NOMINET UK ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Company No. 03203859

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CHAIR'S STATEMENT

Dear fellow members,

I am pleased to be able to report back on a pivotal year which has seen Nominet change strategic direction and set out on a positive path as a focused, purpose led organisation. With public benefit right at the heart of everything we do, our ambition is to make an increasingly significant contribution to the digital economy and wider society.

Significant progress has been made on the commitments made to members following last Autumn's strategic reviews, as you will see in the table on pages 12 – 13. As a result, we now measure success in different ways, reflecting our purpose and operating principles. We have also increased transparency across the organisation, not least in our formal reporting: our first remuneration report is included in this publication, and we now share more detailed performance of our registry and cyber businesses.

Over the course of the year, Nominet has continued to deliver a high quality, reliable and resilient service to the registrars and registrants who depend on us. Under the guidance of CEO Paul Fletcher, who joined in January 2022, we have a clear forward programme. Key priorities include upgrading registry infrastructure and delivering a world class namespace alongside using our c£65m commitment to public benefit programmes, over the next three years, to create a lasting legacy.

Public benefit activity increased over the year, with a varied programme addressing the issues of digital poverty, social mobility, online safety and inclusion as well as bringing diversity and new talent into the technology sector.

We were able to support a major rollout of the BBC Micro:bit pocket-sized computer to primary schools, a new programme with Barnardo's reaching young people in care, and provided bursaries for the innovative advanced training programmes run by 01Founders. Plugging a funding gap after the UK left the EU, we stepped in to ensure the vital work of the UK Safer Internet Centre (UKSIC) could continue. The groundwork is being laid for a larger programme in coming years and a new Public Benefit committee will shape and oversee our funding. You will find more information on the fantastic work we do in public benefit on pages 14 – 31. I hope you are as proud of it as I am.

The organisation is clearly on a new path, focused on the contribution we can make not only to the industry but to the wider world.

In keeping with our commitment to focus on core activities, we have now exited the CyGlass business. Our preference was to sell the business to recoup our costs, but in tough market conditions driven by extreme global uncertainty, we were not able to by the end of FY22.

With a significant burn rate, supporting the business was unsustainable and your board initiated a formal closure process on 13 June 2022. Shortly after, the assets were acquired by a group of CyGlass employees for a nominal fee, allowing continuity of service to customers and insulating Nominet from further liabilities. I have written to members to share the overall cost of CyGlass (c£18m) and offer reassurance that it will not impact our .UK pricing decisions or our public benefit commitments. Our investment portfolio performed well in prior years, and there are no issues of liquidity. However, lessons have been learnt, not least about the importance of ensuring our strategy has the support of members.

Having closed that chapter, we can focus on the future.

That future is driven by our purpose and is shaped by the changing world around us. The challenge is to navigate turbulence in the economy, inflation and market volatility, while continuing to innovate and make progress on our strategic priorities.

One of our principles is to offer competitive pricing without compromising on quality. Against a backdrop of rising costs to run our registry and competitor price increases, freezing our domain prices until 2024 means that .UK continues to represent even greater value for members and registrants at a time when budgets are under pressure.

As the CEO's statement outlines, significant progress has been made in expanding the reach of Protective DNS (PDNS), moving that business closer to profitability.

Sitting at the heart of the UK's internet infrastructure, running the .UK registry and protecting public services is a huge responsibility. It comes with increasing government scrutiny and a higher regulatory and compliance burden. While delivering an excellent service for members, it is vital that we remain outward looking to anticipate and adapt to meet the changing needs and expectations of all the communities we serve.

My thanks to Board colleagues and the Nominet team for their commitment and contribution to taking the organisation forward.

Very few organisations of this size have the responsibility and impact that Nominet does. I am proud to be Chair and look forward to an exciting next chapter.

ANDREW GREEN CBE

VISION, MISSION AND OPERATING PRINCIPLES

VISION

A public benefit company that is 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

MISSION

To provide a world class .UK namespace; operate critical national infrastructure that is safe, secure and resilient; and protect public services from cyber threat in the UK and internationally

OUR OPERATING PRINCIPLES

We run the company in the public interest; we serve our members, customers, stakeholders and broader society

We are a values based organisation committed to transparency, fairness and diversity

We ensure .UK is secure, safe and resilient

NOMINET
A PUBLIC BENEFIT COMPANY

We put purpose above profit. We are driven by making the world more connected, inclusive and secure

We innovate and use world class technology to improve our services

We aim to generate a surplus to invest back into our service and fund our public benefit activities

We run efficiently, keeping prices competitive without compromising on quality of service

CEO'S STATEMENT

I am proud to have joined Nominet, a company driven by its purpose. With a new focus on delivering public benefit through everything we do, and a greater alignment with members, the organisation is now on a firmer footing. But our work is just beginning: our sights are set firmly on the commitments to members, and our obligations to provide a world class service for all stakeholders.

With that in mind, we are clear on our priorities (see Strategic priorities), which are underpinned by a refined vision, mission, and operating principles that will shape the next chapter of Nominet's story.

We continue to build on the work of FY22, which saw the registry end the year with 11.1m domains under management (DUM), having secured 1.8m new registrations over the year and a renewal rate of 79%. Registry revenues for the period were £42.0m (FY21: £40.4m). DNS uptime was 100% and our customer service levels remained excellent with a Net Promoter Score of 85%.

A significant programme to upgrade our infrastructure got underway, with the design phase complete, new data centre space acquired and hardware deployed. The build phase is now underway. Customer-facing registry systems are also being upgraded, to bring greater automation, increase security and stability.

Our commitment to operating as a responsible registry includes ongoing work tackling abuse and criminality in the .UK namespace. In addition to our work with law enforcement to suspend domains associated with crime, our domain watch algorithm identified over 4,000 potential phishing domains over the course of the year.

The team has worked hard to engage with members. Feedback from members and wider stakeholders informed Nominet's new strategic direction. The new online community reinstated an important means for dialogue with and between members. We launched Member GiveHub, a monthly fund available for good causes nominated by our membership, with funding decisions considered and awarded by a panel of volunteers. The .UK Registry Advisory Council (UKRAC) was set up to support the development of .UK policy. Matters discussed included access to the UK zone file, domain expiry and opportunities for greater standardisation between .UK policy and that of the wider domain industry.

Our Protective DNS work continues to protect public services in the UK and overseas. Revenues increased over the year to £12.7m through expansion of the UK service to support UK government offices globally, and the deployment of a PDNS solution for the Australian government. While we are seeking new opportunities to bring this business area to profitability in FY24, the deficit of £1.8m has reduced by 55% compared with the prior year.

Headline financial information is shown in the table below.

	FY22 (£M)	FY21 (£M)
Revenue – Registry	42.0	40.4
Revenue – Cyber business	12.7	9.3
Operating profit before impairment and Public Benefit	8.1	7.2
Impairment of CyGlass	(6.7)	(0.4)
Public Benefit Initiatives	(4.8)	(3.7)
Net (Loss)/profit	(4.4)	4.5

Total revenues were £55.1m (FY21: £49.8m), primarily reflecting growth from both the Registry and Cyber business. The overall operating profit for Nominet's trading activities (before impairment charges and Public Benefit spend) remained strong at £8.1m (FY21 £7.2m). As the business unit breakdown on page 87 shows, the full impairment of CyGlass has adversely affected what would otherwise be a healthy operating profit before Public Benefit spend in FY22. After public benefit spend and the impairment of CyGlass, the overall net loss is £4.4m. This is an exceptional situation, and we fully expect to return to robust operating profit levels before public benefit initiatives in FY23. In keeping with our operating principles, we aim to make a surplus that is reinvested in the business and will help fund public benefit programmes in future.

We do face significant headwinds, with growing inflationary pressures already affecting our cost base, the workforce and our customers. This is driving up the cost of recruiting new staff and increasing costs throughout the supply chain. At the same time, our main revenue stream – domain registration fees – was fixed this year, in line with our commitment to a price freeze until 2024.

It is therefore important that we run efficiently, while maintaining the quality of our service. With prices of competitors such as .com rising, .UK domains continue to represent great value in the market.

Nothing is possible without a great team, and I want Nominet to be an inclusive and progressive employer. Post pandemic, we must also put significant effort into capitalising on hybrid working and developing the skills we need for the future.

Our agenda for the year is both clear and challenging. It reflects our ambition as a public benefit company seeking to use technology to support the digital economy and transform lives, and our commitment to building a strong and trusted relationship with members.

Our strategic priorities, Board commitments made in October 2021 with the actions taken are detailed on the following pages. I look forward to working with you and making further progress together.

PAUL FLETCHER

STRATEGIC PRIORITIES

Deliver on public benefit commitments

Deliver a world class namespace

Ensure stability

Ensure Nominet is a great place to work

Work efficiently to generate a sustainable surplus

Pursue break-even for Cyber

OUR COMMITMENTS (OCTOBER 2021)	PROGRESS (AUGUST 2022)
Membership engagement & transparency *Your Board is committed to sharing information and the rationale for key strategy decisions with members*	Launch of member community in November 2021 UKRAC set up to inform .UK policy matters Regular members' call with Board representation Annual report FY22 breaks out performance by business area Half year performance update Remuneration report
Nominet's Cyber Services *Your Board is committed to the protective DNS service and supports a plan to make the business profitable in FY24*	Increased revenue in year Onboarded Australia PDNS The deficit has reduced by 55% to £1.8m
Remuneration *Your Board will publish a remuneration policy statement annually and also a remuneration report that clearly sets out how the policy has been implemented*	Published policy and first remuneration report (see page 40) Revised benchmark to reflect blend of technology and membership, rather than high growth businesses and pay realigned for Executive Directors KPIs broadened beyond financial targets to reflect purpose
Public benefit *Your Board is committed over the next three years to spending c£5m from our operating surplus plus a further c£50m from financial reserves*	Increased spend in FY22: £4.8m Set up public benefit committee to oversee increased spend Member Give Hub pilot launched and extended for FY23 Developing flagship projects, including UK Safer Internet Centre

OUR COMMITMENTS (OCTOBER 2021)	PROGRESS (AUGUST 2022)
Registry Services *Your Board intends to continue with the registry services business*	Ongoing work with both clients and prospects
Governance *Your Board intends to adopt the Wates principles of corporate governance*	Adopted the Wates principles Board will review progress each year
Reserves *Your Board intends to reduce the reserves to c£50m in next three years*	Plans are underway to significantly decrease the reserves in subsequent years through investments in flagship public benefit programmes. In the meantime, strong investment performance increased reserves by £7.2m compared to the end of FY21, standing at £114.8m by year end but markets remain volatile
Cost efficiency and prices *Your Board is committed to running Nominet efficiently and to fair pricing. Wholesale domain prices will be frozen until at least 2024*	In line with commitment, wholesale domain prices are frozen until 2024 at the earliest CEO will lead team to make necessary investments while identifying opportunities to reduce unnecessary cost without compromising quality of delivery
Non .UK business *Your Board has decided not to continue with the strategy of building a portfolio of complementary cyber businesses and has started the process to sell CyGlass*	CyGlass disposal was completed in June 2022. This decision reflects the Board's commitment to exit the business, avoiding further investment required to secure a future sale to recoup costs. This follows an unsuccessful sale process that had not reached a conclusion by year end

PUBLIC BENEFIT

OVERVIEW: PUBLIC BENEFIT AT NOMINET

Nominet has a critical role in maintaining .UK digital infrastructure. We run the national domain name registry, keeping the .UK namespace secure and resilient and play an increasing role protecting public services. When we deliver on these responsibilities, we work in the public interest.

It's a commitment to the wider world that runs throughout everything we do.

In FY22 we began re-organising our Public Benefit programmes to better reflect a company-wide commitment to making the world more connected, inclusive and secure.

Our work is growing, and spans supporting the digital economy, contributing to the internet community, delivering programmes that tackle important social challenges, and working with members to direct funds to causes they care about.

We're excited about the additional impact we can make with the c£65m public benefit spend commitment over the next three years. This comprises of c£5m spend per year funded from operating profits and c£50m funded from financial reserves over the next three years. We believe we can build a lasting legacy that everyone connected with Nominet will feel proud of.

A BROAD CONTRIBUTION

We have supported a diverse range of projects that reflect the role we can uniquely play, the needs of our sector and our passion for ensuring technology is a force for good.

SOCIAL IMPACT PROGRAMMES

Our strategy is to focus our social impact work in ways that help young people benefit from technology while addressing some of the challenges that come from growing up in a digital world. In FY22 we contributed over £3.2m to charities and partners, enabling significant programmes to continue or get underway, and commissioned unique research to inform our own work, and that of our charity partners.

MEMBER-DIRECTED FUNDING

Following a successful pilot, the Members' GiveHub now plays a key role in directing our public benefit spend.

In FY22 £413k was granted to charities supported by our members. Grants were given to organisations such as the Katherine Low Settlement, supporting older people to lead more digital lives, and Deri Regeneration Group, upgrading community equipment that was 20 years old. For FY23 the GiveHub criteria have been broadened to encourage even greater participation.

QUOTES FROM 01FOUNDERS

"Nominet's support of our programme and learners has helped to kick-start the ambitions of 01Founders. We're able to help a new intake of learners including bus drivers, shop workers, chefs and psychologists, to focus on building the skills and becoming tech talent that can meet the needs of employers. We couldn't have made that happen without the support of Nominet. On behalf of everyone at 01Founders, thank you."

FERGAL KILROY,
CHIEF MARKETING OFFICER, 01FOUNDERS

SUPPORTING THE DIGITAL ECONOMY

.knowledge by NOMINET

Over the year, we developed and launched Dotknowledge.uk to provide a dedicated home online for our digital skills training designed for small and micro business owners. This content covers social media marketing, cyber security and online advertising.

