% of this growth, with the remainder coming from new cyber contracts such as those with UK and Australian Governments. Contracts include a framework deal with the Crown Commercial Service (CCS) to provide Domain Name System (DNS) services to the Public Services Network (PSN) and provision of registry services for the .pharmacy Top Level Domain (TLD) and .jobs, .career, .realtor, .realestate and .med.

The level of .UK domains under management closed the year at 11.0m (FY20: 10.6m excluding the non-revenue earning promotional Right of Registration domains and FY20: 11.9m including these RoR domains). New registrations reached 2.1m over the year (FY20: 1.5m excluding promotional RoR domains) with growth attributable to individuals and organisations wanting to establish an online presence in response to lockdowns, along with continued engagement with registrars on co-marketing and an enhanced Channel Marketing toolkit.

The underlying renewal rate, excluding renewals of free promotional domains, increased through the year to c.76% against FY20 at c.74%. Again, we believe this can be attributed to the importance of organisations wanting to maintain their online presence during the pandemic.

To help those in financial difficulty, we set up a Nominet Support Fund at the start of the pandemic, with funding covering up to 10% of registrars' renewals at no cost. Thirty-four registrars took part.

Nominet's FY21 operating profit before Public Benefit Initiatives increased to £6.8m vs £5.0m in FY20. With the increased public benefit spend of £3.7m (FY20 £1.9m) this resulted in overall operating profit being flat year on year at £3.1m.

Investing in Infrastructure

We are investing over £20m to upgrade the architecture that powers our registry service. This encompasses both the internal systems (our Technology Transformation Programme, TTP) and the external channels (our Registry Development Programme, RDP) through which we serve our customers and stakeholders. These are complex, large-scale and multiyear projects.

The TTP – with £10.7m invested in infrastructure hardware, licenses and related support contracts in FY21 – is making key changes to access management to improve security, enhance our logging and monitoring capabilities and deliver network segregation. We are also looking to introduce a dev ops environment, which includes creating multiple development and testing environments, as well as enabling the rapid release of new software by automating deployment.

The Registry Development Programme (RDP), with £0.75m invested in FY21 scoping for the design and development of an evolution of the interfaces between Nominet and the customer

CHAIR'S STATEMENT (CONTINUED)

– most often our registrars – will deliver a far superior, accessible and efficient service for all stakeholders. The technical upgrade and resulting simplification should optimise interactions with our Customer Service teams and our systems, allowing registrars to access the data and tools they need for themselves wherever possible.

The objective of these two programmes is to ensure the operational consistency of Nominet's registry systems as the demands on our services continue to grow, while uplifting our efficiency, capacity, resilience and security in a landscape of evolving threats.

This isn't without challenge – our systems are critical and multifaceted, and they deal with significant volumes of traffic and serve hundreds of thousands of users each day. While the complexity of our operating environment increases, the team delivered 100% uptime for .UK, ensuring vital continuity of our services for the millions who depend on us. At the same time, we maintained our strong track record in customer service with satisfaction scores over 93%.

Maintaining trust in .UK

Our commitment to ensuring .UK remains trusted and safe includes deepening relationships with a variety of stakeholders to help improve the security of .UK and all who interact with it. For example, our Landing Pages pilot for domains suspended due to criminal activity, a registry first, is proving a success to date. Four law enforcement agencies (LEAs) are taking part (PIPCU, FCA, MHRA and the NCA) and over 315 landing pages are providing important information to around 450 people each day. Our anti-phishing initiatives, including Domain Watch played a central role in the suspension of over 4,000 suspicious domains related to Covid 19, and working with LEAs we suspended over 22,000 domains linked with criminal activity. Our respected dispute resolution service (DRS) resolved over 600 .UK cases in 2020, reflecting the lowest number of complaints since the DRS was launched.

Cyber-security

Our contribution to securing important public services continued to grow over the year. We are proud to deliver the Protective Domain Name Service (PDNS) on behalf of the NCSC, as part of the Active Cyber Defence Programme. In the past year PDNS has seen significant expansion, with a number of organisations coming under its protection, including The Health and Social Care Network (HSCN), which includes 1,000+ organisations and 12,000+ sites. PDNS provides protection against a spectrum of critical threats and offers visibility of risk across the public sector: most recently PDNS informed situational awareness and response in the attack on the SolarWinds Orion product.

This service that is built on our DNS expertise, garnered over the past 25 years, is testament to the hard work and diligence of our employees and strong relationships with UK Government and its agencies. It is a vital service and part of the growing contribution we make to the digital economy not just in the UK but also on an international stage.

Nominet acquired the start-up business of CyGlass in February 2020 for $6m (£4.9m). During the year, CyGlass has significantly developed its cybersecurity SaaS based solution beyond just the corporate network, addressing the rapid Covid driven move to more remote working. In addition, it has won a number of new customers and expanded its channel distribution network. However, with the Covid environment, the growth in revenue during FY21 has been slower than targeted. As a start-up business, CyGlass continues to require significant

investment funding support and the business is not yet profitable.

The carrying value of the business at the FY21 year-end has been assessed and reflected in our report and accounts at $7.1m (£5.1m). The consolidated group carrying value increase is net of the investment in the people and business during the year, the adverse impact of exchange rate movements and a small adjustment to the goodwill value of the group asset. Subsequent to the year end, the CyGlass business is starting to show promising signs of revenue growth. However, as the Chair has outlined in his statement, we intend to sell CyGlass as part of Nominet's reform agenda.

For accounting purposes, the FY21 accounts are required to reflect a carrying value for CyGlass consistent with an estimate of the future realisation proceeds of CyGlass from the disposal process. The CyGlass carrying value included in the FY21 accounts has been determined based on external third-party valuation expert advice. This accounting judgement results in an impairment charge of £0.4m in the Nominet UK Group accounts and £5.0m in the Nominet UK company accounts and in the accounts of Nominet UK Holding Co Ltd. This impairment reflects the expected loan funding provided to CyGlass to the end of FY21 during its development phase. The final accounting impact of CyGlass' valuation will result in a gain or a loss based on the proceeds ultimately achieved, and this will be clearer once the sale process is concluded.

For what has been a turbulent year for the business and many of us individually – not least due to changing working arrangements and personal sacrifices as a result of the pandemic – I must acknowledge the expertise and commitment of the Nominet team. They have maintained excellent standards of service for all those who rely upon us. The pandemic was a challenging environment in which to deliver member engagement events too, however the team pivoted to rollout a full programme of 22 events virtually. These included social events as well as webinars on expired domains, ICANN, a marketing masterclass series, and conversations with Public Benefit partners the Samaritans, Childnet and Micro:bit. Thank you to everyone who joined us for those.

I'd like to thank members who have contributed their time to share their perspectives and for their commitment to working with us to plot our path forward. I would also like to extend a warm welcome to our new Chair Andrew Green, CBE. I am confident that given the time and opportunity, he will deliver the change required to rebuild trust with members while ensuring Nominet continues to deliver for all stakeholders.

Our priority will always be running a reliable and resilient registry and the critical internet infrastructure that contributes to the wider digital economy. That commitment to delivering a world class service, coupled with a renewed focus to better align with our members' views, ensures a strong and exciting future lies ahead.

Robert Binns
Non-Executive Director and Acting Chair

PUBLIC BENEFIT

Nominet was established as the registry for the .UK domain over 25 years ago. Delivering a positive impact through our operations has been a core component of our mission, and as the importance of the internet and digital technology on all our lives has grown, so has Nominet's contribution to create sustainable public benefit.

We play a pivotal role in powering the national digital engine by running and securing the national namespace. We support the digital economy and deliver solutions to Government that keep critical services secure. We also take an interest beyond our shores: we regularly take part in the international fora, collaborating with those who run the internet and care how it is shaped, regulated and developed. This includes being part of discussions at organisations like CENTR and ICANN. Here in the UK, we host the national Internet Governance Forum to create a space for stakeholders to discuss and drive the evolution of internet governance. These activities are important to who we are and what we stand for: a company determined to build a better digital future, one which is connected, inclusive and secure.

In addition to our role as Critical National Infrastructure of the UK, we are committed to actively support those at risk of being left behind in the digital transformation of our world. This is formalised in our social impact programme that is dedicated to funding a wide range of projects and initiatives.

Our aim is to have a positive impact on young people at scale across the UK – at least one million young people each year. This is the generation that will shape the future of our nation and society, the generation coping with an unprecedented rate of digital transformation. We have a holistic programme that meets many of their challenges and empowers them to maximise the opportunities that technology provides them.

Our work here is constantly evolving to ensure we are able to respond in an impactful way. In FY21 we invested £3.7m into our programme; a significant increase from £1.9m in FY20. Across all public benefit programmes, we have also made a commitment to invest £5m from annual revenues into this work each year, supplemented by significant funding from reserves. As Nominet develops and grows, so too will our ability to support others. Nominet has invested over £50m in charitable initiatives, gaining a reputation as one of the UK's leading tech for good funders.

To ensure we support the right causes in the most helpful way we are an active participant in UK civil society, working with charities and partners across the third sector to identify areas in need and direct grants and support effectively. Some of this is achieved through research projects; a recent example is research with NPC looking at the impact of Covid-19 on young people's mental health, which will help us shape the future of our #RESET Mental Health funding programme. Monitoring, evaluation and learning are key aspects of this work. It allows us to understand our impact and refine our approach as well as share best practice and help others navigate the complex and fast-moving digital world that is shaping so much of people's lives. It can be a challenge with many factors to consider, and so we approach it flexibly – like our funding – collaborating with our partners to accurately report impact, recognising that each programme delivers in a different way.

We proudly partner and support

PUBLIC BENEFIT (CONTINUED)

The data and insights we gather from partners is presented in our annual Social Impact report, compiled with an independent agency, to demonstrate achievements and learnings throughout the year. The highlights for FY21 are:

- The evolution of our #RESET Mental Health Fund from the design phase into delivery. Six of our eight partners have launched or refreshed their digital services to support young people with their mental health and wellbeing. This includes the intelligent dashboard at Nightline; the improved functionality of YoungMinds' digital offer; the relaunched Hub of Hope from Chasing the Stigma; as well as the new On My Mind web pages at the Anna Freud Centre
- The improvement of our This is How digital skills and careers platform which has achieved significant cut-through moving into Season Two, with our highest performing podcast to date reaching 70,000 listeners through our partnership with youth radio station W!zard
- The launch of the Reboot by Nominet platform to tackle digital exclusion, which has provided advice and support to over 18,000 visitors during the lockdowns of the last year

The examples above demonstrate just a slice of the variety that our work covers. It is, however, underpinned by a clear mission and built around our three pillars: connected, inclusive and secure.