We are working with partners to attract under-represented groups to careers in technology.

01 FOUNDERS

01 Founders: We are a founding partner of this new type of school, providing free software engineering education to 100,000 UK students by 2030 and helping them find jobs at the end of the fellowship

TECHTALENT CHARTER

Tech Talent Charter: In keeping with a company-wide commitment to deliver greater diversity in the technology workforce of the UK, we have pledged to help drive this movement forward, attracting more women into the business and our industry

CONTRIBUTING TO THE INTERNET COMMUNITY

We are committed to playing a proactive role in supporting and contributing to the key technical and policy forums, both in the UK and internationally. Nominet helped deliver the UK Internet Governance Forum (IGF) this year, enabling diverse UK voices to be heard at the Global IGF in Poland. We also continue to be active in Internet Corporation for Assigned Names and Numbers (ICANN) and Council of European National Top Level Domain Registries (CENTR), where we work closely with other ccTLD managers.

Our technical outreach also includes the Internet Engineering Task Force (IETF) where the protocols are defined and modified, RIPE community, where operational best practices and developments are discussed, and DNS Operations, Analysis and Research Centre (DNS-OARC) where experts in the field of DNS from all over the world meet and share ideas. This ensures we are aware of and influence change in the DNS protocols and operational best practices that play a key role in day-to-day operations and future planning.

"My daughter is my inspiration for changing my career from being a bus driver. ***I want to be involved in my daughter's childhood and be there for her more, so coding was intriguing****. I want to be a role model for my daughter and have her see me as someone who's successful in their career."*

GOWSENY, LEARNER

"I used to be a project manager in the International educational training sector then Covid came and affected my job. ***I have always wanted to work in tech and this was perfect timing for me to change my career****. I came across 01 Founders while doing research and* ***my tech journey started from there****."*

CHIEN, LEARNER

SOCIAL IMPACT FOR A MORE CONNECTED, INCLUSIVE AND SECURE SOCIETY

Over the course of the year, our funding has made possible a wide variety of initiatives that promote greater connectivity, inclusivity and security for young people online.

Our grant-making is research driven. Before making funds available, we work with partners to explore the most important digital issues facing young people in the UK today. We find the most promising opportunities to address the challenges they face and identify the charities best placed to help. We then support these charities to carefully design, test, deliver and evaluate programmes of work that can benefit young people. We only make grants if we are confident they have potential to make a real difference.

Nominet's digital expertise, and our awareness of how important infrastructure is, means we can add unique value to UK charities, in many cases providing funding that enables work not prioritised by other corporate funders and grant-makers. Our approach means we have built a reputation as one of the UK's leading funders of technology for good projects.

HUMANITARIAN AID

We responded to the invasion of Ukraine by donating £250k to the Disasters Emergency Committee (DEC) Ukraine humanitarian appeal – specifically to the British Red Cross who are providing vital support in the country. On a smaller scale, we also donated power banks to help displaced families stay connected with their loved ones and established a Ukrainian Registrant Support Fund for registrars and their registrants based in Ukraine.

HIGHLIGHTS FROM OUR FY22 WORK:

NOMINET SOCIAL IMPACT | DIGITAL YOUTH INDEX

The Nominet Digital Youth Index is a pioneering research programme and interactive data platform, that tracks young peoples' experience growing up in a digital world. At its launch in November 2021, data from a survey of over 2,000 8–25 year olds and qualitative research with young people, parents, secondary school teachers, youth workers and social workers was made available. As well as informing our own grant-making activities, the insights have begun to shape wider policy and best practice for supporting young people in a digital age. We have seen the data quoted in the UK Parliament and used by charities and government departments to inform their strategic planning. The Digital Youth Index will be updated annually.

Believe in children Barnardo's | parentzone | project backpack

Nominet is funding Barnardo's, the UK's largest children's charity, to create a new platform that gives those working with young people the tools and foresight they need to keep them safe online. Project Backpack, which is being developed with the support of Parent Zone, will combine expert knowledge and data with children's views. The new digital service will give professionals supporting children instant access to relevant knowledge and advice, to help them respond with confidence to the continuously evolving challenges young people face online.

UK Safer Internet Centre

The UK Safer Internet Centre (UKSIC), formed in 2011, has a mission to promote the safe and responsible use of technology. The UKSIC's work includes Safer Internet Day, a critical annual touchpoint in online safety education which in 2022 reached over half of the nation's children and 32% of parents and carers. Nominet stepped in to replace a £1.3m annual shortfall in funding previously provided to UKSIC by the EU. We are committed to funding the Centre for the next three years, with a grant totalling over £5.1m. This will enable UKSIC to continue its role providing critical services and internet safety education, as well as enabling development and testing of new innovations.

*"It's brilliant. **It's great to have lots of resources available in one place. It was so well thought out and really accessible for kids** to have a go at."*

TEACHER

Nominet

#RESET
Mental Health Programme

Our #RESET Mental Health programme brings together established mental health and youth charities to improve and amplify online support for young people and in FY22 we extended funding for our partners. Chasing the Stigma's 'Hub of Hope', which was listed as a resource by the NHS, saw an increase in demand of over 600% and is now signposting 20,000 people to UK mental health services every month. Young Minds is forming a partnership to reach Muslim communities with a mental health campaign and the Nightline Association is developing an instant messaging platform for students accessing overnight support.

CHASING THE STIGMA

YOUNGMINDS

Nightline Association

SAMARITANS

Nominet has an ongoing partnership with Samaritans, and in FY22 provided funding to increase the range of ways mental health support could be accessed online. Part of Samaritans digital transformation project, our support helped activate another channel for people to access help, building on initiatives we have funded previously, including their Live-Chat in 2019 and the Self-Help App which was launched in 2020.

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*"**Typing messages suited me – I didn't want to talk out loud and probably wouldn't have anyway** because there are other people in the house."*

ANONYMOUS USER, VIA ONLINE CHAT

*"**I have called the helpline in the past, but I found the app quick and easy to use when I needed it**. It has practical things to help manage and because it's an app, it fits in with everyday life. **It's always there on your phone, in your pocket**. I have had lots of support and now have the tools to help myself cope."*

ANONYMOUS USER, VIA ONLINE CHAT

The Micro:bit was launched in 2016 with the aim of inspiring every secondary school child to develop their digital skills by creating free user-friendly devices and resources to support teachers in the classroom. Following on from our support to develop Micro:bit Classroom, Nominet funded the research and development of another initiative – Micro:bit Primary, bringing tailored educational resources in digital skills to primary schools across the UK.

"I heard about Micro:bit through Computing at Schools. ***I was just blown away.****"*

COMPUTING SPECIALIST, NORTHERN IRELAND

*"**This brings the 21st century into scouting**. Children are far more tech savvy than we give credit for. **Some could probably teach us a thing or two**. Well done!"*

SUBMISSION FROM SCOUT LEADER TO 1ST FACEBOOK SCOUT GROUP

"Each year, we work with hundreds of thousands of young people to help them build life skills. Having a healthy relationship with technology is an essential skill for life and what it means to be a good citizen. Supported by our brilliant partner Nominet, we help young people earn their Digital Citizen Badge by exploring respect and relationships online."

MATT HYDE, CEO, SCOUTS

"We've updated the curriculum for our popular Nominet funded Digital Citizen badge this year which helps prepare young people for life online. To complement Nominet's amazing support even further, Nominet funding is helping us assess our volunteers' digital skills through a new app we are developing, with the aim of directing them towards appropriate support and training. This is a logical and incredibly generous step on the journey to really embedding key digital skills across our movement. If our volunteers have better digital skills, they will be able to guide our young people. We are looking forward to achieving even more together in 2023 and creating a real legacy for Scouts and beyond."

KATHY O'BRIEN, PARTNERSHIPS MANAGER, SCOUTS

We funded SCOPE to grow its The Big Hack digital accessibility and inclusion programme. The Big Hack works with disabled people and businesses to fix the problem of unequal digital accessibility and inclusion. Disabled people tell Scope the issues that most adversely affect their online world. Scope then uses this evidence to work with businesses through auditing, training, and access to their knowledge hub, to ensure they change to meet the needs of disabled people.

"From all at Suffolk Mind, we would like to thank Nominet for this Members GiveHub grant of £10,000, enabling Suffolk Mind to launch an e-learning platform, produced with the University of Suffolk, which ***will enable more people to have access to get the support they are looking for****, something which has become increasingly needed during the pandemic."*

SUFFOLK MIND

"This has been a fantastic resource. ***We have used it across the whole school****.* ***We're going to*** *expand its use next year and* ***give it a priority place in the curriculum****"*

TEACHER

For many, there is a very real choice to be made on a day-to-day and week-to-week basis between getting online and immediate costs of living. The people who need digital services the most are the least likely to be able to access them. As part of our REBOOT programme we teamed up with the Good Things Foundation on the Data Poverty Lab, an initiative that led to the creation of a National Data bank. Our support of Get Oxfordshire Online helped get young people online with the data and devices they needed.

"The support from Nominet will mean Getting Oxfordshire Online can build on the system for centrally processing requests for devices and support, and develop consistent best practice to be shared across partner delivery hubs. Ultimately, we hope that this will mean Getting Oxfordshire Online will be in a position to ***extend into more hubs across the county and beyond Oxfordshire****."*

BEN TUPPEN, PROJECT MANAGER, GETTING OXFORDSHIRE ONLINE

"Thank you for considering the charity for funding and we will now be able to put on workshops with parents and their children on how to stay safe online and support parents and single adults back into work; this will make a big difference".

DEE MAKWANA, KEEPING FAMILIES TOGETHER (WANDSWORTH)

PUBLIC BENEFIT SPEND

OVERVIEW

Spend overall:	**£4,758k**

Number of partners receiving payments in FY22:

Social Impact	**36**
Member GiveHub	**16**
Digital Economy	**5**
Internet Community	**2**
Total Programme Spend in FY22:	**£4,393k**
Total Support costs:	**£365k** (7.7% of total Public Benefit spend in FY22)

PROGRAMME SPEND BY AREA:

Social Impact:	**£3,220k**
Digital access and inclusion:	**£264k**
Digital skills and careers:	**£335k**
Essential digital services:	**£615k**
Countering online harm:	**£533k**
Internet safety for all:	**£923k**
Digital Youth Index:	**£123k**
Humanitarian Aid:	**£250k**
Research, support and outreach:	**£177k**
Member directed funding:	**£413k**
Digital Economy:	**£404k**
Internet Community:	**£356k**

Prince's Trust

The Prince's Trust has used Nominet funding to create a more effective way to collect and analyse data on the challenges and needs of young people, helping them put together programmes and resources to help disadvantaged young people make more of their lives through education, training and support. Nominet is also funding the Digital Employability Programme, launching in 2023. Practical resources, advice and information about job opportunities are designed to help young people into stable work that helps them to transform their life chances.

"Nominet is supporting the Trust with its data transformation agenda, investing in the development of digital platforms to collect and visualise appropriate high-quality data from young people to help us understand more about the people we are supporting and the outcomes the Trust is achieving.

Nominet is also funding a piece of work to bridge the gap between a young person and an employment opportunity, connecting young people with meaningful entry level jobs within the Trust's partner networks.

The funding from Nominet has transformed our ability to understand, demonstrate and ultimately increase the impact of the work we do with Young People. The funding for our data transformation has allowed us to build a new analytics capability which means we can now draw true insight from our data, whilst the funding for our employability proposition will help us match even more Young People into jobs after attending our programmes."

JULIA BEAUMONT, CTO, PRINCE'S TRUST

AWARDS

We are delighted that some of our charity partners received awards in FY22 for their Nominet funded work.

These included ProjectEVOLVE, the digital literacy toolkit developed by South West Grid for Learning (part of the UKSIC) which won the Education category at the Digital Leaders Impact Awards. It supports more than 30,000 teachers in schools across the country, guiding and equipping them for important discussions with children.

The Scouts won a Corporate Engagement Award in the Best Charity Programme category for their work with Nominet on the Digital Citizenship Badge. The badge has helped more than 62,000 young people understand how digital technology works and stay safe online. We are proud to have supported these award winning projects in the past year.

SUSTAINABILITY

We are committed to reducing the impact of our activities on the environment and are working to reduce our carbon emissions. This data is recorded and independently verified in accordance with globally recognised standard ISO 14064-3.

We have PAS 2060:2014 certification for carbon neutrality for our UK operations and use of data centres globally. We offset our footprint in an international deforestation and land-use change project that includes work in Indonesia. We also support the UK's net-zero 2050 sustainability targets by planting and protecting forestry closer to home.

As we work to reduce our Greenhouse Gas Emissions, we continue to take all reasonable steps to measure, mitigate and further reduce our impact on the planet.

FOOTPRINT

In line with latest guidance, we report scope 2 emissions through both market-based and location-based methods. The methodology is complex, but market-based emissions are essentially those based on our purchasing decisions or those of our partners, for example buying 100% renewable energy or having any emissions offset. Location based measures reflect the fact that, although renewable energy is purchased, it may not always be available from the grid.

CARBON FOOTPRINT	UNIT	FY22	FY21
Market-Based	tCO2e	264.75	384.80
Location-Based	tCO2e	392.85	526.99

INTENSITY METRIC

FY22 is the first year we measured the market-based carbon intensity metric – by being aware of the carbon intensity of the energy we use, we're able to make more informed decisions around our energy usage in future years. The table below includes scope 1 and 2 emissions.

CARBON INTENSITY PER UNIT OF REVENUE	UNIT	FY22	FY21
Market-Based	tCO2e/£m	0.7	Not Measured
Location-Based	tCO2e/£m	3.1	3.5

NOMINET FOREST

Helping the UK reach net zero targets requires action closer to home. Alongside our support of international carbon off-setting projects we support UK woodland projects – Arnott's Loan in East Lothian and Doddington North in Northumberland.

Over 14,000 trees have been planted and protected, capturing over 3,000 tonnes of CO_2.

GREENHOUSE GAS EMISSIONS (GHG)

Scope 1 (natural gas) and scope 2 emissions have reduced due to hybrid working and the reduction of office hardware and plant and equipment running times. In addition, there has been an increase in scope 3 business travel emissions due to travel activity restarting after Covid-19 restrictions were lifted. However, Scope 3 emissions associated with our data centres have reduced due to the use of renewable energy.

GREENHOUSE GAS EMISSIONS (GHG)	ACTIVITY	UNIT	FY22	FY21
SCOPE 1	Natural Gas	tCO2e	30.61	31.80
	Fugitives	tCO2e	9.40	0.00
SCOPE 2	Electricity	tCO2e	128.10	142.19
SCOPE 3	Business travel	tCO2e	125.54	0.00
	Data centres	tCO2e	99.21	353.00
	TOTAL GHG	**tCO2e**	**392.86**	**526.99**

ENERGY USE DATA

The energy use data correlates with respective scope and activities on the emissions table except for our data centres. The increase in energy use is driven by the need for additional space to meet the requirements of the technology transformation programme. This programme is upgrading infrastructure servers with more energy efficient hardware so that long term the energy use will significantly reduce.

GREENHOUSE GAS EMISSIONS (GHG)	ACTIVITY	UNIT	FY22	FY21
SCOPE 1	Natural Gas	kwh	167,108.80	172,964.90
	Fugitives	KG	4.50	0.00
SCOPE 2	Electricity	kwh	603,305.40	609,872.80
SCOPE 3	Business travel	Passenger KM	305,489.00	0.00
	Data centres	kwh	4,219,000.00	1,628,000.00

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 Group 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 Corporate Governance Principles provide a framework 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 Group.

The Board is responsible for setting the Group'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 regularly 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 31 March 2022, the Board comprised up to eight Non-Executive Directors, including the Chair, and up to three Executive Directors. Since 1 March 2022 the CEO is the only Executive Director currently on the Board.

At the November 2021 AGM, the members elected Ashley La Bolle and Simon Blackler to replace James Bladel and David Thornton as the elected NEDs. The proportion of women on the Board during the period was between 12.5% and 33%.

2022 GENDER PAY GAP REPORT

We recognise that to be able to reflect a strong inclusive culture and organisational approach to diversity, we need to continue to focus on addressing any key issues that our data and insights present. To that effect we have been monitoring our progress in relation to Gender Pay over the last few years to ensure we focus on ways to help improve and reduce any gaps.

The Gender Pay Gap report for the year to April 2022 shows that our median gender pay gap has increased from 21.6% to 25.9% which is more than the UK national average of 15.4% and the technology industry average of 19–20%.

Our gender pay gap is attributable to the following key reasons.

- We have recruited a higher number of male team members into technology and senior level roles, including the new CEO
- The ongoing challenges of the gender imbalance and available skills within specific roles across the technology sector
- The increasing competition in the external market for niche and scarce skills which have inflationary impact on current pay levels across the technology sector

Whilst 41% of the Board and direct reports to the CEO are women, our focus is on increasing female representation in other areas, most specifically into the technology functions where we have increased our team size and capabilities.

We continue to focus on our Employee Value Proposition to encourage a wider range of diverse candidates to consider Nominet in their future career choices. Attention has been given to our approach to recruitment, attracting a wider range of candidates, especially for our technical roles by understanding key market factors and working with our external partners to make a positive change.

By listening to our teams in meetings, focus groups and our engagement survey we have gathered information that has helped us to respond to issues and concerns that might affect our culture and ability to drive a difference in this area. We also continue to track and review pay to ensure teams are paid consistently and fairly in terms of experience, skills and knowledge.

2022 GENDER PAY GAP INFORMATION

Mean and median pay/bonus gap between men and women

	MEAN		MEDIAN	
	APRIL 2022	APRIL 2021	APRIL 2022	APRIL 2021
Gender Pay Gap	18.4%	16.2%	25.9%	21.6%
Gender Bonus Gap	22.4%	(0.3)%	40.9%	28.6%

BONUS PAY PROPORTION – PROPORTION OF MEN AND WOMEN RECEIVING A BONUS

	MEN	WOMEN
FY22	85%	82%
FY21	92%	99%

Employees are excluded from the bonus scheme for performance reasons and/or if they are within their probation period or notice period following resignation.

QUARTILE PAY BAND PROPORTIONS – PROPORTION OF MEN AND WOMEN IN EACH BAND

POST-SALARY REVIEW 2022	MEN	WOMEN
Lower Quartile	41%	59%
Lower Middle Quartile	64%	36%
Upper Middle Quartile	77%	23%
Upper Quartile	77%	23%

POST-SALARY REVIEW 2021	MEN	WOMEN
Lower Quartile	42%	58%
Lower Middle Quartile	57%	43%
Upper Middle Quartile	74%	26%
Upper Quartile	75%	25%

We are committed to improving our progress although we know that with the current climate, this will continue to be challenging.

Our key priorities remain unchanged across the following areas for the year ahead:

GAIN A BETTER UNDERSTANDING THROUGH HR METRICS AND INSIGHT

- Improving our data and analysis on both external and internal talent pools means we will be better informed of our market and determine where the challenges remain and need focus

BUILDING AN INCLUSIVE CULTURE – VALUING CONTRIBUTION AND ENGAGING IN GREAT CONVERSATIONS

- Our values emphasise the importance of Ownership, Integrity and Boldness. We each play a part in creating a space for everyone to be seen, heard, valued and respected in order to be at our best. Coaching our managers to help focus better conversations with team members, encourage a growth mindset and resilience to build confidence and changes to the way we problem solve and drive change

- Our Covid-19 response and subsequent shift towards greater flexibility, hybrid working and wider focus on location for recruitment will further reinforce and support our ability to attract and retain a diverse team

INSPIRING A FUTURE GENERATION – CONTINUING TO SPONSOR AND FUND PUBLIC BENEFIT INITIATIVES

- We remain committed to initiatives like Tech Talent Charter, Future.now and more recently in 2021 became a founding partner of 01 Founders. These partnerships reinforce our belief around connected, inclusive and secure public benefit initiatives in support of developing digital capabilities across a wider and more diverse population. Each initiative aims to make a difference and develop skills and capabilities across a wider, more inclusive population at earlier stages. They encourage individuals from socially excluded backgrounds to have access to the opportunities and create more talent and digital skills for the market, and our future generations employment and economy

- In addition, we will focus on developing our own future talent pipeline which will in turn provide potential opportunities to increase the level of diversity across the organisation

CURRENT BOARD MEMBERS

ANDREW GREEN CBE
Chair

PAUL FLETCHER
CEO

SALLY TILLERAY
Non-Executive Director

EVA LINDQVIST
Non-Executive Director

DR. STEPHEN PAGE
Senior Independent Director

PHILIP BUCKINGHAM
Elected Non-Executive Director

ANNE TAYLOR
Elected Non-Executive Director

SIMON BLACKLER
Elected Non-Executive Director

ASHLEY LA BOLLE
Elected Non-Executive Director

BOARD COMMITTEES

Nominet has five Board committees that meet on a regular cycle: Audit and Risk, Nominations, Investment, Public Benefit and Remuneration. The Code of Conduct Committee meets as and when required.

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 RISK COMMITTEE

The Audit and Risk Committee met six times 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 31 March 2021 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 2024
- Approved minor changes to the health and safety policy
- On a number of occasions reviewed the company's IT security posture and the appropriate allocation of resources
- Reviewed its terms of reference and approved a series of changes, including the name of the committee from Audit & Governance to Audit & Risk

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 eight times during the reporting period and on these occasions:

- Reviewed candidates for the roles of Company Chair, Remuneration Committee Chair, and CEO and made recommendations to the Board regarding appointments
- During the reporting period the Committee approved the appointment of Ridgeway Partners as the recruitment agency to support the recruitment process for a new Senior Independent Director and Audit & Risk Chair; and Saxton Bampfylde in the recruitment of a new CFO
- Approved the process and documents related to the 2021 Non-Executive Director elections

INVESTMENT COMMITTEE

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

- 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

PUBLIC BENEFIT COMMITTEE

The Public Benefit Committee was formally established in November 2021 and has met twice during the reporting period. The Committee has provided feedback to help refine the strategic approach for a number of proposed public benefit programmes. It also approved a series of recommendations arising from the learnings of the six-month Member GiveHub pilot which will be implemented moving forward.

CODE OF CONDUCT COMMITTEE

Following a call for interest and interviews with the Senior Independent Director and Company Secretary, the Board approved the appointment of Mr. Phil Ronchetti as the Member Representative to sit on the committee. Mr. Simon Bone was also approved as a suitable Member Representative who could sit on the committee if a conflict of interest necessitated it.

The Code of Conduct Committee met once during the reporting period to consider a complaint made against a member. A copy of the decision can be found in the MemberHub part of the website.

REMUNERATION COMMITTEE

Committee Members Responsibilities and Key Decisions

The Committee determines the remuneration policy and packages for Executive Directors and senior managers. This involves having regard to workforce remuneration and alignment with strategy and culture, so that Nominet is able to recruit, retain and motivate its executives.

During the reporting period the Committee met seven times and on these occasions:

- Introduced the Executive Remuneration Policy in September 2021
- Revised the approach regarding our market benchmark position, Executive bonus scheme, and remuneration annual work programme
- Revised and extended the FY22 company KPI targets aligned to the company annual bonus scheme beyond purely financial revenue targets to create a "balanced scorecard"
- Determined FY21 pay and bonus outcomes for Executive Directors particularly in light of changes in policy and wider socio-economic environment
- Revised the FY23 bonus scheme
- Set challenging targets for company performance and related annual bonus in a particularly uncertain and challenging environment
- Agreed the proposed terms for interim CEO, Eleanor Bradley, new CEO, Paul Fletcher and CFO

The Committee members included:

Eva Lindqvist (Chair)	From September 2021 to date
Rob Binns	March 2021 to July 2021
Andrew Green	July 2021 to date
Anne Taylor	March 2021 to date
Ashley La Bolle	November 2021 to date
James Bladel	March 2019 to November 2021
David Thornton	March 2016 to November 2021

The Chair of the Committee commented that "we have updated our approach to remuneration to provide direct alignment with the organisation purpose, values and strategic priorities of the business and to ensure rewards are clear, fair, proportional and performance based to encourage the right behaviours"

REMUNERATION REPORT: STATEMENT

On behalf of the Remuneration Committee ("The Committee") I am pleased to present the first Directors remuneration report. It contains details of how the updated policy has been put into practice during FY22 and how we will continue to further embed changes into FY23. The Executive remuneration policy ("The Policy") was shared in September 2021 and sets out the updated framework and limits for how Executive Directors are paid. The Policy was shared with members and can also be viewed on our website www.nominet.uk.

The Committee is dedicated to the highest standards of disclosure on remuneration and recognises that Executive pay is an important issue for a public benefit company and membership organisation operating in the technology industry. We operate in line with the remuneration requirements in the Wates principles and the provisions of the UK corporate governance code.

2021 Policy Review

In September 2021 we introduced an updated Executive Remuneration Policy. The actions we have taken in FY22 have enabled us to update our approach to Executive remuneration to ensure fairness and consistency.

As a result of the review the following key changes were made:

- Revision of the market position and related benchmark for each Executive Director role, including agreement of the Chair, CEO and CFO remuneration packages
- Revision of the approach to measuring company performance in FY22 through the introduction of a wider set of performance indicators beyond financial targets
- Review and update to the FY22 and FY23 Bonus scheme design
- Revision of the maximum bonus allowances across the Executive Directors and Leadership team members to ensure appropriate alignment against roles held within the teams
- Adjustment of the company to personal ratio to recognise relevant level of influence over company targets and deliverables
- Introduction of a revised set of performance measures for FY23 that align with the organisation vision, mission and priorities

FY22 Salary and incentives

As outlined in the Chair's statement and CEO review, Nominet has delivered a good performance across a much wider range of performance objectives and deliverables, with solid revenues and progress being made in a challenging environment towards the new strategic direction.

From March 2021 till January 2022, Eleanor Bradley assumed the interim CEO role, which was outside of the Executive Director team. This role was assumed with no additional monies, fees or other benefits.

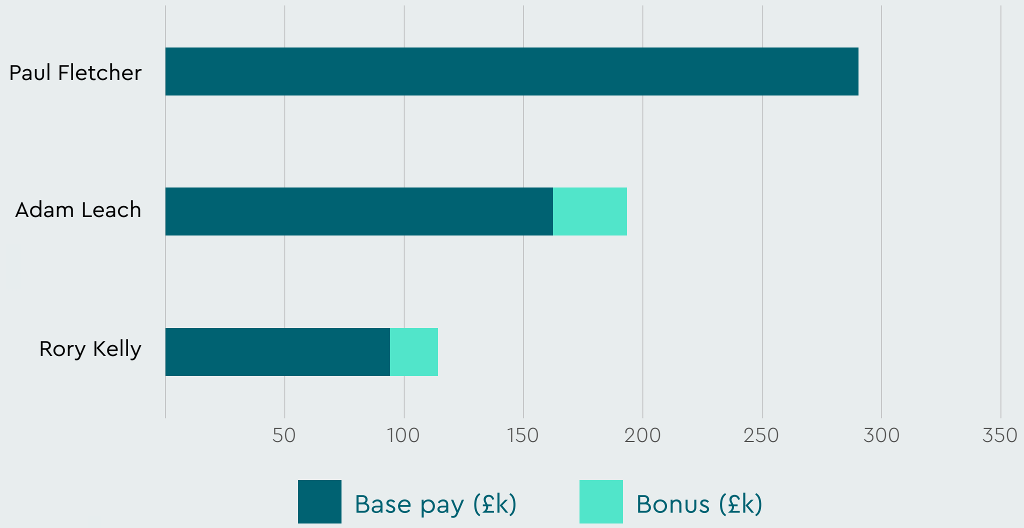
Paul Fletcher was subsequently appointed in January 2022 as CEO, his remuneration package was reviewed with the Committee during the recruitment process to ensure alignment with the updated Policy and remuneration components.