Connectivity is about ensuring access to devices and connectivity for young people so they don't miss out on the benefits of life online. Projects within this area include our on-going work with Samaritans as its Digital Transformation Partner: further to the development of the intelligent volunteer dashboard in FY20, in FY21 we supported the creation of a self-help app. The app was downloaded by 1,500 people within a week of being launched and it has been estimated that over 50,000 people have used it to improve their lives.

Inclusivity focuses on equipping young people with the skills and tools they need to optimise their digital access. For example, building on our long-standing work as a founding partner of the Micro:bit Educational Foundation we have been supporting the development of a new primary school initiative. All Micro:bit resources are designed to help teachers to deliver coding sessions simply and efficiently, helping to make lessons more productive. Extending the use from secondary schools into primary is an important evolution for building digital skills in key stage 2.

Security in a digital age is critical for us all. For young people, it is even more crucial, and we support those organisations who are protecting them from crime and exploitation online. Over the past year we have funded both the Internet Watch Foundation and the National Crime Agency's Child Exploitation Online Protection group, donating £100,000 to each from our Countering Online Harm Fund.

No review is complete without acknowledging the unprecedented challenges of Covid-19. To help alleviate the exclusion that faced so many so acutely during lockdowns, we quickly helped establish DevicesDotNow, providing over 11,000 families in need with connectivity, devices and support. This culminated in our new online platform being created, Reboot by Nominet, which continues to deliver guidance and support to the organisations working in this area across the UK. The premise is that the local groups and organisations can gather unused devices, reboot and repurpose them where they are needed most. It is important that we and our partners maintain the momentum and continue to tackle digital exclusion beyond the Covid crisis.

GRANT MAKING

Total grants awarded in FY21
£3,492,000

Digital Access and Inclusion
£561,000

Essential Digital Services
£568,000

Digital Skills and Careers
£931,000

Internet Safety for All
£967,000

Number of partners receiving grants in FY21
34

Countering Online Harm
£465,000

REACH

Number of young people reached by our ongoing programmes in FY21
1,800,055

Digital Access and Inclusion
6,858

Essential Digital Services
878,514

Digital Skills and Careers
796,687

Internet Safety for All
117,996

Number of partners and initiatives reporting on reach, impact and learning in FY21
20

Countering Online Harm
(Countering Online Harm is not applicable in terms of reach numbers)

PUBLIC BENEFIT (CONTINUED)

Our social impact programme will continue to grow and develop, and the year ahead is already packed with important activity.

- Our #RESET Mental Health funding continues
- We are working with The Prince's Trust to build a digital platform that helps young people access training and work opportunities
- Further strengthening our partnership with the Scouts, we're helping to create a digital skills platform targeting adult volunteers
- Our new programme, REACH, will focus on improving the digital skills of foster carers to support those in their care. It will introduce new digital services within the care system, elevating the voices of the young people in care to ensure they are shaping the policies that support them.
- We have announced support for two further initiatives, committing to core funding for the UK Safer Internet Centre for the next three years. This secures the future of the helplines and advice it provides year-round, and the activities around Safer Internet Day, which reached over 3 million young people last year. And we are working with The Institute of Coding to help young people secure qualifications and jobs in the digital economy.
- We are also pleased to be launching the Nominet Digital Youth Index this year. Investing in improving the UK's collective understanding of the key issues where digital and youth collide, our aim is for a wide pool of stakeholders to benefit from the latest data available so initiatives across the UK are working as hard as they can for young people.

In addition, our members asked for greater involvement in public benefit spending, so we have launched Nominet Members GiveHub which is a £600k annual fund for good causes. Members can nominate charities whose initiatives align with our three pillars and request grants of up to £10k.

All of this research, collaboration, grant funding and innovation makes us the largest dedicated funder of social programmes in the digital sphere in the UK. It's a position we continue to lead on as we tackle some of the most pressing issues emerging from a society that is digital by default.

Our work as a registry for more than 10 million domains, and provider of DNS based security to protect government services, forms part of our wider public benefit contribution to the digital economy. Everyday millions of individuals and businesses around the world rely on the systems we have managed and kept safe and secure for over 25 years.

This includes our work to continue to help Government deliver a robust national cyber defence. For the past few years we have proudly delivered the Protective Domain Name Service (PDNS) on behalf of the National Cyber Security Centre to secure the networks of thousands of organisations and public services. In 2020 we added much of the NHS to this service and made it available to those within the vaccine supply chain, helping to secure their systems at a time of incredible pressure. We also broke new ground with the launch of PDNS Digital Roaming, bringing more secure connections to remote workers, in a year when many were suddenly forced to operate from home.

Nominet, now in our 26th year, is as committed as we ever were to ensure the digital society leaves no one behind, and that our national digital infrastructure, the .UK Domain, best serves all who rely upon it. From securing the critical systems that underpin our nation's activity online to helping school children understand how to avoid exploitation, and encouraging development of digital skills, Nominet continues to ensure that the work we do benefits our country and plays an active role building a resilient, vibrant future.

Eleanor Bradley
Interim CEO and MD of Registry and Public Benefit

ENVIRONMENTAL OVERVIEW

Nominet is committed to reducing the impact of its activities on the environment and to reducing carbon emissions.

Emission reduction targets and sustainable ways of operating are identified, implemented, and regularly reviewed. Currently, this includes a long-term commitment to hybrid working, supporting green commuting, the use of internationally recognised certificates to verify product efficiency at purchase, increasing scope 3 reporting and setting out how we will implement our commitment to net-zero by 2050. Our FY21 carbon footprint was independently verified, and our market-based footprint offset. We have PAS 2060 certification for carbon neutrality for our UK operations and global data centre use. Alongside offsetting in an international deforestation and land-use change project, we have in addition matched this offsetting in the UK as part of our ongoing commitment to UK forestry and the positive impact this has on the UKs sustainability targets.

Our overall carbon footprint was:

Location based:
526.98 Metric tonnes CO_2e

Market based:
384.80 Metric tonnes CO_2e

The location-based footprint has been calculated using UK emission factors. A market-based footprint has been added to account for multiple country supplier emissions from our procured services related to data centres and UK renewable energy.

Energy use and greenhouse gas (GHG) emissions

	FY21		FY20		FY19	
	KWh	Metric tonnes CO_2e	KWh	Metric tonnes CO_2e	KWh	Metric tonnes CO_2e
Scope **1**	172,964.90	31.80	150,491.30	38.65	140,849.90	46.04
Scope **2**	609,872.80	142.18	708,474.40	181.08	859,273.20	243.23
Scope **3**	162,800.00	353.00	572,067.10	638.98	Not measured	612.82
Total	**945,637.70**	**526.98**	**1,431,032.80**	**858.71**	**1,000,123.10**	**902.09**

Intensity metric

Business Metrics	Revenue (£m)	Scope 1 & 2 Emissions per unit	Unit
FY21	49.8	3.5	tCO2e/£m
FY20	45.0	4.9	tCO2e/£m
FY19	42.6	6.8	tCO2e/£m

Reasons for change in emissions

The location-based footprint has decreased due to home working and reducing the use of plant and equipment. Our gas boilers were in use for slightly longer into spring which has resulted in a minor rise in gas KWh. Due to the global pandemic business travel was suspended for the entirety of the reporting period.

Offsetting projects

Rimba Raya Biodiversity Reserve, Indonesia

Based on the island of Borneo, the project preserves carbon-dense tropical peat swamp by halting deforestation of roughly 47,000 hectares of forest which were originally slated for conversion to palm oil. It focuses on both community development for the 2,500 households living in the area, and biodiversity conservation, particularly protection of the 105,000 endangered Borneo Orangutan. It actively engages local communities to improve food security, income, healthcare, and education, all with the support of carbon finance.

Nominet Forest, Doddington North, Northumberland

Doddington North is the largest planned new productive forest to be planted in England in the last 25 years. The forest covers an area of around 350 hectares near Wooler in Northumberland, with 268 hectares planted. Of the unplanted area, around half is open ground and half managed priority habitat. The site also includes footpaths, bridleways and water courses. Doddington North is productive and is managed on a continuous cover basis with selective thinning providing commercial timber. The UK is the world's second largest importer of timber, and projects such as Doddington will be vital in ensuring a sustainable supply of wood for construction and other uses.

CORPORATE GOVERNANCE

Nominet UK is a private company limited by guarantee and given its size and structure, is not obliged to adopt (and has not adopted) the provisions of the UK Corporate Governance Code.

Historically, the Company has been mindful of the principles of the Code and has developed its governance and oversight of the company with consideration to both members and also the wider range of stakeholders in its business. The Wates Principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to continue to improve the standards of corporate governance. They also support directors to meet the requirements of section 172 Companies Act 2006. We report on our corporate governance arrangements by drawing upon this recognised good practice, including those aspects of the Wates Corporate Governance Principles and 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 resources are in place and holding the Executive to account for delivering the strategic objectives. In-line with the provisions for structuring decisions contained in the UK Corporate Governance Code there are several committees that focus on specific areas and report into the main Board.

The Board takes action to identify and manage conflicts of interest, Board members are required to declare their interest in any matter to be discussed at a meeting of the directors. Where appropriate, directors are not party to any discussion or decision where they have a direct conflict of interest.

During the year to the 22nd March 2021 EGM, the Board comprised eight non-executive directors (NEDs), including the Chair, and three executive directors. Following the EGM, the number of NEDs was reduced to six and the three outgoing executive directors were replaced with two members of staff who were appointed as executive directors on an interim basis.

At the September 2020 AGM the members elected Philip Buckingham to replace Kelly Salter as the fourth elected NED. Prior to the March EGM, the proportion of women on the Board during the period was between 27% and 36%. Following the EGM, the proportion was between 13% and 20%.

2021 Gender Pay Gap Report

The Gender Pay Gap reporting regulations require organisations in the UK with 250 or more employees to publish their results. Last year we chose to voluntarily publish our information in line with best practice and as part of our ongoing commitment to take positive action by demonstrating commitment to transparency and equality in the workplace.

This year we have met the reporting threshold required and are pleased to report a positive reduction across the majority of the Gender Pay Gap indicators from 2020. The Gender Pay Gap is the difference between the average earnings of men and women, expressed relative to men's earnings as a percentage.

The mean Gender Pay Gap is currently 16.2%, which is a positive improvement of 4.26%, while the median gap is 20.46%, resulting in a 6.36% reduction. The gap in bonus attainment is similar, with the mean at 9.08% and the median at 28.79%. Nominet's results reflect the underrepresentation of women in roles in the upper middle and upper quartiles, with a current representation of 26%.

We have continued to focus on several initiatives during the last twelve months relating to our culture, values and employee experiences in order to drive and demonstrate real change. Paying close attention to our Employee Value Proposition (EVP) and candidate experience at the attraction and recruitment stage. Our revised approach helps to market and position roles differently to a wider audience with the aim of increasing the breadth of diverse talent into our pipeline, showcasing our internal team members as role models and highlighting our ways of working and inclusive culture.

We have also introduced analytical tools to support our understanding of the market and available talent to better inform our decision making. This toolkit aims to help us understand where our pipelines differ from the market expectation to ensure we focus on a broader representation of female candidates within our short lists and target candidate pools.

We had already introduced improved technology which facilitated and enabled a greater degree of increased flexibility prior to Covid that facilitated a change in the way we work across the organisation. Agile working and a more open approach to flexible working has helped to respond to external candidate expectations, which will further reinforce and support our ability to attract candidates from a wider and more diverse pipeline, as well as provide a greater degree of support for internal team members looking to work in a different way.

A critical next step for us is to focus on creating our own future talent pipeline and internal career paths to support individuals to enter the Tech sector as well as progressing their careers within the business. We recognise the need to focus on developing our own future talent pipeline specifically focused on engaging a broader diverse population to join our business, which in turn will support our ability to address the gender pay gap from a longer-term perspective. We will also be working on internal career paths to ensure our team feel supported in their desire to develop and grow. We offer development tools and resources including opportunities to pursue apprenticeship qualifications and further education to existing team members so that we can build our capabilities across critical skills internally and provide a higher degree of future career path opportunities and progression.

Finally, we also continue to champion and support the work of critical organisations such as the Tech Talent Charter and future.now which helps us engage with and learn from other organisations that are leading the way in Diversity and Inclusion (D&I) initiatives.

2021 Gender Pay Gap Information

	Mean		Median	
	Post-Salary Review		Post-Salary Review	
Gender:	FY21	FY20	FY21	FY20
Pay Gap	16.2%	20.46%	20.46%	26.82%
Bonus Gap	9.08%	19.07%	28.79%	21.95%

Pay Gap – Post April 2020 Salary review

- Based on mean hourly rates following the pay review in FY20, women earn 83.80p for every £1 that men earn
- Compared to FY20, this gap has reduced by 4.26%
- Based on median hourly rates following the pay review in FY20, women earn 79.54p for every £1 that men earn
- Compared to FY20, this gap has reduced by 6.36%

2021 – Bonus Pay proportion – proportion of men and women receiving a bonus

	Female	Male
FY21	99%	92%
FY20	100%	99%

Quartile pay band proportions

proportion of men and women in each band

Post-salary review 2021	M %	F %
Lower Quartile	42%	58%
Lower Middle Quartile	57%	43%
Upper Middle Quartile	74%	26%
Upper Quartile	75%	25%

Post-salary review 2020	M %	F %
Lower Quartile	38%	62%
Lower Middle Quartile	52%	48%
Upper Middle Quartile	70%	30%
Upper Quartile	70%	30%

BOARD MEMBERS

Andrew Green CBE
(Chair)

Adam Leach
Executive Director

Robert Binns
Non-Executive Director

Eva Lindqvist
Non-Executive Director

James Bladel
Elected Non-Executive Director

Dr. Stephen Page
Senior Independent Director

Philip Buckingham
Elected Non-Executive Director

Anne Taylor
Elected Non-Executive Director

Rory Kelly
Executive Director

David Thornton
Elected Non-Executive Director

BOARD COMMITTEES

Nominet has five board committees: Audit and Governance, Investment, Nominations, and Remuneration. The Code of Conduct Committee meets as and when required. The Mergers and Acquisition Committee was formally dissolved in May 2021.

The terms of reference for each committee can be found on the Company website and updates on the activities of each during the reporting period are provided below.

Audit and Governance Committee

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

- Met with the internal and external auditors in the absence of the Executive, in accordance with governance best practice
- Approved the annual report and accounts for the year to 31st March 2020 under delegated authority from the Board
- Considered the performance of the external auditors and provided feedback to them
- Reviewed the strategic risk register, and reports from Internal Audit on the internal controls and systems in place to manage and mitigate risk
- Assessed the effectiveness of the Nominet control environment to ensure appropriate attention and resources are in place to achieve risk management objectives
- Received updates on the delivery of corrective actions by the Executive
- Approved the internal audit programme for the three-year period ending December 2023
- Approved minor changes to the health and safety policy
- Received an annual update on IT security
- Received an update on the implementation of the new anti-bribery policy which was introduced in January 2020

Standing agenda items at each committee meeting advise of any whistleblowing concerns (none reported during the year) 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:

- In fulfilling its succession planning duties, at the January meeting it discussed the process and timetable for the recruitment of a new independent appointed Non-Executive Director to take office at AGM 2021
- At the March meeting it approved the appointment of Russell Reynolds Associates as the recruitment agency to support the recruitment process for a new Chair and appointed Non-Executive Director

BOARD COMMITTEES (CONTINUED)

Remuneration Committee

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

- Considered a market rate review of remuneration for the whole company
- Approved the company-wide bonus payments for the year to 31st March 2020
- Reviewed and agreed objectives for the executive directors and received progress updates on performance levels. Performance ratings for the executive directors were approved together with the resulting salary and bonus decisions
- Reviewed the allocation levels of the Long-Term Incentive scheme was which was subsequently closed
- In line with good practice, reviewed the gender pay position within the company
- Approved a remuneration strategy for Nominet US Non-Executive Directors
- Reviewed and approved redesigned sales commission schemes across the business

Nominet bonus schemes in the year to 31st March 2021

Nominet operated three bonus schemes during this reporting period, the Company wide bonus scheme, sales commission schemes for team members in sales or account-based roles, and a Long-Term Incentive scheme.

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 the level of the Company's performance above the financial targets, their individual performance rating, and the on-target bonus level associated with their role.

The commission schemes for sales and account management roles applied to staff in Registry Solutions and Cyber Solutions. All employees on commission do not participate in the Company bonus scheme. Revisions were made to the schemes to ensure the rules and arrangements provided greater clarity and rigour following revisions in business strategy and the approach across different business units.

The schemes were designed to ensure variable pay was simple to ensure staff understand how it works and how they impact outcomes. They are aimed at differentiating levels of achievement and reinforce Nominet's reward principles and organisation culture.

a) Registry Services Business Development (RSP) scheme was introduced to incentivise the signing of new TLD contracts

b) NTX Sales (Cyber) scheme was redefined in line with the move to Government customers and the payment period was extended to encourage retention and reflect the broader requirements of the bid process and subsequent contract delivery stages

c) The CyGlass Sales Commission Plan was designed to incentivise Business Development and Pre-Sales focused employees to generate and close new business opportunities

The Long-Term Incentive scheme applied to the executive directors and other senior management and was designed to attract and retain talent. The scheme was closed following the end of the reporting period in question.

Investment Committee

The Investment Committee met once during the reporting period and on this occasion:

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

Mergers and Acquisition (M&A) Committee

The M&A committee met once during the reporting period to assess potential opportunities in adjacent markets. The Committee was formally dissolved by the Board on the 24th May 2021.

Cyber Advisory Panel

The Cyber Advisory Panel formed in November 2018 to provide Nominet's executive team with impartial advice on its cyber services and go-to-market strategies was formally dissolved in May 2021.

INTERNAL CONTROLS AND RISK MANAGEMENT

Nominet aligns to the ISO 31000:2018 standard for risk management and the Board seeks to ensure that the Company's culture and risk management policy and approach are aligned.

To ensure the effectiveness of the Company's operations, the Board sets the overall strategy, risk attitude and risk appetite which guide the Company's activities. Internal control measures are in place and are assessed regularly by the Board and the Audit & Governance Committee.

The Executive are accountable for managing risk while the Board is accountable for overseeing risk management. This ensures that risks are adequately considered when setting the Company's objectives and that systems used to manage risks are implemented and operating effectively.

The Executive's risk mitigation and control activities in the reporting period were guided by the Company's risk appetite statement below. After the reporting period end, the Audit & Governance Committee has reviewed the risk appetite statement. A revised risk appetite statement will be prepared following the further development of Nominet's purpose and strategy. In the interim period, the Audit & Governance Committee noted that acquisition activity had a low priority.

Nominet's Risk Appetite Statement:

Risk appetite is an expression of the type and amount of risk the company is prepared to take. It has been agreed by the Nominet Board at their September 2019 meeting that Nominet's risk appetite for its core registry business is low with operations run on a highly prudent basis. In particular, the UK registry operations that are designated as Critical National Infrastructure are run on an extremely risk adverse basis, as are the governance, legal and data protection activities that impact across the whole company.

Nominet has a medium risk appetite for commercial activities outside the UK domain name registry business, providing such activities do not threaten the financial security, operation or quality of the UK registry operations.

Nominet has a medium risk appetite for strategic matters including acquisition and 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. This medium commercial risk appetite does not extend to the risk adverse areas noted above of governance, legal and data protection activities.

Nominet's risk management strategy during the reporting period was to identify, understand and appropriately treat the risks facing the organisation using the Company's risk assessment process. Regular reviews of the Strategic Risk Register were led by the Executive. The risk register has been consistently maintained throughout the year with new risks added and others updated or removed as the risk landscape evolves. The Audit & Governance Committee reviewed the adequacy of the risk treatment arrangements carried out by the Executive at each of their meetings.

The Company's internal audit function continues to report to the Audit and Governance Committee at each meeting on the findings of the cross-company programme of internal audit activity. Findings were highlighted and, where needed, corrective action was agreed with the Executive. Any major findings were escalated without delay. During the reporting period the Audit & Governance Committee and Executive agreed the areas that should be included in the Internal Audit programme each year up to the end of 2023.

Nominet maintains and operates a business continuity management system and transitioned to the new ISO 22301:2019 ISO standard for Security and Resilience in February 2021. Recognising the criticality of our IT security and system stability, we conduct regular security testing and hold ISO certifications for IT Service Management (ISO 20000–1:2011) and Information Security Management (ISO 27001:2013).

Nominet actively participates in business continuity and security forums contributing expertise to the wider community and receiving real-time information about security threats and available mitigations. We maintain strong relationships with governmental and non-governmental groups that focus on security issues. Our engagement with the security community ensures we are well positioned to contribute to national and global internet security discussions.

Risk Landscape

During FY21 we continued to identify, record, and assess strategic risks in line with the Company's agreed Risk Management policy. There have been no significant changes to the Nominet Risk Management policy and procedures.