The CEO role was offered within the revised benchmark position and was 3% below the previous permanent incumbent. Pension contributions were also realigned with the Executive Director level at a reduced level to 10% matched employer contribution. The new CEO role also does not benefit from the previous Long Term Incentive (LTI) scheme that the previous CEO participated in.

The Company performance assessment for FY22 was based on a broader balanced scorecard set of measures rather than just financial only measures used previously. As a result of the Company performance assessment the remuneration committee has been prudent in its final decisions on determining the overall company performance levels and subsequent Executive Director final bonus payment levels. The Executive team have worked hard under challenging circumstances to develop a new strategic direction with the Board and members. However, whilst heading in the right direction, progress in line with expectations has been slower than anticipated in some areas where conditions have been more challenging. In light of this, the committee confirmed that overall company performance had achieved 75% of the expected KPI levels and the company performance element of the bonus was therefore revised to reflect this assessment. This is the first time since 2014 that the company performance element has been assessed at less than 100%. In respect of the personal component, performance levels were assessed for each Executive Director and relevant bonus percentage levels aligned to their individual performance assessment ratings.

The chart below shows a breakdown of total remuneration paid to Paul Fletcher*, Adam Leach** and Rory Kelly** in respect of the reporting period.

EXECUTIVE DIRECTOR REMUNERATION – 2021/22



Notes to chart

Interim CEO numbers are not provided in the chart above as the interim CEO was not an Executive Director and did not receive any additional monies, fees or other benefits for the duration of the temporary assignment.

*For the new CEO, Paul Fletcher, the above is an illustration of base salary for a full year, although we should note he was only employed for the final two months of the financial year.

**Adam Leach and Rory Kelly were appointed in March 2021 as Executive Directors and stepped down in February 2022. The graph represents their full year remuneration.

The Committee remains sensitive to the issues affecting Executive remuneration and the views expressed by members. These issues are arguably even more important than usual at the present time and in the context of significant macro-economic conditions and high degree of change and transformation across the business. The Committee believes that exercising a degree of moderation in the level of remuneration to realign our reward position expressed in the policy across the Executive team is the right approach. The Committee will continue to ensure that remuneration remains reflective of the wider business environment, aligned to market expectations, and will appropriately incentivise Executives to achieve the organisation's strategic priorities with proportionate levels of reward.

Considering the recent CEO appointment, no additional pay review for FY23 has been awarded. The committee will review the CEO salary in line with the normal committee pay review cycle for FY24 including a review of the FY23 bonus scheme. It is noted that all future awards in relation to the open Executive Director Board role of CFO will be made in accordance with the remuneration policy and revised pay benchmark levels.

The Committee is mindful that sufficiently stretching targets should apply to the award level. The Committee has considered the overall bonus structure to ensure that potential outcomes are appropriate and reasonable for the required performance levels. Changes have also been made to realign the relative maximum bonus levels for the CEO and Executive Director roles as well as the relative split of company to personal performance applied to the Executive bonus scheme.

The Company to Personal performance split will now be weighted 70:30 reflecting the level of influence of overall company performance that sits within the Executive team.

During the year, an annual calendar of work has been agreed for the committee to ensure appropriate governance and rigour across the application of our remuneration policy relating to pay, benefits, incentives and remuneration priorities. The Committee looks forward to continuing to provide increased visibility and transparency throughout the year.

EVA LINDQVIST,
REMUNERATION COMMITTEE CHAIR

.UK REGISTRY ADVISORY COUNCIL

In March 2021, Nominet announced the creation of the .UK Registry Advisory Council (UKRAC) to give members a greater voice in how the .UK registry is run. The purpose of the UKRAC is to foster the long-term sustainable success of the .UK namespace, ensuring it remains safe, secure, and competitive.

A Design Group, formed from respondents to the initial consultation and chaired by former Non-Executive Director James Bladel, met six times from March 2021 to May 2021 to discuss and finalise the terms of reference, scope of the council, composition and election process.

Nominet members elected six representatives in an election running from 30 June 2021 to 22 July 2021 on a one member, one vote basis.

The current chair is member-elected Non-Executive Director Anne Taylor from See Green Media Limited. The representatives from large (top 25) registrars are; Rex Wickham of 2020 Media Limited and Arnaud Franquinet from Gandi represented larger registrars until the end of his term; representing mid to small sized registrars are Andrew Bennett from Netistrar Ltd and Dan Rodgers from Domain Registrar Services Limited; and representing the secondary market is Ciprian Cucuruz from Webber Multimedia Ltd. On 11 December 2021 Susannah Clark (trading as Girl Next Door) resigned from her position as secondary market representative on the council.

The first UKRAC meeting took place in August 2021 and over four subsequent meetings, the council has:

- Made recommendations to the Board proposing changes to the Council's Terms of Reference
- Agreed the Member Community Guidelines and supported the launch of the Community
- Made recommendations to the Nominet Board to allow wider access to the .UK zone file
- Contributed to the Proxy Services Incident Plan
- Formed a Drop List Implementation Working Group which reviewed in detail the process by which Nominet releases expired domain names for re-registration
- Reviewed and discussed the Standard Terms and Conditions of Domain Name Registration in .UK, together with the Rules of Registration, with a view to updating these key registry policy documents
- Reviewed the schedule of the UKRAC meetings and Working Group processes

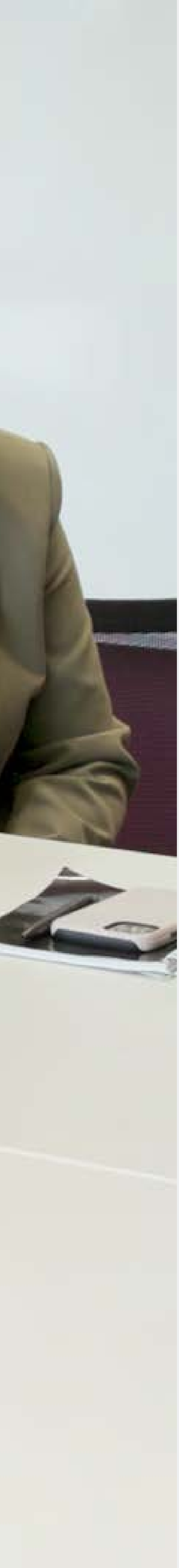
INTERNAL CONTROLS AND RISK MANAGEMENT

Nominet aligns to the ISO 31000:2018 standard for risk management to guide the Company's risk management methodology. The Board seeks to ensure that the Company's culture and risk management approach are aligned and sets the overall strategy, risk attitude and risk appetite. These risk management principles guide all Company activities.

The Executive are accountable for managing risk while the Board is accountable for overseeing risk management. This ensures that effective risk management is integrated into all of Nominet's activities and that risks are adequately considered when setting the Company's objectives.

Internal control measures are assessed regularly by the Board and the Audit & Risk Committee to ensure effectiveness. The Executive report on the results of internal audits and provide assurance to the Board that the systems used to manage risks are properly implemented.

The Executive's risk management and control activities during the reporting period were guided by the Company's risk appetite statement. The statement was reviewed by the Board during the financial year, with an updated statement being agreed in March 2022.



Nominet's Risk Appetite Statement:

> *"Risk appetite is an expression of the type and amount of risk Nominet is prepared to take.*
>
> *As a Public Benefit Company running critical digital infrastructure Nominet's overall risk appetite is low. Its registry and cyber security operations are run on an extremely risk adverse basis, as are the company's security, governance, legal and data protection activities.*
>
> *Nominet is an Operator of UK Essential Services, and while recognising that running large scale digital infrastructure is inherently risky, Nominet has a zero tolerance approach to breaches of its cyber, data protection and security policies; these policies are designed to minimise risk.*
>
> *Nominet has a low risk appetite for new business activities that have not been clearly communicated to members in advance, but has a medium risk appetite for long term business development aligned with its purpose.*
>
> *We recognise that the tech sector environment changes quickly. We therefore have a high risk appetite for innovation that is aimed at furthering the purpose of Nominet and does not endanger our core operations.*
>
> *Nominet is seeking to deliver positive social impact as part of its Public Benefit activity. Its work is guided by the company's Social Impact Strategy and Guiding Principles. Nominet seeks to maximise the impact its work has whilst minimising risk through strong partner due diligence. As a funder Nominet aims to innovate and maintain a mixed portfolio of initiatives; some low risk and some higher risk with impact measures of success clear for each investment.*
>
> *Nominet has considerable reserves to ensure its critical public services can operate effectively over the long term, and excess reserves that it intends to use for Public Benefit. Nominet has a risk appetite for its Investment Strategy, in line with the company's Reserves Policy, consistent with aiming for growth above inflation over the medium term."*

Nominet's risk management strategy remains to identify, understand and appropriately treat the risks that Nominet faces as an organisation using the Company's risk assessment process. During the reporting period regular reviews of the Strategic Risk Register were led by the Executive with new risks added and others updated or removed as the risk landscape evolved. The Audit & Risk Committee (formerly 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 reported on the results of internal audit activity at each Audit & Risk Committee meeting. Findings were highlighted and where needed corrective action agreed with the Executive. A rapid route for exception reporting any major findings as they arise is in place. During the reporting period the Audit & Risk Committee agreed the areas that should be included in the Internal Audit programme for each calendar year up to the end of 2024.

Internal audits highlighted no significant areas of concern; risk assessment processes and controls were seen to be working effectively to reduce and control risks. During the reporting period we produced updated operational risk registers for both the Registry & Public Benefit and Cyber business units.

Nominet continues to maintain and operate a business continuity management system certified to the ISO 22301:2019 standard for Security and Resilience. Recognising the criticality of ensuring highly available and secure services, we hold ISO certifications for IT Service Management (ISO 20000–1:2018) and Information Security Management (ISO 27001:2013) and conduct regular security testing.

Nominet has continued to be an active participant 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 resilience and security issues.

Risk Landscape

During FY22 Nominet's Risk Management policy and procedures were updated as the Executive adopted a new tool to improve how we record and assess risks; a new risk management methodology was also adopted.

The impacts of Covid-19 continued through the reporting period with a significant impact on how and where we work. Nominet responded effectively by developing a hybrid approach to workforce management. Continued political, economic and regulatory uncertainty following Brexit alongside a significant increase in IT security threats were dominant factors in the risk landscape. Over the first part of the reporting period governance risks re-emerged that have undoubtedly influenced Nominet's direction of travel. In the latter part of the reporting period, geopolitical instability and the conflict in Ukraine have created additional security and economic threats. We are operating in turbulent times.

Recruitment and critical resource management remained a top priority as we focussed on delivering business transformation plans alongside key security deliverables. A key risk area for the business is the availability of specialist resource and technical skills in the quantity we need and at the time we need it.

Our overall risk profile during the reporting period increased. Nominet's most significant risks for FY22 fell into three broad areas:

- **Corporate Governance** challenges relating to Nominet's change of strategic direction and the resulting disposal of CyGlass

- **IT security and systems related vulnerabilitie**s driven by increasing geopolitical turbulence and the increasing complexity of the critical services that we operate

- **Resource management** risks as we transition from forecasting and designing activities through to the delivery phases of complex transformation programmes

The primary risk 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
CRITICAL INFRASTRUCTURE DISRUPTION Critical to our business is the infrastructure and technology through which our services are provided The global trend of targeted cyber-attack, partly driven by geopolitical events, alongside the increase in significant vulnerabilities that have been reported globally through FY22, mean the threat level to Nominet for this risk remains high	• Continued significant investment in the resilience of our critical DNS and registry infrastructure; Technology Transformation Programme ongoing • Robust business continuity and disaster recovery plans in place, tested and reviewed on a regular basis • Strong and effective IT & Security policies and operational controls that are certified to the ISO20000 and ISO27001 standards • Working within industry and community groups to share and receive alerts, information and best practice
CRITICAL SUPPLIER FAILURE Significant dependency on in-country delivery partners, cloud services and third-party suppliers	• ISO22301 certified Business Continuity Management System and Business Continuity Plans • Critical supplier due diligence • Resilience, redundancy and continuity measures built into critical services • Critical supplier reviews and management

DESCRIPTION OF RISK	WHAT WE ARE DOING TO MANAGE THE RISK
CYBER SECURITY As an Operator of Essential Services, we are an attractive target and this combined with generally high threat levels due to ongoing geopolitical instability makes this a significant risk	• Delivery of key Security workstreams to strengthen our defences • Investment in high quality infrastructure • Regular penetration, vulnerability and intrusion testing • Effective internal and external security control monitoring • Participation in secure knowledge sharing groups to keep well informed • Rapid response to any identified security threats
ENVIRONMENT As a values based organisation we have committed to NetZero targets. There is a risk that we fail to achieve these targets due to the challenge of reducing our emissions whilst we grow and transform our technical infrastructure. In addition to failing on our responsibility to the environment for the benefit of all, this could lead to financial penalties in future and reputational harm.	• Committed to reducing our emissions and carbon footprint • We offset our measured carbon for FY22 via an international deforestation and land-use change project. In addition, we matched this offsetting in the UK through our investment in the Nominet Forest • We are committed to remaining carbon neutral (through offsetting) and have a carbon reduction plan in place
GOVERNANCE Nominet's governance structure is an area of key importance to ensure our continued operation. Ineffective governance could lead to operational and organisational instability. More generally, governance of the wider technology industry is likely to increase as Governments re-engage their oversight plans following Covid-19. This could lead to a stricter regulatory environment.	• Following an independently facilitated listening exercise we have improved communication routes with our membership • Seeking to garner stakeholder input and feedback from across our stakeholder groups • Maintaining strong relationships with key Government stakeholders • Demonstrating commitment to and effectiveness of the multi-stakeholder and self-regulation models for internet governance

DESCRIPTION OF RISK	WHAT WE ARE DOING TO MANAGE THE RISK
PANDEMIC The Covid-19 pandemic brought significant change to the way that businesses operate in the UK and further afield as we learn to live with the virus We remain vigilant to new strains or new pandemic illness	• Hybrid work mode in place with effective remote working • Critical workers identified and any absence carefully tracked with Business Continuity Plans in place • Enhanced use of our telecommunication tools • Programme of welfare activities and benefits for our people • Use of Covid testing for large employee events
PEOPLE AND RESOURCES Economic and geo-political instability has exacerbated supply chain and recruitment/retention challenges that began to appear following Brexit and Covid-19. Professionals with in-demand skill sets are highly sought after and the recruitment markets are challenging with seasoned professionals in short supply. Supply chains are stretched and increasingly fragile, with delays on key components now commonplace.	• Refining our forecasting and delivery methodology • Resource planning and management • Controlling scope of work programme • Succession planning and training; cascading knowledge within senior operational experts to rest of team • Critical skills analysis and planning • Refreshed EVP to attract and retain top talent • Roll out of Hybrid working through our Ways of Working policy • Critical supplier due diligence • Order new equipment with contingency time
REPUTATION AND BRAND Significant reputational damage leads to a loss of confidence amongst our members, customers and broader stakeholders, and harms our ability to operate as a trusted critical infrastructure provider	• Ensuring high quality and availability service • Business continuity and service resilience plans and processes • Balancing the needs of our broad and diverse range of stakeholders • Key stakeholder engagement and outreach • Demonstrating our ongoing multi-stakeholder policy work • Developing products and services to enhance trust and confidence in the internet • Ongoing commitment to delivering Public Benefit through our work

STRATEGIC REPORT

The Directors present their annual report and the financial statements of the Group and Company for the year ended 31 March 2022.

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 12.

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 2022 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 £5.3m (+10.5%) was driven by £3.4m of growth in the Cyber business with the value of existing government contracts increasing. Registry revenue increased by £1.6m as the significant .UK registration growth driven by increased online activity linked to Covid-19, continued to translate into higher volumes of registration and renewals.

Our core domain business had a strong year with registrations exceeding expectations. The .UK register at 31 March 2022 closed at 11.1 million DUM (31 March 2021 – 11.0 million) with .UK market share at 54% (31 March 2021 – 55%).

Expenditure and Operating (Loss)/profit

The overall Operating profit for Nominet's trading activities (before impairment charges and Public Benefit spend) remained strong at £8.1m (FY21 £7.2m). Segmental business unit reporting is shown in note 2. As noted in the Chair's statement and note 29, the post balance sheet exit from the CyGlass business resulted in a significant impairment charge for FY22 of £6.7m (FY21: £0.4m).

Other operating charges, excluding impairment and Public Benefit, are £47.0m representing 85.3% of revenue (FY21: £42.6m, 85.5% of revenue), with operating costs increasing in proportion to revenue growth. The overall Operating loss of £3.3m (FY21: £3.1m profit) reflects the CyGlass impairment charge noted above and uplifted Public Benefit spend of £4.8m (FY21: £3.7m).

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 £114.8m (FY21: £107.6m) as global markets continued to recover from the Covid-19 pandemic. During the year £1m was withdrawn from the portfolio.

During the period we realised £4.6m of gains on the disposal of investments within the portfolio (2021: £0.9m) and investment income from the portfolio during the year was £2.2m (FY21: £2.0m).

Full details of the movement in investments for the year are shown in note 13.

Public Benefit initiatives

We have continued to scale up our commitment to public benefit in the year, with total spend increasing by 28% to £4.8m (FY21: £3.7m). Full details of our public benefit activity during the year are given in the Public Benefit report on pages 14 – 31.

Balance sheet and cash flow

Retained earnings for the Group decreased by £0.1m during the year to £86.9m (FY21: £87.0m).

Cash generated from operations before tax payments was £11.0m (FY21: cash used £0.4m) reflecting a strong operational performance and working capital decreases, notably for trade creditors. The other key cash movements included capital expenditure on the TTP and other development costs totalling £9.8m (FY21: £13.2m), and income tax payments of £1.6m (FY21: £1.9m). Cash balances held at the period end increased by £1.3m to £4.0m (FY21: £2.7m).

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 Group's operations, ensuring capital protection, long-term capital growth and income. The existence of these financial instruments exposes the Group to a number of financial risks although as a result of cash balances available to the Group 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

Further details of the risks impacting the Group are given on pages 49 – 51 as part of the Internal controls and risk management section, which forms part of the strategic report.

Section 172 statement

Section 172 of the Companies Act requires all directors to have regard to the impact on its stakeholders. In line with good governance practice Nominet has reviewed its stakeholders and clarified how we work with each group.

In August 2021 Nominet took advice on the company's Section 172 responsibilities from corporate law specialists Allen & Overy who advised that "In our view, in Nominet's case, stakeholders would include its members, its employees, the UK government (including but not limited to law enforcement and national security agencies), Nominet's customers and business partners, UK internet users (both commercial organisations and the general public), charity partners, and wider civil society."

The table below sets out how Nominet works with each of these groups of stakeholders.

STAKEHOLDER	HOW WE ENGAGE	HOW THIS HAS IMPACTED THE BOARD'S WORK THIS YEAR
MEMBERS	Nominet is committed to engaging openly and acting in a fair manner, having regard for the views of all its members. Nominet has an extensive programme of member engagement including: virtual event programme; MemberHub and transparency activities; Nominet Community; .UK Registry Advisory Council; Member GiveHub; General Meetings. Board members and executives have held frequent open calls for members, covering a wide range of topics and listening to member views. A Listening Process was conducted by an external agency to consolidate member viewpoints on a range of strategic priorities. Our engagement activities have confirmed that our members are diverse, bringing a wide range of business types, priorities and interests. Members elect four directors to Nominet's Board: these are required by law to consider all stakeholders and not act solely in the members' interests; they bring a critically important member viewpoint into the heart of Nominet's governance.	Member engagement is central to Nominet's work. This year, informed by the Listening Process and other member dialogue, we have significantly altered our strategy to reflect member priorities, terminating a range of activities and reallocating investment and expenditure. We have also launched a wide range of activities to improve transparency and maintain a conversation between Nominet and its members. The Members' GiveHub was launched to facilitate more direct member engagement in charitable work within Nominet's purpose.

STAKEHOLDER	HOW WE ENGAGE	HOW THIS HAS IMPACTED THE BOARD'S WORK THIS YEAR
EMPLOYEES	Engagement surveys; weekly CEO communications; performance management process; shared intranet and social forums; ad hoc interactions on key issues; formal performance management framework	Employee viewpoints were carefully considered, as an input to work on Nominet's strategy and remuneration policy; as well as by the CEO in day-to-day operational matters including post-pandemic working environment policies.
UK GOVERNMENT INCLUDING LAW ENFORCEMENT AND NATIONAL SECURITY AGENCIES	Regular engagement by public policy team, with departments, regulators 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. Regular updates are provided to DCMS as the sponsoring department; and we interact with Ofcom as regulator. Input from both DCMS, Ofcom and NCSC are carefully considered in shaping service offerings. Nominet works closely with a range of law enforcement and national security agencies to ensure that the .uk domain is secure and that national policies are correctly implemented for .uk.	Sustaining our public "licence to operate" is vital for Nominet. An increasing government focus on resilience and security of UK communications is a key matter for Nominet and is being reflected in our programmes to strengthen technology resilience and cyber security. Government concerns about stability of, and inherent risks in, Nominet's governance model have been noted and are under consideration by the Board, along with the viewpoints of members and other stakeholders. The Board will consult with members if any changes are proposed. Along with other critical infrastructure operators, Nominet was briefed on heightened cybersecurity concerns following the Russian invasion of Ukraine and has implemented control measures accordingly. Earlier in the year Nominet provided support to fraud reduction activities related to the Covid pandemic. Briefings were held for members on aspects of new government policy including the Online Harms Bill.

STAKEHOLDER	HOW WE ENGAGE	HOW THIS HAS IMPACTED THE BOARD'S WORK THIS YEAR
CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS	Nominet closely interacts with its customers through regular dialogue. Formal procurement meetings are held at regular checkpoints with government customers in the UK and internationally. Many customers are also members and have additional opportunities to engage (see above). The .UKRAC provides a channel through which users of Nominet's services can provide input to policies and working practices for the .UK domain. Key suppliers are regularly consulted to ensure strategic alignment with Nominet's needs. Nominet works with industry partners through attendance at conferences and liaison events.	Customer priorities are carefully considered and reflected in our investment in customer services, infrastructure and engagement programmes. This year Nominet focused on sustaining its customer commitments during a period when strategy and business scope was challenged. We believe we have reached a comfortable balance between member concerns and customer requirements in all areas other than CyGlass, where we have chosen to exit the market and have made provision for customer transition to the extent practicable. Nominet has adopted and meets the expected standard of the Prompt Payment Code to pay 95% of supplier invoices within 60 days. The Board has recognised the need to strengthen Nominet's participation in broader internet collaboration and will review opportunities in this area in the coming year.
UK INTERNET USERS (COMMERCIAL AND MEMBERS OF THE PUBLIC)	While there is not a direct channel between the public, including registrants, and Nominet, their interests are represented through the duties of all directors to understand the impact of Nominet on the public. In particular, the appointed Non-Executive Directors focus on public service, stability and quality.	Reflecting the critical nature of Nominet's services to the public, we focus on stability and trustworthiness, achieving 100% DNS uptime and delivering a safe, secure namespace. We have introduced a new template for Board papers with a specific section setting out public interest implications. This is bringing an important public-interest focus to each decision taken by the Board.

STAKEHOLDER	HOW WE ENGAGE	HOW THIS HAS IMPACTED THE BOARD'S WORK THIS YEAR
UK INTERNET USERS (COMMERCIAL AND MEMBERS OF THE PUBLIC) CONTINUED	Nominet serves millions of public sector internet users in the UK and internationally through its Protected DNS (PDNS) service and related capabilities, delivered jointly with NCSC. The needs of this user base are closely and regularly monitored through review meetings with NCSC and its international counterparts.	This year, in making new Non Executive Director appointments, the Nominations Committee has placed emphasis on understanding the needs of the public, and on the skills to bring that perspective into the company's governance.
CHARITY PARTNERS	Nominet has formal and informal engagement activities in place for each of its charity partners. These provide strategic alignment, clear goals for partnerships, and measurement of delivered results. Nominet conducts periodic formal reviews of the value created by its public benefit programmes, using independent external support.	This year Nominet has established a Board committee focused on Public Benefit, reflecting the scaling-up of Nominet's charitable activities. This committee will provide stronger scrutiny of strategic choices and value delivered through our partnerships.
WIDER CIVIL SOCIETY	Nominet is committed to reducing the impact of its activities on the environment 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 support the digital economy, contribute to the internet community and deliver programmes that tackle important social challenges through our Public Benefit agenda	This year's progress on environmental matters is set out in the Sustainability section on pages 32 – 33. Progress on wider impact is set out in the Public Benefit report on pages 14 – 31.

This report was approved by the Board and signed on its behalf.
ON BEHALF OF THE BOARD

Andrew Green CBE
Chair

26 August 2022

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:

Robert Binns *(resigned 31 July 2022)*
Simon Blackler *(appointed 18 November 2021)*
James Bladel *(resigned 18 November 2021)*
Philip Buckingham
Paul Fletcher *(appointed 31 January 2022)*
Andrew Green CBE *(appointed 21 July 2021)*
Rory Kelly *(resigned 28 February 2022)*
Ashley La Bolle *(appointed 18 November 2021)*
Adam Leach *(resigned 28 February 2022)*
Eva Lindqvist *(appointed 21 July 2021)*
Dr. Stephen Page
Anne Taylor
David Thornton *(resigned 18 November 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

26 August 2022

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 2022 which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company 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 2022 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 the 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.

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.