Throughout the reporting period the Covid-19 pandemic had a significant impact on how/where we work with disruption to business-as-usual practices. The continuation of the political, economic and regulatory uncertainty that led up to and followed Brexit, and the significant increase in IT security threats, have been dominant factors in the risk landscape. Towards the end of the reporting period governance risks re-emerged, which we are now working through and which will undoubtedly influence how the Company operates in the future.

Recruitment, resource dependencies and single points of failure risks were a top priority as we focussed on delivering the Technical, Cyber NTX and Registry transformation plans alongside key security deliverables. Risks relating to the Nominet operating environment and corporate structure grew in light of the EGM and member dissatisfaction.

We saw an increase in both security attacks and public non-disclosure of vulnerabilities found in our systems; both potentially harmful. Our overall risk profile during the reporting period increased.

Nominet's most significant risks fall into three broad areas:

- **Corporate Governance** challenges relating to Nominet's structure
- **Growth** related risks as we scale up the business, our services and Government clients
- **IT security and systems related failures**, driven by the increased criticality of the services that we provide, the increasing threat levels we, and our dependency on third party suppliers

INTERNAL CONTROLS AND RISK MANAGEMENT (CONTINUED)

The primary risks areas for Nominet are identified below together with a description of the steps we are taking to manage those risks.

Description of risk	What we are doing to manage the risk
Brexit	
It seems likely that the Brexit Agreement will be further tested and the associated regulatory environment with export tariffs and reduced access to recruitment markets will continue to evolve.	• Broadened our sources of recruitment and welcoming remote and diverse workers through our hybrid workforce set-up • Longer term focus on growing the skills we need through employee development and entry-level positions • We continue to focus on demonstrating that the industry can effectively self-regulate its activities • 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
Coronavirus (Covid-19)	
The Covid-19 pandemic will continue to cause disruption and harm health-care systems and economies worldwide through 2021 and beyond. We anticipate long-term changes to the way workplaces are organised and people do business, including a continued reduction in travel.	• Established Business Continuity Plan • Hybrid work mode set up with effective remote working • Social distancing measures for our offices • Key workers for CNI workstreams identified and any absence carefully tracked • Employee welfare continues to be a priority with focus on how to balance work/life when primarily remote
Critical infrastructure disruption	
Critical to our business is the infrastructure and technology through which our services are provided. The continued trend of targeted DDoS attacks and the increase in Ransomware activity globally means the threat level for this risk remains high.	• Continued significant investment in the resilience of our critical 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 that are certified to the ISO20000 and ISO27001 ISO standards • Working within industry and community groups to share and receive alerts, information and best practice

Description of risk	What we are doing to manage the risk
Critical supplier failure	
Increased dependence on in-country delivery partners, cloud services and third-party supplier increases the risk impact of a critical supplier failure.	• ISO22301 certified Business Continuity Management System • Established Business Continuity Plan • Critical supplier due diligence • Critical supplier reviews and ongoing supplier management • Appropriate redundancy and continuity measures built into critical services
Cyber Security	
Our work in the Government cyber security space is increasing our attractiveness as a target and this, combined with general threat level increases, for example the significant increase in Ransomware attacks is driving an increasing threat level for this risk area.	• Delivery of key Security workstreams to further strengthen our defences • Investment in high quality infrastructure • Regular penetration testing • Effective firewall and security controls monitoring • Mitigate identified security threats and keep well informed; SIEM provides system intrusion monitoring and threat intelligence reports identify advanced persistent threats
Environment	
With the UK chairing the COP26 UN climate change conference in November 2021, and targets for the UK reaching NetZero anticipated, it is likely that our ambitions for reducing our carbon footprint will need to grow, with resulting cost and risk implications.	• Commitment to reducing the negative impact our business activities may have on the environment and lowering our carbon emissions • We offset our measured carbon for FY20–21 through our investment in the Nominet Forest, a woodland project at Doddington North in Northumberland • Implementing Streamlined Energy and Carbon Reporting (SECR)

INTERNAL CONTROLS AND RISK MANAGEMENT (CONTINUED)

Description of risk	What we are doing to manage the risk
Governance	
Nominet's governance structure is an area of key importance. The focus is on ensuring operational and organisational stability moving forward. More generally, governance of the wider technology industry is likely to increase as Governments re-engage their oversight plans following the Covid-19 crisis.	• Seeking to better understand the perspectives of members and stakeholders on the future of Nominet via an independently facilitated listening exercise • A review led by the new Chair of the ways in which Nominet engages with members and seeks advice and input on key decisions • A strategic review of all non-registry related services • Maintaining strong relationships with key Government stakeholders • Demonstrating commitment to and effectiveness of the multi-stakeholder and self-regulation models for internet governance
Reputation and brand	
Our reputation is significantly damaged leading to a loss of trust and confidence amongst our members, customers and broader stakeholders.	• Ensuring business continuity and service resilience • Balancing the needs of our broad and diverse range of stakeholders • Demonstrating our ongoing multi-stakeholder policy work and the development of products and services to enhance trust and confidence in the internet • Ongoing commitment to investing in Public Benefit activity • Engagement of key stakeholders

STRATEGIC REPORT

The directors present their annual report and the financial statements of the Group and Company for the year ended 31 March 2021.

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 activities of the subsidiaries are described in note 10.

A description of the Group's strategy and business model is set out in the Chair's statement on page 4.

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

Business review and key financial indicators

The trading results for the year and the Group and Company's financial position at 31 March 2021 are shown in the financial statements.

The key financial and non-financial indicators of revenue, domains under management ("DUM"), operating margin, investment performance and public benefit spend are set out in the sections below.

Revenue

Group revenue growth of £4.9m (10.9%) was driven by strong .UK trends with significant .UK registration growth driven by increased online activity linked to Covid-19, and increased renewal rates. Organic growth in the cyber business also contributed to revenue growth, with further wins and expansion in the government space.

Our core business had a very strong year with registrations significantly exceeding expectations. The .UK register at 31st March 2021 closed at 11.0 million DUM (31st March 2020 – 11.9 million) with .UK market share at 55%. The apparent decline in DUM was from the expected low renewal rates of promotional .UK domains registered in June 2019 following their release at the end of the five year Right of Registration (RoR) period. Excluding these 'RoR' domains, we saw underlying growth in our DUM from 10.6m to 11.0m driven by the strong registration and renewal volumes noted above.

Expenditure and Operating Profit

Other operating charges of £43.0m represented 86.3% of revenue (FY20: £39.9m, 88.8% of revenue). The increase in overall operating margin is largely attributable to an underspend on costs linked to the impact of Covid-19 offset by continuing investment in our Cyber businesses.

Investments

Investments are included in the consolidated statement of financial position at their fair value. With income, realised gains, withdrawals and market movements, the fair value of the investment portfolio increased during the year and closed at £107.6m (FY20: £91.9m) as global markets recovered swiftly from the Covid-19 related dip in March 2020. During the year £12m was withdrawn from the portfolio, largely to fund the significant TTP investments made.

During the period we realised £0.9m of gains on the disposal of investments within the portfolio (2020: £2.2m) and investment income from the portfolio during the year was £2.0m (FY20: £2.4m).

Public Benefit initiatives

We have significantly scaled up our commitment to public benefit in the year, with total public benefit spend increasing by 94% to £3.7m (FY20: £1.9m).

Full details of our public benefit activity during the year are given in the Public Benefit report on pages 14–19.

Balance sheet and cash flow

Retained earnings for the Group increased by £5.7m during the period to £87.0m (FY20: £81.2m).

Cash used in operations before tax payments was £0.4m (FY20: cash generated £7.6m) reflecting a strong operational performance offset by working capital increases for new business activity, notably for prepayments, accrued income and recoverable VAT on programme capital expenditure. The other key cash movements included capital expenditure on the TTP and other development costs totalling £13.2m (FY20: £3.1m), and corporation tax payments of £1.9m (FY20: £0.3m). Corporation tax payments were higher than the comparative period due to the transition to an accelerated quarterly payment regime as required by HMRC. Cash balances held at the period end decreased by £3.2m to £2.7m (FY20: £5.9m).

Events since the balance sheet date

On 12 May 2021, the Remuneration Committee made a decision to close the Long-Term Incentive (LTI) scheme.

Outlook and future developments

Further details of the outlook and future developments of the business are included in the Chair's statement.

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 24 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 of our DNS and registry infrastructure to mitigate risk of critical infrastructure 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 28–32 as part of the Internal controls and risk management section, which forms part of the strategic report.

Section 172 statement

We value active engagement with all of our key stakeholders and respond to their priorities on an ongoing basis. The directors have given due consideration to their duties under section 172 of the Companies Act 2006 and summarise overleaf details on how those have been fulfilled.

Risk management

The Board takes its approach to risk management very seriously. Details as to how the Board has discharged its duties are provided in the Internal controls and risk management section on pages 28–32. Long-term impacts of decisions taken are assessed in relation to the Group's risk appetite and in-line with its Risk Management policy, which are kept under regular review.

Employees

Effective employee engagement is central to our ability to succeed in delivering our strategy and ensuring long-term success. As well as ensuring competitive remuneration policies to attract and retain talent, we have in place structures and mechanisms to ensure regular and active engagement with our employees, including but not limited to:

- Regular all-employee engagement surveys. Results of the surveys are reviewed, with key improvement actions identified and addressed via working groups
- Weekly communications from the CEO – covering updates on strategic execution and any other matters relevant to all employees. Feedback is encouraged and dealt with in a timely manner
- Formal Performance Management framework. Employees' performance is measured relative to specific annual objectives aligned to Nominet's behaviours and strategy with regular performance check-ins and a formal annual appraisal process
- Social media and internal intranet – regular ad-hoc engagement and communications via online forums and a shared intranet with forums for employee feedback
- Ad-hoc interactions and focus groups seeking employee feedback on key issues

Nominet operates a behaviour framework applicable to all employees, outlining the standards of behaviour expected of them. These form part of the annual performance review process.

HM Government and regulators

Our policy and public affairs teams engage proactively with HM Government, regulatory authorities and parliamentarians on relevant public policy and .UK domain policy issues. We respond to initiatives and consultations and advocate policies that help create an online world which is more connected, inclusive and secure. The Board is regularly updated on any key updates and activities.

Business relationships

The opinions and needs of our key stakeholders, including customers and suppliers, are kept under constant review, and incorporated into our strategy and operational planning to ensure the necessary alignment is in place. Detail can be found in the Internal controls and risk management section on pages 28–32 regarding our engagement model and ongoing investment in multi-stakeholder relations, product and infrastructure development. Feedback is sought on a regular basis, and is reflected in our investment in customer services, infrastructure and member engagement programmes. Nominet has adopted the expected standard of the Prompt Payment Code to pay 95% of supplier invoices within 60 days.

Members

Nominet is committed to engaging openly and acting in a fair manner, having regard for the views of all of its members. The EGM in March 2021 demonstrated the need for improving both the relationship and dialogue with members. Following the EGM an independently facilitated listening exercise was commissioned to carry out a major piece of research to understand the perspectives of members and stakeholders regarding the future of Nominet.

During the reporting period, Nominet responded to the Covid-19 pandemic by delivering a virtual events programme with a variety of themed webinars. It also conducts periodic consultations allowing membership participation in shaping policies. In January the Company launched a member consultation for a new .UK Registry Advisory Council. The outputs of this consultation helped inform the work of a Design Group which recommended to the Board terms of reference. Since then, elections have been held and the council met for the first time in August 2021. During the reporting period, quarterly member calls with the Chair and CEO were introduced, following the EGM these have been taking place on a monthly basis. The annual general meeting and annual conference also provide an opportunity for members to engage directly with both the executive and non-executive directors.

Nominet is committed to reducing the impact of its activities on the environment (refer to the Environmental overview on page 20) and engaging in a positive way with the broader community through our continued investment in the safety and security of .UK namespace as well as proactively seeking to positively improve the lives and life chances of one million young people a year through our Public Benefit agenda (refer to the Public Benefit report on pages 14–19).

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

ON BEHALF OF THE BOARD

Andrew Green CBE
Chair

14 October 2021

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 year were as follows:

Mark Wood *(resigned 22 March 2021)*
Robert Binns
James Bladel
Eleanor Bradley *(resigned 22 March 2021)*
Philip Buckingham *(appointed 22 September 2020)*
Russell Haworth *(resigned 21 March 2021)*
Benjamin Hill *(resigned 22 March 2021)*
Rory Kelly *(appointed 22 March 2021)*
Adam Leach *(appointed 22 March 2021)*
Dr. Stephen Page
Kelly Salter *(resigned 22 September 2020)*
Anne Taylor
David Thornton
Jane Tozer MBE OBE *(resigned 22 March 2021)*

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 Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK.

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 as adopted by the UK 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:

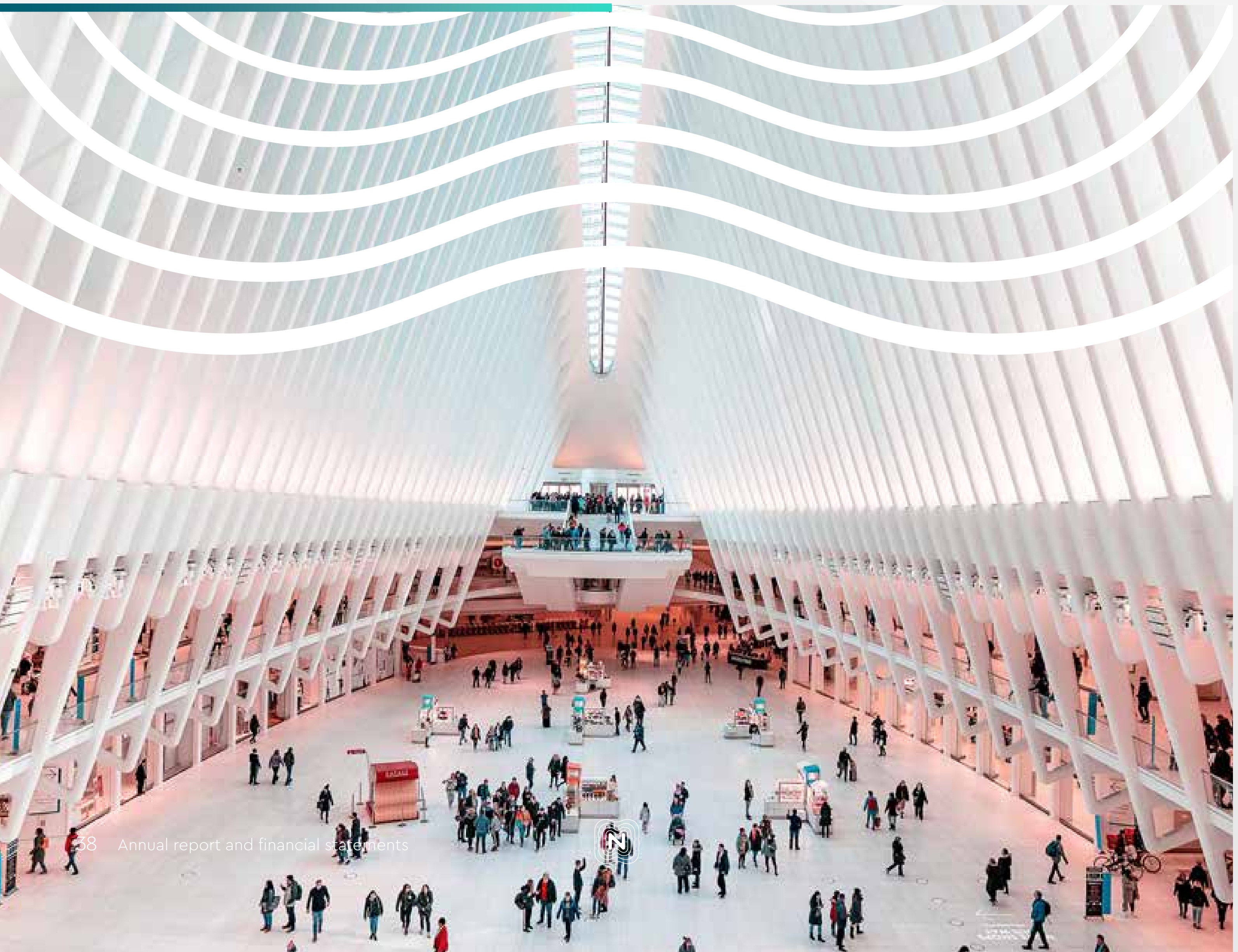
- so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor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

The directors are responsible for 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.

ON BEHALF OF THE BOARD

Andrew Green CBE
Chair

14 October 2021



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 year ended 31 March 2021 which comprise the consolidated statement of profit and loss, the consolidated and company statements of financial position, the consolidated and company cash flow statements, 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 UK 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by UK in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the UK in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006;
- 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMINET UK (CONTINUED)

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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 year 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, 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. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to the financial statements are those related to the reporting frameworks (IFRS and the Companies Act 2006) and the relevant tax compliance regulations in the UK.

In addition, we concluded that there are certain significant laws and regulations, such as Employment Law and Health and Safety regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices.

We understood how Nominet UK complies with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMINET UK (CONTINUED)

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the group's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the applicable statutory provisions;
- the group's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the group's compliance with regulatory requirements, and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

We assessed the susceptibility of Nominet UK's consolidated financial statements to material misstatement, including how fraud might occur, by making enquires of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and to perform a high-level fraud risk assessment. We considered the risk of fraud to be higher through the potential for management override of controls.

Our audit procedures involved:

- evaluation of the design effectiveness and testing the operating effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on material manual journals, those posted directly to cash;
- challenging assumptions and judgements made by management in its significant accounting estimates;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

We assessed the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the industry in which the client operates;
- understanding of the legal and regulatory requirements specific to the group including: the provisions of the applicable legislation;
  - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
  - the applicable statutory provisions.

We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

Use of our report

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.

Mark Bishop FCA
Senior Statutory Auditor

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

14 October 2021

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 (IFRSs) as adopted by the UK 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 UK Pound Sterling.

Nominet UK is a company limited by guarantee and is incorporated in England and Wales. The address of its registered office is given earlier in this document.

Basis of consolidation

The financial statements consolidate the accounts of Nominet UK and all 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.

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.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred and liabilities incurred at the date of exchange. Where there is deferred consideration payable in cash, the amount is discounted to its present value. The fair value of deferred cash consideration is included within the Group's financial statements as a liability. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Acquisition related costs are expensed as incurred.

Going concern

After reviewing the Group forecasts, working capital requirements and potential sensitivities including reverse stress tests (notably in relation to the COVID-19 pandemic), the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements.

This assessment is further supported by the strong balance sheet of the Group, the availability of liquid assets held within the investment portfolio, the significant level of recurring income from both

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

.UK domains and other services and the stability of the Group's cost base. As a result, the company continues to adopt the going concern basis in preparing its financial statements.

Adoption of new and revised International Financial Reporting Standards ('IFRSs')

There were no new standards or amendments or interpretations to existing standards that became effective during the year that were material to the Group.

No new standards, amendments or interpretations to existing standards having an impact on the financial statements that have been published and that are mandatory for the Group's accounting periods beginning on or before 1 April 2021, or later periods, have been adopted early.

Revenue recognition

Revenue represents fees for .UK domain name registration and renewal, and other registry and cyber security services, excluding value added tax.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue for .UK domain registrations and renewals is recognised over the domain registration or renewal period. For other services, each contract is reviewed for the performance obligations and whether the revenue should be recognised at a point in time or over time.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as deferred income in the statement of financial position (note 17). Similarly, if the Group satisfies performance obligations before it receives the consideration, the Group recognises either a contract asset or receivable in its statement of financial position. The Group takes advantage of the practical expedients afforded by IFRS 15, where appropriate, with regard to timing of payments and incremental costs incurred in obtaining contracts as their effects are not material.

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 paid to employees' personal pension schemes. The payments are charged in the statement of profit or loss when they are due.

The expected cost of each Long-Term Incentive ("LTI") scheme award is recognised on a straight-line basis over the qualifying service period of three years. The value of each award is assessed annually, and an accrual is made at the balance sheet date for the portion of the value of each award that relates to qualifying service performed to date.

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over their expected useful lives on the following bases:

- **Leasehold buildings**
  - 2% per annum – straight line
- **Computer equipment and software**
  - 33% per annum – straight line
- **Fixtures, fittings and other equipment**
  - 20% per annum – straight line
- **Fit out costs**
  - 10% per annum – straight line
- **Right-of-use assets**
  - Earlier of the useful life and lease term – straight line

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other operating charges.

Intangible assets

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in the statement of profit or loss as a bargain purchase gain. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is charged to the statement of comprehensive income and is not reversed.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and impairment losses.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Development expenditure is recognised as an intangible asset only 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 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

The types of cost capitalised include employee and subcontractor costs directly associated with the development activity.

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

Other intangible assets are tested annually for impairment and carried at cost less accumulated amortisation and impairment losses. Any impairment is charged to the statement of comprehensive income.