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 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 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; such as recognition of contract revenue, capitalisation of development costs, carrying value of investments and intangibles, etc
- 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

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

Use of our report

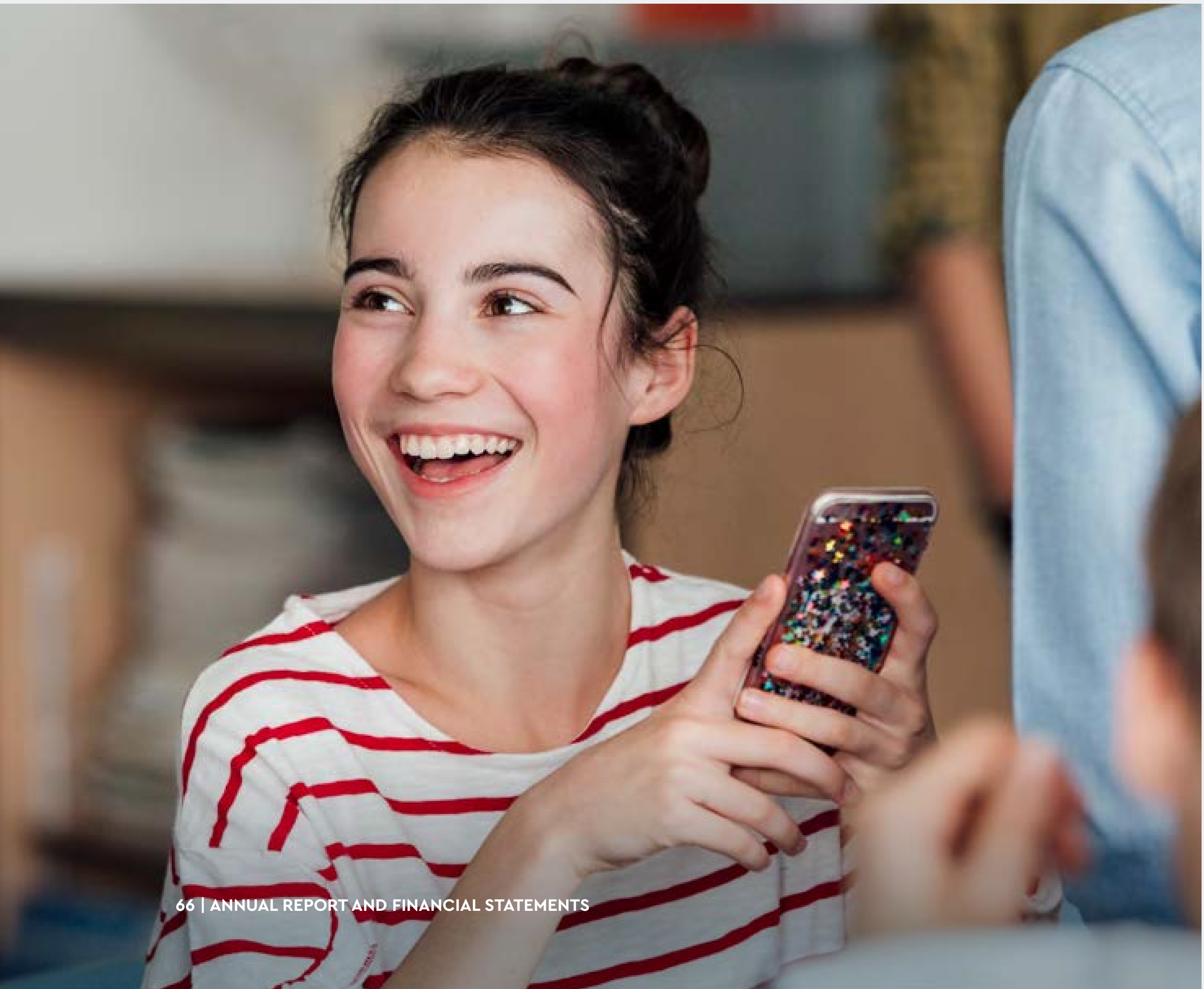
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other 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.

Grant Thornton UK LLP

Madeleine Malenczuk FCA

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

26 August 2022



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 & 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, 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 .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 2022, 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 Cyber Business and CyGlass, 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 19). 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 reviewed and approved by the relevant internal process 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 employer's contributions are charged in the statement of profit or loss on an accruals basis.

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	20%-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

Depreciation is charged to operating charges in the consolidated statement of profit or loss.

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 operating charges in the statement of comprehensive income.

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 profit or loss 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 of goodwill if the asset can be separately identified 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 profit or loss 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 operating charges in the statement of profit or loss.

Amortisation is charged to operating charges in the consolidated statement of 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	3–5 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).

Classification and initial measurement of financial assets

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 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 receivable 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 forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. The Group uses its historical experience and external indicators to calculate the expected credit losses. Management have determined the fair value of any expected credit loss to be immaterial on this basis.

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, 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 the statement of 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 to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or statement of profit or 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

Taxation on the statement of profit or loss for the periods presented comprise current and deferred tax. Taxation 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 and calculated applying the tax rates and laws of the relevant jurisdiction, that are enacted or substantively enacted at the balance sheet date and are expected to apply in the periods in which temporary differences reverse.

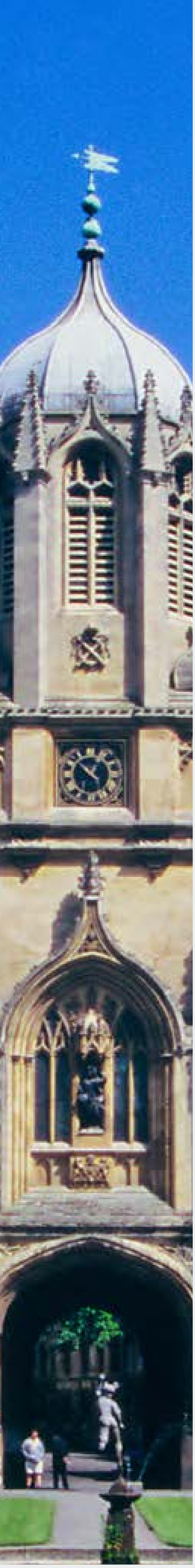
Deferred tax assets related to carry-forward losses are valued on a discounted basis to reflect the time period over which the losses are expected to be recovered.

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 UK Pound 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 UK Pound 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 are:

- Impairment of goodwill and other intangible assets (note 11). The group tests annually whether goodwill has 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 also had to make significant estimates and judgements when preparing budgets and projections and in determining an appropriate discount rate used in the value-in-use calculations

- Capitalisation of development expenditure. Management makes judgements as to whether development expenditure has met the criteria for capitalisation or whether it should be expenses in the year. Development expenditure is capitalised only after its reliable measurement, technical feasibility and commercial viability can be demonstrated. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired

- 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

Other estimates and assumptions include:

- Useful lives of depreciable assets (notes 10 and 11)

- Recoverability of deferred tax assets (note 14)

These areas of estimates and judgements are not considered significant on the basis that the judgement and estimation methods used have not materially affected the carrying value of assets and liabilities at the balance sheet date.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTE	31 MARCH 2022 £000	31 MARCH 2021 £000
REVENUE	1	**55,103**	49,846
Other operating charges	3	**(47,008)**	(42,608)
Impairment of intangible assets	4	**(6,684)**	(418)
Public Benefit Initiatives		**(4,758)**	(3,710)
TOTAL OPERATING CHARGES	13	**(58,450)**	(46,736)
OPERATING PROFIT BEFORE IMPAIRMENT AND PUBLIC BENEFIT INITIATIVES		**8,095**	7,238
OPERATING (LOSS)/PROFIT		**(3,347)**	3,110
Income from investments held at fair value through OCI	13	**2,165**	2,037
Finance income	6	**38**	18
Finance costs		**-**	(3)
(Loss)/profit before taxation		**(1,144)**	5,162
Taxation	7	**(3,248)**	(630)
(LOSS)/PROFIT FOR THE YEAR		**(4,392)**	4,532

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

LOSS/(PROFIT) FOR THE YEAR	**(4,392)**	4,532
OTHER COMPREHENSIVE INCOME (OCI):		
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS		
Gains on investments held at fair value through OCI net of associated deferred tax	**4,607**	21,337
ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS		
Exchange differences on translating foreign operations	**(358)**	299
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(143)**	26,168

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH	NOTE	2022 £000	2021 £000
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	10	**16,644**	16,285
Intangible assets	11	**6,329**	7,965
Advance land lease payment		**1,518**	1,530
Investments held at fair value through OCI	13	**114,785**	107,567
Deferred tax asset	14	**-**	1,428
		139,276	139,282
CURRENT ASSETS			
Trade and other receivables	15	**16,755**	19,130
Current income tax asset	18	**820**	526
Contract asset		**-**	91
Cash and cash equivalents		**4,040**	2,721
		21,615	22,468
TOTAL ASSETS		**160,891**	157,243
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**11,131**	9,200
Lease Liabilities	17	**265**	14
Deferred income	19	**26,403**	26,598
		37,799	35,812
NON-CURRENT LIABILITIES			
Deferred tax liability	14	**7,752**	5,387
Deferred income	19	**9,426**	9,987
		17,178	15,374
TOTAL LIABILITIES		**54,977**	51,186
NET ASSETS		**105,914**	106,057

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

AS AT 31 MARCH	NOTE	2022 £000	2021 £000
EQUITY AND RESERVES			
Retained earnings		**86,853**	86,962
Investments held at fair value through OCI		**19,061**	19,095
TOTAL FUNDS		**105,914**	106,057

These financial statements were approved by the Directors and authorised for issue on 26 August 2022, 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 31 MARCH	NOTE	2022 £000	2021 £000
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	10	**16,613**	16,250
Intangible assets	11	**6,327**	2,456
Advance land lease payment		**1,518**	1,530
Investments held at fair value through OCI	13	**114,785**	107,567
Investment in subsidiaries		**-**	1,216
Deferred tax asset	14	**-**	10
Loans to group companies		**-**	3,949
		139,243	132,978
CURRENT ASSETS			
Trade and other receivables	15	**16,583**	19,050
Current income tax asset	18	**829**	518
Contract asset		**-**	69
Cash and cash equivalents		**3,815**	2,168
		21,227	21,805
TOTAL ASSETS		**160,470**	154,783
TOTAL ASSETS			
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	**10,801**	8,750
Lease Liabilities	17	**265**	14
Deferred income	19	**25,992**	26,466
		37,058	35,230
NON-CURRENT LIABILITIES			
Deferred tax liability	14	**7,758**	4,670
Deferred income	19	**9,385**	9,985
		17,143	14,655
TOTAL LIABILITIES		**54,201**	49,885
NET ASSETS		**106,269**	104,898

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

AS AT 31 MARCH	NOTE	2022 £000	2021 £000
EQUITY AND RESERVES			
Retained earnings		**87,208**	85,803
Investments held at fair value through OCI		**19,061**	19,095
TOTAL FUNDS		**106,269**	104,898

These financial statements were approved by the Directors and authorised for issue on 26 August 2022, 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 31 MARCH	NOTE	2022 £000	2021 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	21	**11,005**	(370)
Income taxes paid		**(1,633)**	(1,873)
Net cash generated from/(used in) operating activities		**9,372**	(2,243)
CASH FLOWS FROM INVESTING ACTIVITIES			
Income received from investments held at fair value through OCI	13	**2,165**	2,037
Interest received on cash balances	6	**38**	18
Purchase of property, plant and equipment	10	**(2,867)**	(9,902)
Purchase of intangible assets	11	**(6,954)**	(3,309)
Income re-invested in investments held at fair value through OCI		**(1,744)**	(1,675)
Disposal of available for sale investments	13	**1,000**	12,000
Net cash used in investing activities		**(8,362)**	(831)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments		**(178)**	(121)
New leases		**430**	-
Interest paid		**-**	(3)
Net cash generated/(used) in financing activities		**252**	(124)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,262**	(3,198)
Cash and cash equivalents at start of year		**2,721**	5,871
Effect of foreign exchange on cash and cash equivalents		**57**	48
Cash and cash equivalents at end of year		**4,040**	2,721

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

COMPANY CASH FLOW STATEMENT

AS AT 31 MARCH	NOTE	2022 £000	2021 £000
ASSETS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	21	**14,783**	3,033
Income taxes paid		**(1,637)**	(1,862)
Net cash generated from operating activities		**13,146**	1,171
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for financial assets at amortised cost		**(5,313)**	(5,288)
Income received from investments held at fair value through OCI	13	**2,165**	2,037
Interest received	6	**38**	18
Purchase of property, plant and equipment	10	**(2,851)**	(9,870)
Purchase of intangible assets	11	**(5,046)**	(1,861)
Income re-invested in investments held at fair value through OCI		**(1,744)**	(1,675)
Disposal of available for sale investments	13	**1,000**	12,000
Net cash used in investing activities		**(11,751)**	(4,639)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments		**(178)**	(121)
New leases		**430**	-
Net cash generated/(used) in financing activities		**252**	(121)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,647**	(3,589)
Cash and cash equivalents at start of year		**2,168**	5,757
Cash and cash equivalents at end of year		**3,815**	2,168

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

	YEAR ENDED 31 MARCH 2022			YEAR ENDED 31 MARCH 2021		
	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	**19,095**	**86,962**	**106,057**	(1,336)	81,225	79,889
(Loss)/profit for the year	**-**	**(4,392)**	**(4,392)**	-	4,532	4,532
Gains on investments held at fair value through OCI net of associated deferred tax	**4,607**	**-**	**4,607**	21,337	-	21,337
Transfer of realised gains on investments held at fair value through OCI	**(4,641)**	**4,641**	**-**	(906)	906	-
Exchange differences on translating foreign operations	**-**	**(358)**	**(358)**	-	299	299
BALANCE AT 31 MARCH	**19,061**	**86,853**	**105,914**	19,095	86,962	106,057

	YEAR ENDED 31 MARCH 2022			YEAR ENDED 31 MARCH 2021		
	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
COMPANY						
Balance at 1 April	**19,095**	**85,803**	**104,898**	(1,336)	81,779	80,443
(Loss)/profit for the year	**-**	**(3,236)**	**(3,236)**	-	3,118	3,118
Gains on investments held at fair value through OCI net of associated deferred tax	**4,607**	**-**	**4,607**	21,337	-	21,337
Transfer of realised gains on investments held at fair value through OCI	**(4,641)**	**4,641**	**-**	(906)	906	-
BALANCE AT 31 MARCH	**19,061**	**87,208**	**106,269**	19,095	85,803	104,898

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

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

NOTES TO THE FINANCIAL STATEMENTS

1. REVENUE

The revenue and profit before tax are attributable to the three business units Registry, Cyber Business and CyGlass. An analysis of revenue by these categories and the geographical location of the customers is given below:

	31 MARCH 2022			31 MARCH 2021		
	UK	OVERSEAS	TOTAL	UK	OVERSEAS	TOTAL
	£000	£000	£000	£000	£000	£000
Registry	**23,361**	**18,687**	**42,048**	20,828	19,581	40,409
Cyber Business	**8,332**	**4,343**	**12,675**	7,137	2,126	9,263
CyGlass	**64**	**316**	**380**	-	174	174
TOTAL	**31,757**	**23,346**	**55,103**	27,965	21,881	49,846

Revenue for the year ended 31 March 2022 includes a release of £26,598k of prior year deferred revenue.