Amortisation is charged to profit or loss. Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives, as follows:

gTLD development costs	–	10 years
Technology asset arising on business combination	–	10 years
Other development costs	–	3 years

Impairment testing of goodwill and other intangible 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. Goodwill is allocated to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, 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.

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.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument.

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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVTOCI)

The classification is determined by both:

- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset

At initial recognition, Investments are irrevocably designated FVTOCI on the basis that they are not held for trading or as contingent consideration in a business combination.

Trade and other receivables and are initially recognised at amortised cost.

Subsequent measurement of financial assets

Investments are included in the balance sheet at their fair value at each balance sheet date. Any changes in fair value arising during the period are recognised in the consolidated statement of comprehensive income (within other comprehensive income) net of the associated deferred tax liability/asset and are never recycled to profit or loss, even if the investment is sold, impaired or otherwise derecognised.

When investments are disposed of, the cumulative gain or loss recognised in other comprehensive income is reclassified from the investments held at fair value reserve to retained earnings.

Dividends are recognised in the statement of profit or loss within income from investments held FVTOCI.

After initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Management have reviewed the expected credit loss across our trade receivables and have determined the fair value of any expected credit loss to be immaterial.

Classification and subsequent measurement of financial liabilities

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

Leases

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use

The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used.

Measurement and recognition of leases

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been disclosed separately.

Cash and cash equivalents

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

Deferred tax assets related to carry-forward losses are valued on a discounted basis to reflect the time period over which the losses are expected to be recovered.

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 Pound 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 affected 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.

Significant 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 asset**s – 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
- **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
- **Impairment of intangible assets** – The Group tests annually whether intangible assets have suffered any impairment, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use. Management have made significant estimates and judgements when preparing budgets and projections and in determining an appropriate discount rate used in the value-in-use calculations

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

	Note	31st March 2021 £000	31st March 2020 £000
Revenue	1	**49,846**	44,950
Other operating charges	2	**(43,026)**	(39,927)
Public Benefit Initiatives		**(3,710)**	(1,916)
Total operating charges		**(46,736)**	(41,843)
Operating profit before Public Benefit Initiatives		**6,820**	5,023
Operating profit		**3,110**	3,107
Income from investments held at fair value through OCI	11	**2,037**	2,385
Finance income	4	**18**	35
Finance costs		**(3)**	–
Profit before taxation		**5,162**	5,527
Taxation	5	**(630)**	(671)
Profit for the year		**4,532**	4,856

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31st March 2021 £000	31st March 2020 £000
Profit for the year	**4,532**	4,856
Other comprehensive income (OCI):		
Items that will not be subsequently reclassified to profit or loss		
Gains/(losses) on investments held at fair value through OCI net of associated deferred tax	**21,337**	(7,340)
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	**299**	15
Total comprehensive income/(loss) for the year	**26,168**	(2,469)

All amounts relate to continuing activities.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	8	**16,285**	8,359
Intangible assets including goodwill	9	**7,965**	7,105
Advance land lease payment		**1,530**	1,541
Investments held at fair value through OCI	11	**107,567**	91,893
Deferred tax asset	12	**1,428**	1,168
		134,775	110,066
Current assets			
Trade and other receivables	13	**19,130**	9,888
Current income tax asset	16	**526**	-
Contract asset		**91**	4
Cash and cash equivalents		**2,721**	5,871
		22,468	15,763
Total assets		**157,243**	125,829
Liabilities			
Current liabilities			
Trade and other payables	14	**9,200**	8,383
Lease Liabilities	15	**14**	134
Current income tax liability	16	**-**	264
Deferred income	17	**26,598**	24,971
		35,812	33,752
Non-current liabilities			
Trade and other payables	18	**-**	871
Deferred tax liability	12	**5,387**	887
Deferred income	17	**9,987**	10,430
		15,374	12,188
Total liabilities		**51,186**	45,940
Net assets		**106,057**	79,889

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2021 £000	2020 £000
Equity and reserves			
Retained earnings		**86,962**	81,225
Investments held at fair value through OCI		**19,095**	(1,336)
Total funds		**106,057**	79,889

These financial statements were approved by the directors and authorised for issue on 14 October 2021, and are signed on their behalf by:

Andrew Green CBE
Chair

Company Registration Number: 03203859

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

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	8	**16,250**	8,324
Intangible assets	9	**2,456**	1,536
Advance land lease payment		**1,530**	1,541
Investments held at fair value through OCI	11	**107,567**	91,893
Investment in subsidiaries		**1,216**	1,216
Deferred tax asset	12	**10**	637
Loans to group companies		**3,949**	4,108
		132,978	109,255
Current assets			
Trade and other receivables	13	**19,050**	9,793
Current income tax asset	16	**518**	-
Contract asset		**69**	4
Cash and cash equivalents		**2,168**	5,757
		21,805	15,554
Total assets		**154,783**	124,809
Trade and other payables	14	**8,750**	7,866
Lease Liabilities	15	**14**	134
Current income tax liability	16	**-**	261
Deferred income	17	**26,466**	24,833
		35,230	33,094
Non-current liabilities			
Trade and other payables	18	**-**	871
Deferred tax liability	12	**4,670**	-
Deferred income	17	**9,985**	10,401
		14,655	11,272
Total liabilities		**49,885**	44,366
Net assets		**104,898**	80,443

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

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2021 £000	2020 £000
Equity and reserves			
Retained earnings		**85,803**	81,779
Investments held at fair value through OCI		**19,095**	(1,336)
Total funds		**104,898**	80,443

These financial statements were approved by the directors and authorised for issue on 14 October 2021, and are signed on their behalf by:

Andrew Green CBE
Chair

Company Registration Number: 03203859

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

CONSOLIDATED CASH FLOW STATEMENT

As at 31st March	Note	2021 £000	2020 £000
Cash flows from operating activities			
Cash (used in)/generated from operations	20	**(370)**	7,608
Income taxes paid		**(1,873)**	(317)
Net cash (used in)/generated from operating activities		**(2,243)**	7,291
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**-**	(4,853)
Income received from investments held at fair value through OCI	11	**2,037**	2,385
Interest received on cash balances	4	**18**	35
Purchase of property, plant and equipment	8	**(9,902)**	(2,001)
Purchase of intangible assets	9	**(3,309)**	(1,088)
Income re-invested in investments held at fair value through OCI		**(1,675)**	(1,985)
Disposal of available for sale investments	11	**12,000**	-
Net cash used in investing activities		**(831)**	(7,507)
Cash flows from financing activities			
Principal elements of lease payments		**(121)**	(486)
Interest paid		**(3)**	-
Net cash used in financing activities		**(124)**	(486)
Net decrease in cash and cash equivalents		**(3,198)**	(702)
Cash and cash equivalents at start of year		**5,871**	6,573
Effect of foreign exchange on cash and cash equivalents		**48**	-
Cash and cash equivalents at end of year		**2,721**	5,871

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

COMPANY CASH FLOW STATEMENT

As at 31st March	Note	2021 £000	2020 £000
Cash flows from operating activities			
Cash generated from operations	20	**3,033**	7,983
Income taxes paid		**(1,862)**	(301)
Net cash generated from operating activities		**1,171**	7,682
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**-**	(1,216)
Payments for financial assets at amortised cost		**(5,288)**	(4,108)
Income received from investments held at fair value through OCI	11	**2,037**	2,385
Interest received	4	**18**	66
Purchase of property, plant and equipment	8	**(9,870)**	(2,001)
Purchase of intangible assets	9	**(1,861)**	(1,088)
Income re-invested in investments held at fair value through OCI		**(1,675)**	(1,985)
Disposal of available for sale investments	11	**12,000**	-
Net cash used in investing activities		**(4,639)**	(7,947)
Cash flows from financing activities			
Principal elements of lease payments		**(121)**	(486)
Net cash used in financing activities		**(121)**	(486)
Net decrease in cash and cash equivalents		**(3,589)**	(751)
Cash and cash equivalents at start of year		**5,757**	6,508
Cash and cash equivalents at end of year		**2,168**	5,757

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

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

	Year ended 31 March 2021			Year ended 31 March 2020		
	Investments held at fair value through OCI	Retained earnings	Total	Investments held at fair value through OCI	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Group						
Balance at 1 April	(1,336)	81,225	79,889	8,237	74,121	82,358
Profit for the period	-	4,532	4,532	-	4,856	4,856
Gains/(losses) on investments held at fair value through OCI net of associated deferred tax	21,337	-	21,337	(7,340)	-	(7,340)
Transfer of realised gains on investments held at fair value through OCI	(906)	906	-	(2,233)	2,233	-
Exchange differences on translating foreign operations	-	299	299	-	15	15
Balance at 31st March	19,095	86,962	106,057	(1,336)	81,225	79,889

	Year ended 31 March 2021			Year ended 31 March 2020		
Company						
Balance at 1 April	(1,336)	81,779	80,443	8,237	74,061	82,298
Profit for the period	-	3,118	3,118	-	5,485	5,485
Gains/(losses) on investments held at fair value through OCI net of associated deferred tax	21,337	-	21,337	(7,340)	-	(7,340)
Transfer of realised gains on investments held at fair value through OCI	(906)	906	-	(2,233)	2,233	-
Balance at 31st March	19,095	85,803	104,898	(1,336)	81,779	80,443

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 .UK domains and other services. An analysis of revenue by these categories and the geographical location of the customers is given below:

	31 March 2021			31 March 2020		
	UK	Overseas	Total	UK	Overseas	Total
	£000	£000	£000	£000	£000	£000
.UK domains	20,503	19,215	39,718	21,828	16,029	37,857
Other Services	7,462	2,666	10,128	4,487	2,606	7,093
Total	27,965	21,881	49,846	26,315	18,635	44,950

Revenue for the year ended 31 March 2021 includes a release of £24,833k of prior year deferred revenue.