2. BUSINESS UNIT REPORTING

	31 MARCH 2022	31 MARCH 2021
REVENUE	£000	£000
Registry	**42,048**	40,409
Cyber Business	**12,675**	9,263
CyGlass	**380**	174
TOTAL	**55,103**	49,846
SURPLUS/(DEFICIT)		
Registry	**18,509**	19,168
Cyber Business	**(1,739)**	(3,931)
CyGlass	**(3,913)**	(3,346)
TOTAL BUSINESS UNIT SURPLUS	**12,827**	11,891
Depreciation of owned property, plant & equipment	**(2,568)**	(1,973)
Depreciation of non-current asset	**(11)**	(11)
Amortisation of intangible assets	**(2,214)**	(1,400)
Impairment of intangible assets	**(6,684)**	(418)
Public Benefit Initiatives	**(4,758)**	(3,710)
Exchange rate movements	**596**	(959)
Other administrative costs not allocated to business units	**(535)**	(310)
OPERATING (LOSS)/PROFIT	**(3,347)**	3,110

3. OTHER OPERATING CHARGES

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Staff and other personnel costs	**24,292**	23,572
Technical systems and infrastructure	**11,988**	8,203
Other administrative	**3,091**	2,586
Exchange rate movements	**(596)**	959
Depreciation of owned property, plant & equipment	**2,568**	1,973
Depreciation of non-current asset	**11**	11
Amortisation of intangible assets	**2,214**	1,400
Operations	**740**	906
Facilities	**803**	803
Communications and marketing	**1,897**	2,195
	47,008	42,608

4. IMPAIRMENT OF INTANGIBLE ASSETS

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Impairment of CyGlass Cash-Generating Unit	**6,684**	418
	6,684	418

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

5. OPERATING PROFIT

OPERATING PROFIT IS STATED AFTER CHARGING:

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Depreciation of owned property, plant & equipment	**2,568**	1,973
Depreciation of non-current asset	**11**	11
Amortisation of intangible assets	**2,214**	1,400
Impairment of intangible assets	**6,684**	418
AUDITOR'S REMUNERATION:		
Audit fees – Company and Group	**55**	52
Non-audit fees – taxation services	**58**	25

6. FINANCE INCOME

	31 MARCH 2022	31 MARCH 2021
	£000	£000
GROUP		
Interest receivable on cash balances	-	9
Financing interest receivable	**38**	9
	38	18
COMPANY		
Interest receivable on cash balances	-	9
Financing interest receivable	**38**	9
Group company loan interest receivable	**583**	311
	621	329

7. 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% (FY21: 19%) and the reported tax expense in profit or loss are as follows:

	31 MARCH 2022	31 MARCH 2021
	£000	£000
(Loss)/profit before taxation	**(1,144)**	5,162
Domestic tax rate for Nominet UK	**19%**	19%
Expected tax (credit)/expense	**(217)**	981
ADJUSTMENT FOR:		
Fixed asset differences	**(14)**	28
Expenses not deductible for tax purposes	**2,381**	81
Tax exempt income	**(313)**	(278)
Amounts credited directly to OCI or otherwise transferred	**(129)**	66
Additional deduction for R&D expenditure	**(457)**	(391)
Difference in overseas tax rates	**2**	(273)
Chargeable gains	**1,279**	225
Unrelieved foreign tax	**(126)**	83
Exchange differences	**(6)**	8
Adjustment to deferred tax charge in respect of previous periods – current tax	**283**	40
Adjustment to deferred tax charge in respect of previous periods – deferred tax	**668**	109
Deferred tax not recognised	**(103)**	(49)
ACTUAL TAX EXPENSE	**3,248**	630

On 3 March 2021, it was announced that the standard rate of corporation tax will increase from 19% to 25% from 1 April 2023 on profits in excess of £250,000. A small profits rate of 19% will apply to profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. This new law was substantively enacted on 24 May 2021. There is no change to the corporation tax rate before the balance sheet date. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

7. INCOME TAX EXPENSE (CONTINUED)

TAX EXPENSE COMPRISES:	31 MARCH 2022	31 MARCH 2021
CURRENT TAX EXPENSE:	**1,004**	937
Adjustment to current tax charge in respect of previous periods	**283**	149
	1,287	1,086
DEFERRED TAX EXPENSIVE/(CREDIT):		
Origination and reversal of temporary differences (note 14)	**1,961**	(456)
TAX EXPENSE	**3,248**	630
Deferred tax expense, recognised directly in other comprehensive income	**1,868**	4,660

Note 14 provides information on deferred tax assets and liabilities.

8. PARTICULARS OF EMPLOYEES

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

	31 MARCH 2022	31 MARCH 2021
	NO.	NO.
Operations	**295**	248
Management	**16**	16
	311	264

THE AGGREGATE PAYROLL COSTS OF THE ABOVE WERE:

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Wages and salaries	**22,606**	19,924
Social security costs	**2,347**	2,271
Other pension costs	**1,189**	935
	26,142	23,130

9. DIRECTORS

Appointment of New Executive Directors

During FY22 the following changes were made to the composition of the Executive Director team members. Adam Leach and Rory Kelly joined the Board as Executive Directors in March 2021. Paul Fletcher was appointed to the Board as CEO at the end of January 2022. Following this appointment both Adam Leach and Rory Kelly stepped down from their Executive Director roles in February 2022. Nominet is currently recruiting to replace the CFO role which is proposed to assume an Executive Director role on the Board following a successful appointment being made later in FY23.

Appointment Of Non-Executive Directors

It was agreed in March 2021 that all Non-Executive Director fees would be frozen until the end of March 2023. The Committee took the opportunity to review the Non-Executive Chair's fee during the recruitment and subsequent appointment process. The Chair fee was reduced by 10% to £90,000 per annum in line with the updated benchmark position. Andrew Green was appointed as Chair of the Nominet Board in July 2021.

Eva Lindqvist was appointed as Remuneration Committee Chair in September 2021. Simon Blackler and Ashley La Bolle were elected by the membership in November 2021.

As announced at the 2021 NED election campaign James Bladel stepped down from his post in November 2021 and following the election process David Thornton left his Board position.

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

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Emoluments receivable	**729**	1,695
Company pension contributions to defined contribution pension schemes	**21**	7
	750	1,702

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

9. DIRECTORS (CONTINUED)

EMOLUMENTS OF HIGHEST PAID DIRECTOR:

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Annual salary	**155**	299
Annual bonus	**29**	-
Annual contractual benefits	**11**	42
Company pension contributions to defined contribution pension schemes	**14**	3
TOTAL FOR PERIOD	**209**	344
PAYMENTS IN LIEU OF NOTICE (PILON):		
- Salary	**-**	150
- Contractual benefits	**-**	22
- Untaken holiday	**-**	18
Compensation for loss of office	**-**	121
TOTAL FOR YEAR	**209**	655

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

9. DIRECTORS (CONTINUED)

The above summary information is expanded in the following table:

	SALARY / FEES	BONUS	PENSION	OTHER COSTS AND BENEFITS*	31 MARCH 2022	31 MARCH 2021
	£000	£000			£000	£000
Andrew Green	63	-	-	2	**65**	-
Paul Fletcher	49	36**	-	7	**92**	-
Robert Binns	45	-	-	1	**46**	45
Simon Blackler	14	-	-	-	**14**	-
James Bladel	24	-	-	-	**24**	37
Eleanor Bradley	-	-	-	-	**-**	329
Philip Buckingham	37	-	-	-	**37**	19
Russell Haworth	-	-	-	-	**-**	655
Benjamin Hill	-	-	-	-	**-**	311
Rory Kelly	85	17	7	-	**109**	2
Ashley La Bolle	14	-	-	-	**14**	-
Adam Leach	155	29	14	11	**209**	6
Eva Lindqvist	31	-	-	-	**31**	-
Stephen Page	48	-	-	-	**48**	43
Kelly Salter	-	-	-	-	**-**	18
Anne Taylor	37	-	-	-	**37**	37
David Thornton	24	-	-	-	**24**	37
Jane Tozer	-	-	-	-	**-**	53
Mark Wood	-	-	-	-	**-**	110
YEAR TO 31 MARCH 2022	626	82	21	21	**750**	1,702

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

**Estimated accrued bonus payable in May 2023

CEO PAY COMPARED TO EMPLOYEE PAY

Nominet is a medium sized employer with around 275 employees. 50% of our team members are employed within technology functions, which operates in an exceptionally competitive environment and the remainder across corporate functions including customer services.

The CEO pay ratio reference points compare the CEO's remuneration with that of colleagues in varied roles. There is relatively little difference in the outcomes, as shown below. Whatever the CEO pay ratio, Nominet continues to invest in competitive pay for all team members within the market benchmark we have chosen.

The following table shows the ratio between the consolidated Single Total Figure of Remuneration (STFR) of the CEO for FY22 and the lower, median and upper quartile pay of UK employees. For transparency and good governance, the remuneration committee have also provided the pay ratio information for FY21.

METHOD	25TH PERCENTILE PAY RATIO	MEDIAN PAY RATIO	75TH PERCENTILE PAY RATIO
2020/21	1 to 9.3	1 to 5.2	1 to 3.1
2021/22*	1 to 8.5	1 to 4.8	1 to 2.8

- Bonus has been removed from the calculation for consistency
- The pay ratio illustration uses the salary of the current incumbent CEO, appointed in late January 2022, grossed up for the full year period to support a fair comparison

Nominet's reward framework across the business is based on a consistent set of principles for all – that overall remuneration should be competitive when compared to similar roles in other organisations from which we attract our talent. Employee pay is therefore determined using the same principles as the pay for Executive Directors and applies consistently across our wider policies on employee reward and recognition.

10. PROPERTY, PLANT AND EQUIPMENT

GROUP				
	LEASEHOLD BUILDINGS	COMPUTER HARDWARE & SOFTWARE	FIXTURES, FITTINGS AND EQUIPMENT	TOTAL
	£000	£000	£000	£000
COST				
At 1 April 2021	7,333	24,219	3,409	**34,961**
Additions	-	3,351	-	**3,351**
Transfers to Intangible assets*	-	(289)	-	**(289)**
Disposals	-	(194)	-	**(194)**
Effect of foreign exchange	-	8	-	**8**
AT 31 MARCH 2022	7,333	27,095	3,409	**37,837**
DEPRECIATION				
At 1 April 2021	2,406	13,161	3,109	**18,676**
Charge for the year	135	2,336	97	**2,568**
Disposals	-	(58)	-	**(58)**
Effect of foreign exchange	-	7	-	**7**
AT 31 MARCH 2022	2,541	15,446	3,206	**21,193**
NET BOOK VALUE				
AT 31 MARCH 2022	4,792	11,649	203	**16,644**
AT 31 MARCH 2021	4,927	11,058	300	**16,285**

*Expenditure classified as PPE in previous years that was subsequently re-assessed as meeting the criteria for categorisation as intangible assets.

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 133.5 years. £11k of depreciation was charged in the year (31 March 2021: £11k).

The net carrying amount of property, plant and equipment includes the following amounts held under leases for the year ended 31 March 2022: Computer hardware & software £395k, Fixtures, fittings and equipment £9k (31 March 2021: Fixtures, fittings and equipment £16k). Assets arising from leases where the Group is a lessee have been accounted for under IFRS 16.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	LEASEHOLD BUILDINGS	COMPUTER HARDWARE & SOFTWARE	FIXTURES, FITTINGS AND EQUIPMENT	TOTAL
	£000	£000	£000	£000
COST				
At 1 April 2021	7,333	24,036	3,408	**34,777**
Additions	-	3,334	-	**3,334**
Transfers to Intangible assets*	-	(289)	-	**(289)**
Disposals	-	(194)	-	**(194)**
AT 31 MARCH 2022	7,333	26,887	3,408	**37,628**
DEPRECIATION				
At 1 April 2021	2,406	13,013	3,108	**18,527**
Charge for the year	135	2,314	97	**2,546**
Disposals	-	(58)	-	**(58)**
AT 31 MARCH 2022	2,541	15,269	3,205	**21,015**
NET BOOK VALUE				
AT 31 MARCH 2022	4,792	11,618	203	**16,613**
AT 31 MARCH 2021	4,927	11,023	300	**16,250**

*Expenditure classified as PPE in previous years that was subsequently re-assessed as meeting the criteria for categorisation as intangible assets.

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 133.5 years. £11k of depreciation was charged in the year (31 March 2021: £11k).

The net carrying amount of property, plant and equipment includes the following amounts held under leases for the year ended 31 March 2022: Computer hardware & software £395k, Fixtures, fittings and equipment £9k (31 March 2021: Fixtures, fittings and equipment £16k). Assets arising from leases where the Group is a lessee have been accounted for under IFRS 16.