2. Other operating charges

	31 March 2021 £000	31 March 2020 £000
Staff and other personnel costs	23,572	21,953
Technical systems and infrastructure	8,203	6,814
Other administrative	2,586	2,835
Exchange rate movements	959	(206)
Depreciation of owned property, plant and equipment	1,973	2,112
Depreciation of non-current asset	11	11
Impairment of intangible assets	418	-
Amortisation of intangible assets	1,400	322
Operations	906	756
Facilities	803	817
Communications and marketing	2,195	4,513
	43,026	39,927

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

3. Operating profit

Operating profit is stated after charging:

	31 March 2021 £000	31 March 2020 £000
Depreciation of owned property, plant and equipment	1,973	2,112
Depreciation of non-current asset	11	11
Amortisation of intangible assets	1,400	322
Impairment of intangible assets	418	-

Auditor's remuneration:		
Audit fees – Company and Group	52	54
Non-audit fees – taxation services	25	19

4. Finance Income

	31 March 2021 £000	31 March 2020 £000
Group		
Interest receivable on cash balances	9	35
Financing interest receivable	9	-
	18	35
Company		
Interest receivable on cash balances	9	35
Financing interest receivable	9	-
Group company loan interest receivable	311	31
	329	66

NOTES TO THE
FINANCIAL STATEMENTS

5. Income tax 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% (FY20: 19%) and the reported tax expense in profit or loss are as follows:

	31 March 2021 £000	31 March 2020 £000
Profit before taxation	5,162	5,527
Domestic tax rate for Nominet UK	19%	19%
Expected tax (credit)/expense	981	1,050
Adjustment for:		
Fixed asset differences	28	26
Expenses not deductible for tax purposes	81	53
Tax exempt income	(278)	(322)
Amounts credited directly to OCI or otherwise transferred	66	-
Additional deduction for R&D expenditure	(391)	(441)
Difference in overseas tax rates	(273)	(12)
Chargeable gains	225	328
Unrelieved foreign tax	83	-
Exchange differences	8	-
Adjustments to tax charge in respect of prior periods	149	74
Deferred tax not recognised	(49)	-
Other differences	-	(2)
Adjustment to deferred tax charge in respect of previous periods	-	(63)
Adjust opening deferred tax to average rate of 19% (FY20: 19%)	-	(20)
Actual tax expense	630	671

Tax expense comprises:		
Current tax expense:	937	776
Adjustment to current tax charge in respect of previous periods	149	74
	1,086	850
Deferred tax credit:		
Origination and reversal of temporary differences (note 12)	(456)	(179)
Tax expense	630	671
Deferred tax expense/(credit), recognised directly in other comprehensive income	4,660	(1,704)

Note 12 provides information on deferred tax assets and liabilities.

6. Particulars of employees

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

	31 March 2021	31 March 2020
	No.	No.
Operations	248	215
Management	16	14
	264	229

The aggregate payroll costs of the above were:

	31 March 2021	31 March 2020
	£000	£000
Wages and salaries	19,924	17,918
Social security costs	2,271	1,956
Other pension costs	935	736
	23,130	20,610

NOTES TO THE
FINANCIAL STATEMENTS

7. Directors

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

	31 March 2021	31 March 2020
	£000	£000
Emoluments receivable	1,695	1,678
Amounts accrued under LTI scheme	-	389
Company pension contributions to defined contribution pension schemes	7	13
	1,702	2,080
Emoluments of highest paid director:		
Annual salary	299	275
Annual bonus	-	275
Annual contractual benefits	42	36
Company pension contributions to defined contribution pension schemes	3	7
Total for period	344	593
Payments in lieu of notice (PILON):		
Salary	150	-
Contractual benefits	22	-
Untaken holiday	18	-
Compensation for loss of office	121	-
Amounts accrued under LTI scheme*	-	179
Total for period after amounts accrued under LTI scheme*	655	772

* The Group had established an LTI scheme for executive directors and senior management. In May 2021, the scheme was closed with immediate effect, and no further amounts were accrued in the year ended 31 March 2021.

7. Directors (continued)

The summary information is expanded in the following table:

	Salary /fees	Bonus	Pension	Other costs and benefits*	Compensation for loss of office	31 March 2021	31 March 2020
	£000	£000	£000	£000	£000	**£000**	£000
Mark Wood	109	-	-	1	-	**110**	96
Robert Binns	45	-	-	-	-	**45**	44
James Bladel	37	-	-	-	-	**37**	37
Eleanor Bradley	208	87	3	31	-	**329**	341
Philip Buckingham	19	-	-	-	-	**19**	-
Volker Greimann	-	-	-	-	-	**-**	11
Russell Haworth	299	-	3	232	121	**655**	593
Benjamin Hill	204	76	-	31	-	**311**	383
Rory Kelly	2	-	-	-	-	**2**	-
Adam Leach	5	-	1	-	-	**6**	-
Stephen Page	43	-	-	-	-	**43**	40
Kelly Salter	18	-	-	-	-	**18**	37
Anne Taylor	37	-	-	-	-	**37**	26
David Thornton	37	-	-	-	-	**37**	37
Jane Tozer	53	-	-	-	-	**53**	46
Year to 31st March 2021	**1,116**	**163**	**7**	**295**	**121**	**1,702**	**1,691**
Amounts accrued under LTI scheme**						-	389
Year to 31st March 2020 including amounts accrued under LTI scheme**						1,702	2,080

* Other costs and benefits consist of PILON, pension allowances paid in cash, company car allowances and private health insurance.

** The Group had established an LTI scheme for executive directors and senior management. In May 2021, the scheme was closed with immediate effect, and no further amounts were accrued in the year ended 31 March 2021.

NOTES TO THE
FINANCIAL STATEMENTS

8. Property, plant and equipment

Group

	Leasehold buildings	Computers hardware and software	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 April 2020	7,333	14,357	3,388	25,078
Additions	-	9,881	21	9,902
Effect of foreign exchange	-	(19)	-	(19)
	7,333	**24,219**	**3,409**	**34,961**
Depreciation				
At 1 April 2020	2,158	11,581	2,980	16,719
Charge for the year	248	1,596	129	1,973
Effect of foreign exchange	-	(16)	-	(16)
At 31 March 2021	**2,406**	**13,161**	**3,109**	**18,676**
Net Book Value				
At 31 March 2021	**4,927**	**11,058**	**300**	**16,285**
At 31 March 2020	5,175	2,776	408	8,359

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. The lease has a remaining period of 134.5 years. £11k of depreciation was charged in the year (31 March 2020: £11k).

The net carrying amount of property, plant and equipment includes the following amounts held under leases for the year ended 31 March 2021: Fixtures, fittings and equipment £16k (31 March 2020: Leasehold buildings £112k; Fixtures, fittings and equipment £20k). Assets arising from leases where the Group is a lessee have been accounted for under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Company

	Leasehold buildings £000	Computers hardware and software £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 1 April 2020	7,333	14,187	3,387	24,907
Additions	-	9,849	21	9,870
At 31 March 2021	**7,333**	**24,036**	**3,408**	**34,777**
Depreciation				
At 1 April 2020	2,158	11,447	2,978	16,583
Charge for the year	248	1,566	130	1,944
At 31 March 2021	**2,406**	**13,013**	**3,108**	**18,527**
Net Book Value				
At 31 March 2021	**4,927**	**11,023**	**300**	**16,250**
At 31 March 2020	5,175	2,740	409	8,324

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. The lease has a remaining period of 134.5 years. £11k of depreciation was charged in the year (31 March 2020: £11k).

The net carrying amount of property, plant and equipment includes the following amounts held under leases for the year ended 31 March 2021: Fixtures, fittings and equipment £16k (31 March 2020: Leasehold buildings £112k; Fixtures, fittings and equipment £20k). Assets arising from leases where the Group is a lessee have been accounted for under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible fixed assets

Group

	Goodwill £000	Development costs £000	Acquired product intangibles £000	Total £000
Cost				
At 1 April 2020	2,539	2,182	3,360	8,081
Additions	-	3,309	-	3,309
Effect of foreign exchange	(258)	(65)	(310)	(633)
At 31 March 2021	**2,281**	**5,426**	**3,050**	**10,757**
Amortisation and impairment				
At 1 April 2020	-	946	30	976
Amortisation	-	825	575	1,400
Impairment	418	-	-	418
Effect of foreign exchange	-	(2)	-	(2)
At 31 March 2021	**418**	**1,769**	**605**	**2,792**
Net Book Value				
At 31 March 2021	**1,863**	**3,657**	**2,445**	**7,965**
At 31 March 2020	2,539	1,236	3,330	7,105

Development costs relate to internally generated assets associated with the development of the PDNS product, the CyGlass product and other capital investments into the core and gTLD infrastructure and offerings. Goodwill arose on the acquisition of CyGlass Inc.

Impairment testing of goodwill

For the purpose of annual impairment testing, goodwill is allocated to the cash-generating unit (CGU) expected to benefit from the business combination in which the goodwill arose. Goodwill has been allocated in full to the CyGlass CGU.

Basis for calculation of recoverable amount

The Group has prepared, and formally approved, an eight-year plan for the CyGlass CGU. The detailed plan makes estimates for revenue and gross profit expectations. The recoverable amount of the CyGlass CGU was determined as £5,165k based on these value-in-use calculations and an impairment charge of £418k has been recognised as a result.

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible fixed assets (continued)

The key assumptions used in the value in use calculations for the CyGlass CGU were the pre-tax discount rate applied (23.7%) and the revenue growth assumptions. The discount rate reflects current market assessments of the time value of money and risks specific to the size and early-stage nature of CyGlass.

The revenue growth assumptions are set out in the table below. The terminal growth rate of 2% does not exceed the long-term growth rate for the industry in which the CGU operates.

	Year ending 31 March								
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**TV***
Revenue % growth	345.4%	221.6%	125.8%	86.9%	59.2%	32.7%	8.7%	1.9%	2.0%

*Terminal Value

The CyGlass business is at an early stage, and significant revenue growth is therefore expected over the forecast period. Management consider that this growth rate is consistent with that observed in other early-stage companies in the industry which CyGlass operates.

As noted in the Chair's report, CyGlass' alignment with Nominet's future direction is now under review as part of the company's reform agenda.

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible fixed assets (continued)

Company

	Development costs	Acquired product intangibles	Total
	£000	£000	£000
Cost			
At 1 April 2020	2,182	300	2,482
Additions	1,861	-	1,861
At 31 March 2021	**4,043**	**300**	**4,343**
Amortisation and impairment			
At 1 April 2020	946	-	946
Charge for the year	641	300	941
At 31 March 2021	**1,587**	**300**	**1,887**
Net Book Value			
At 31 March 2021	**2,456**	**-**	**2,456**
At 31 March 2020	1,236	300	1,536

Development costs relate to internally generated assets associated with the development of the NTX product and capital investments into the core and gTLD infrastructure and offerings. Intangible assets have a remaining amortisation period of between 1 and 3 years.

NOTES TO THE FINANCIAL STATEMENTS

10. Subsidiaries of the Group

The subsidiaries of the Group, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of Incorporation	Proportion of ownership interest	Nature of business
Nominet Limited	UK	100%	Dormant
Nominet Registrar Services Limited	UK	100%	ICANN accredited registrar
Nominet US Inc.	US	100%	Employment vehicle for US based staff
Nominet UK Holding Co Limited	UK	100%	Holding Company
Nominet US Holding Co Inc.	US	100%	Holding Company
CyGlass Inc.	US	100%	Provision of network cyber security solutions
Nominet Australia Pty Limited	Australia	100%	Employment vehicle for Australia based staff

For the year ended 31 March 2021, Nominet Registrar Services Limited (company number 08158704) and Nominet UK Holding Co Limited (company number 12452094) have 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.

11. Investments held at fair value through other comprehensive income

Group and Company

	31 March 2021 £000	31 March 2020 £000
At beginning of year	**91,893**	98,952
Sale of investments	**(12,000)**	-
Re-invested gains on disposal of investments held at fair value through OCI	**906**	2,233
Re-invested income	**2,037**	2,385
Management charges and foreign exchange movements	**(361)**	(400)
Unrealised gain/(loss) on revaluation	**25,092**	(11,277)
At end of year	**107,567**	91,893

NOTES TO THE FINANCIAL STATEMENTS

12. Deferred tax

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

Group

	PPE and Intangible assets £000	Tax losses £000	Unrealised investment (losses) /gains £000	Other temporary differences £000	Total £000
At 1 April 2019	**166**	**-**	**(1,197)**	**4**	**(1,027)**
Deferred tax (charge)/credit for year in profit or loss	(160)	220	-	119	179
Deferred tax (charge)/credit for year in statement of OCI	-	-	1,704	-	1,704
Acquired in the year (under business combination)	(887)	312	-	-	(575)
At 1 April 2020	**(881)**	**532**	**507**	**123**	**281**
Deferred tax (charge)/credit for year in profit or loss	(437)	1,006	-	(113)	456
Effect of foreign exchange	90	(126)	-	-	(36)
Deferred tax (charge)/credit for year in statement of OCI	-	-	(4,660)	-	(4,660)
At 31 March 2021	**(1,228)**	**1,412**	**(4,153)**	**10**	**(3,959)**

Company

	PPE and Intangible assets £000	Tax losses £000	Unrealised investment (losses) /gains £000	Other temporary differences £000	Total £000
At 1 April 2019	**166**	**-**	**(1,197)**	**4**	**(1,027)**
Deferred tax (charge)/credit for year in profit or loss	(160)	-	-	120	(40)
Deferred tax (charge)/credit for year in statement of OCI	-	-	1,704	-	1,704
At 31 March 2020	**6**	**-**	**507**	**124**	**637**
Deferred tax (charge)/credit for year in profit or loss	(523)	-	-	(114)	(637)
Deferred tax (charge)/credit for year in statement of OCI	-	-	(4,660)	-	(4,660)
At 31 March 2021	**(517)**	**-**	**(4,153)**	**10**	**(4,660)**

Deferred income tax assets are recognised against tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

13. Current trade and other receivables

Group	31 March 2021 £000	31 March 2020 £000
Trade receivables	2,661	3,025
Accrued income	8,089	3,980
Recoverable VAT	1,940	-
Other receivables	108	138
Financial assets	12,798	7,143
Prepayments	6,332	2,745
Non-financial assets	6,332	2,745
Trade and other receivables	19,130	9,888

Company	31 March 2021 £000	31 March 2020 £000
Trade receivables	2,590	2,951
Accrued income	8,089	3,980
Recoverable VAT	1,940	-
Other receivables	103	136
Amounts owed by group undertakings	68	-
Financial assets	12,790	7,067
Prepayments	6,260	2,726
Non-financial assets	6,260	2,726
Trade and other receivables	19,050	9,793

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared risk characteristics. They have been grouped based on the days past due. Trade receivables are written off when there is no reasonable expectation of recovery. On the above basis, the expected credit loss for trade receivables at 31 March 2021 has been determined at £8k. (31 March 2020: £46k). The related expense has been recorded in other operating charges.

NOTES TO THE
FINANCIAL STATEMENTS

14. Current trade and other payables

Group	31 March 2021 £000	31 March 2020 £000
Trade payables	1,620	1,306
Other creditors	1,206	717
Accruals	5,696	5,568
Financial liabilities	8,522	7,591
Other taxation and social security	678	792
Non-financial liabilities	678	792
Trade and other payables	9,200	8,383

Company	31 March 2021 £000	31 March 2020 £000
Trade payables	1,565	1,305
Other creditors	1,204	717
Accruals	5,303	5,003
Amounts owed to Group undertakings	-	49
Financial liabilities	8,072	7,074
Other taxation and social security	678	792
Non-financial liabilities	678	792
Trade and other payables	8,750	7,866

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

NOTES TO THE FINANCIAL STATEMENTS

15. Leases

The statement of financial position shows the following amounts relating to leases:

Group and Company	31 March 2021	31 March 2020
Right-of-use assets*	**£000**	£000
Leasehold buildings	-	112
Fixtures, fittings and equipment	**16**	20
	16	133

Lease liabilities		
Current	**7**	134
Non-current	**7**	-
	14	134

*Included within the relevant category within note 8, Property, plant and equipment

The statement of profit or loss shows the following amounts relating to leases:

Group and Company	31 March 2021	31 March 2020
Depreciation charge of right-of-use assets	**£000**	£000
Leasehold buildings	**(150)**	(450)
Fixtures, fittings and equipment	**(28)**	(37)
	(178)	(487)
Interest expense (included in other operating charges)	(1)	(8)
Lease payments in respect of leases treated as short-term	(1)	(5)

NOTES TO THE FINANCIAL STATEMENTS

16. Income tax

Group	31 March 2021	31 March 2020
	£000	£000
Income tax asset	**526**	-
Income tax liability	**-**	264

Company		
Income tax asset	**518**	-
Income tax liability	**-**	261

17. Deferred income

Group	31 March 2021	31 March 2020
	£000	£000
Current deferred income	**26,598**	24,971
Non-current deferred income	**9,987**	10,430
	36,585	35,401

Company		
Current deferred income	**26,466**	24,833
Non-current deferred income	**9,985**	10,401
	36,451	35,234

Deferred income represents consideration received in advance of the meeting of performance obligations, primarily domain registration and renewal fees that relate to future accounting periods.

18. Non-current trade and other payables

Group and Company	31 March 2021	31 March 2020
	£000	£000
Accruals	**-**	871

NOTES TO THE FINANCIAL STATEMENTS

19. Related party transactions

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

	Due to/(Owed by) Nominet UK at 31 March 2021 £000	Income to Nominet UK 31 March 2021 £000
David Thornton	(3)	3
Anne Taylor (See Green Systems Ltd)	-	2
	(3)	5

	Due to/(Owed by) to Nominet UK at 31 March 2020 £000	Income to Nominet UK 31 March 2020 £000
David Thornton	(6)	3
Volker Greimann (Key Systems GmbH)	27	375
	21	378

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 year to 31 March 2021 was £207k (FY20: £266k).

20. Notes to the cash flow statement

Group	31 March 2021 £000	31 March 2020 £000
Operating profit	3,110	3,107
Adjusted for:		
Depreciation of property, plant and equipment	1,973	2,112
Amortisation of intangible assets	1,400	322
Impairment of intangible assets	418	-
Depreciation of non-current asset	11	11
Foreign exchange losses	781	-
(Increase)/decrease in trade and other receivables	(9,231)	640
Increase in trade and other payables	61	1,915
Increase/(decrease) in deferred income	1,194	(510)
Decrease in contract asset	(87)	(4)
Exchange differences on translating foreign operations	-	15
Cash (used in)/generated from operations	(370)	7,608

20. Notes to the cash flow statement (continued)

Company	31 March 2021 £000	31 March 2020 £000
Operating profit	2,471	3,911
Adjusted for:		
Depreciation of property, plant and equipment	1,944	2,109
Amortisation of intangible assets	941	292
Impairment of loans to group companies	5,035	-
Depreciation of non-current asset	11	11
Foreign exchange losses	723	-
(Increase)/decrease in trade, loans and other receivables	(9,257)	611
Increase in trade and other payables	13	1,536
Increase/(decrease) in deferred income	1,217	(483)
Decrease in contract asset	(65)	(4)
Cash generated from operations	3,033	7,983

21. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are classified as follows:

	Lease liabilities £000
At 1 April 2020	134
Cash-flows: Repayment	(121)
31 March 2021	13

22. 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 2021 was 2,469 (31 March 2020: 2,461).

23. Financial instruments risk

The Group's policy is to fund its operations from retained earnings and equity and place surplus cash into investments held at fair value through OCI and deposits. Given the level of cash and investments held at fair value through OCI 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 investments held at fair value through OCI, changes in interest rate risk and to credit risk. The policies for managing these risks are kept under review by the Board.

Market conditions relating to the investments held at fair value through OCI

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 Investments held at fair value through OCI are quoted in active markets, and are sensitive to fluctuations in market value. If the average value of the investments held at fair value through OCI were to change by 5%, the effect on total comprehensive income would be £5.0m (31 March 2020: £4.8m)

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 creditworthiness of the counterparty

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 2021, 72% of trade receivables related to current month debt (31 March 2020: 94% current month debt)

Financial liabilities

As at 31 March 2021 the Group had no financial liabilities other than those of a trading nature

Fair value measurement of financial assets and liabilities

Investments held at fair value through OCI 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

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 subsidiaries CyGlass Inc., Nominet US Inc. and Nominet US Holding Co Inc. The Group has not taken out hedges as the exposure to foreign currency fluctuations at any one time is not deemed to be material

24. Financial instruments

Categories of financial assets and financial liabilities

Principal 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:

24. Financial instruments (continued)

	Group 31 March 2021 £000	Group 31 March 2020 £000	Company 31 March 2021 £000	Company 31 March 2020 £000
Financial assets				
Classified as loans and receivables:				
Loans to group companies	-	-	**3,949**	4,108
Trade and other receivables	**12,798**	7,143	**12,790**	7,067
Cash and cash equivalents	**2,721**	5,871	**2,168**	5,757
Classified as available for sale:				
Investments held at FVTOCI	**107,567**	91,893	**107,567**	91,893
	123,086	104,907	**126,474**	108,825
Financial liabilities				
Classified as financial liabilities held at amortised cost:				
Trade and other payables	**8,522**	7,591	**8,072**	7,074

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 investments held at FVTOCI fall into the Level 1 category.

25. 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.

26. Capital commitments

At 31 March 2021 the Group and Company had capital commitments of £289,000 (31 March 2020: £41,000) relating to capital expenditure contracted but not provided for in the financial statements.

27. Contingent liabilities

There were no contingent liabilities at 31 March 2021 or at 31 March 2020.

NOMINET

Minerva House, Edmund Halley Road, Oxford Science Park, Oxford, OX4 4DQ, UK

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