11. INTANGIBLE FIXED ASSETS

GROUP

	GOODWILL	DEVELOPMENT COSTS	ACQUIRED PRODUCT INTANGIBLES	TOTAL
	£000	£000	£000	£000
COST				
At 1 April 2021	2,281	5,426	3,050	**10,757**
Additions	-	6,715	-	**6,715**
Transfers from PPE	-	289	-	**289**
Disposals	-	(50)	-	**(50)**
Effect of foreign exchange	110	138	132	**380**
AT 31 MARCH 2022	2,391	12,518	3,182	**18,091**
AMORTISATION AND IMPAIRMENT				
At 1 April 2021	418	1,769	605	**2,792**
Amortisation	-	1,939	275	**2,214**
Impairment	1,954	2,443	2,287	**6,684**
Effect of foreign exchange	19	38	15	**72**
AT 31 MARCH 2022	2,391	6,189	3,182	**11,762**
NET BOOK VALUE				
AT 31 MARCH 2022	-	6,329	-	**6,329**
AT 31 MARCH 2021	1,863	3,657	2,445	**7,965**

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

On 26 April 2022, the Board agreed to conduct an orderly wind down of CyGlass Inc. The recoverable amount of the CyGlass CGU has therefore been determined as £nil, and an impairment charge of £6,684k has been recognised as a result.

11. INTANGIBLE FIXED ASSETS (CONTINUED)

GROUP

	DEVELOPMENT COSTS	ACQUIRED PRODUCT INTANGIBLES	TOTAL
	£000	£000	£000
COST			
At 1 April 2021	4,043	300	**4,343**
Additions	4,807	-	**4,807**
Transfers from PPE	289	-	**289**
Disposals	(50)	-	**(50)**
AT 31 MARCH 2022	9,089	300	**9,389**
AMORTISATION AND IMPAIRMENT			
At 1 April 2021	1,587	300	**1,887**
Charge for the year	1,175	-	**1,175**
AT 31 MARCH 2022	2,762	300	**3,062**
NET BOOK VALUE			
AT 31 MARCH 2022	6,327	-	**6,327**
AT 31 MARCH 2021	2,456	-	**2,456**

Development costs relate to internally generated assets associated with the development of the PDNS product and capital investments into the core and gTLD infrastructure and offerings. Intangible assets have a remaining amortisation period of between 1 and 5 years.

12. 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. Company was incorporated to protect the Nominet name
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 established to hold investments under discontinued strategy of building a portfolio of complementary cyber businesses
NOMINET US HOLDING CO INC.	US	100%	Holding Company established to hold US based investments under discontinued strategy of building a portfolio of complementary cyber businesses
CYGLASS INC.	US	100%	Provision of network cyber security solutions. Business and assets transferred out on 13 June 2022
NOMINET AUSTRALIA PTY LIMITED	Australia	100%	Employment vehicle for Australia based staff

For the year ended 31 March 2022, 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.

13. INVESTMENTS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

GROUP AND COMPANY

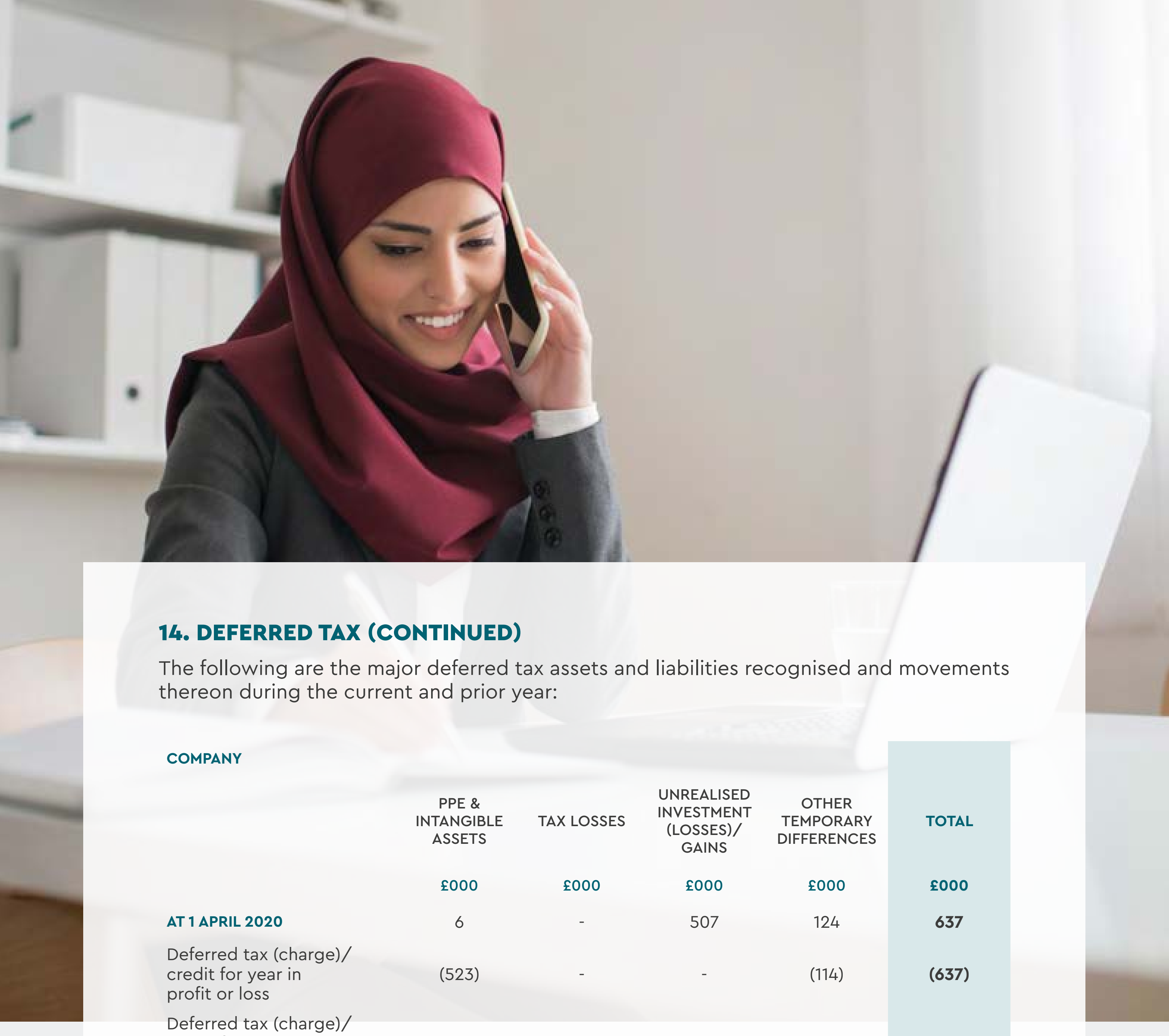
	31 MARCH 2022	31 MARCH 2021
	£000	£000
At beginning of year	**107,567**	91,893
Sale of investments	**(1,000)**	(12,000)
Re-invested gains on disposal of investments held at fair value through OCI	**4,641**	906
Re-invested income	**2,165**	2,037
Management charges and foreign exchange movements	**(422)**	(361)
Unrealised gain on revaluation	**1,834**	25,092
AT END OF YEAR	**114,785**	107,567

14. DEFERRED TAX

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

GROUP

	PPE & INTANGIBLE ASSETS	TAX LOSSES	UNREALISED INVESTMENT (LOSSES)/ GAINS	OTHER TEMPORARY DIFFERENCES	TOTAL
	£000	£000	£000	£000	£000
AT 1 APRIL 2020	(881)	532	507	123	**281**
Deferred tax (charge)/credit for year in profit or loss	(437)	1,006	-	(113)	**456**
Deferred tax (charge)/credit for year in statement of OCI	90	(126)	-	-	**(36)**
Acquired in the year (under business combination)	-	-	(4,660)	-	**(4,660)**
AT 1 APRIL 2021	(1,228)	1,412	(4,153)	10	**(3,959)**
Adjustment in respect of prior periods	772	(1,412)	-	-	**(640)**
Deferred tax charge for year in profit or loss	(1,213)	-	-	(72)	**(1,285)**
Deferred tax charge for year in statement of OCI	-	-	(1,868)	-	**(1,868)**
AT 31 MARCH 2022	(1,669)	-	(6,021)	(62)	**(7,752)**



14. DEFERRED TAX (CONTINUED)

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

COMPANY	PPE & INTANGIBLE ASSETS	TAX LOSSES	UNREALISED INVESTMENT (LOSSES)/ GAINS	OTHER TEMPORARY DIFFERENCES	TOTAL
	£000	£000	£000	£000	£000
AT 1 APRIL 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)**
Adjustment in respect of prior periods	55	-	-	-	**55**
Deferred tax charge for year in profit or loss	(1,213)	-	-	(72)	**(1,285)**
Deferred tax charge for year in statement of OCI	-	-	(1,868)	-	**(1,868)**
AT 31 MARCH 2022	(1,675)	-	(6,021)	(62)	**(7,758)**

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.

15. CURRENT TRADE AND OTHER RECEIVABLES

Group

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Trade receivables	**4,587**	2,661
Accrued income	**5,273**	8,089
Recoverable VAT	**-**	1,940
Other receivables	**103**	108
FINANCIAL ASSETS	**9,963**	12,798
Prepayments	**6,792**	6,332
NON-FINANCIAL ASSETS	**6,792**	6,332
TRADE AND OTHER RECEIVABLES	**16,755**	19,130

Company

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Trade receivables	**4,491**	2,590
Accrued income	**5,273**	8,089
Recoverable VAT	**-**	1,940
Other receivables	**97**	103
Amounts owed by group undertakings	**24**	68
FINANCIAL ASSETS	**9,885**	12,790
Prepayments	**6,698**	6,260
NON-FINANCIAL ASSETS	**6,698**	6,260
TRADE AND OTHER RECEIVABLES	**16,583**	19,050

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 2022 has been determined at £20k. (31 March 2021: £8k). The related expense has been recorded in other operating charges.

16. CURRENT TRADE AND OTHER PAYABLES

Group

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Trade payables	**4,634**	1,620
Other creditors	**1,143**	1,206
Accruals	**4,425**	5,696
FINANCIAL LIABILITIES	**10,202**	8,522
Other taxation and social security	**929**	678
NON-FINANCIAL LIABILITIES	**929**	678
TRADE AND OTHER PAYABLES	**11,131**	9,200

Company

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Trade payables	**4,530**	1,565
Other creditors	**1,120**	1,204
Accruals	**4,094**	5,303
Amounts owed to Group undertakings	**127**	-
FINANCIAL LIABILITIES	**9,871**	8,072
Other taxation and social security	**930**	678
NON-FINANCIAL LIABILITIES	**930**	678
TRADE AND OTHER PAYABLES	**10,801**	8,750

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

17. LEASES

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

Group and Company

Right-of-use assets

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Fixtures, fittings and equipment	**404**	16
Other creditors	**404**	16

LEASE LIABILITIES	**10,202**	8,522
Current	**191**	7
Non-current	**74**	7
	265	14

*Included within the relevant category within note 10, Property, plant and equipment

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

Group and Company

	31 MARCH 2022	31 MARCH 2021
Depreciation charge of right-of-use assets	£000	£000
Leasehold buildings	**-**	(150)
Fixtures, fittings and equipment	**(42)**	(28)
	(42)	(178)

Interest expense (included in other operating charges)	-	(1)
Lease payments in respect of leases treated as short-term	-	(1)

18. INCOME TAX

Group

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Income tax asset	**820**	526

Company

Income tax asset	**829**	518

19. DEFERRED INCOME

Group

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Current deferred income	**26,403**	26,598
Non-current deferred income	**9,426**	9,987
	35,829	36,585

Company

	31 MARCH 2022	31 MARCH 2021
	£000	£000
Current deferred income	**25,992**	26,466
Non-current deferred income	**9,385**	9,985
	35,377	36,451

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.

20. RELATED PARTY TRANSACTIONS

The Company defines related parties as the Directors of Nominet UK. Details of transactions with related parties are set out in the table below:

	DUE TO/(OWED BY) NOMINET UK	INCOME TO NOMINET UK
	31 MARCH 2022	31 MARCH 2022
	£000	£000
David Thornton	(1)	2
	(1)	2

	DUE TO/(OWED BY) NOMINET UK	INCOME TO NOMINET UK
	31 MARCH 2021	31 MARCH 2021
	£000	£000
David Thornton	(3)	3
Anne Taylor (See Green Systems Ltd)	-	2
	(3)	5

KEY MANAGEMENT PERSONNEL

In our opinion, the key management personnel are the same as the Directors whose emoluments are listed in note 9. The social security costs payable on their emoluments during the year to 31 March 2022 was £62k (FY21: £207k).

21. NOTES TO THE CASH FLOW STATEMENT

Group

	31 MARCH 2022	31 MARCH 2021
	£000	£000
OPERATING (LOSS)/PROFIT	(3,347)	3,110
ADJUSTED FOR:		
Depreciation of property, plant & equipment	2,510	1,973
Amortisation of intangible assets	2,214	1,400
Impairment of intangible assets	6,684	418
Depreciation of non-current asset	11	11
Foreign exchange (gains)/losses	(675)	781
Decrease/(increase) in trade and other receivables	2,380	(9,231)
Increase in trade and other payables	1,911	61
(Decrease)/increase in deferred income	(773)	1,194
Decrease/(increase) in contract asset	90	(87)
Cash generated/(used in) from operations	11,005	(370)

Company

	31 MARCH 2022	31 MARCH 2021
	£000	£000
OPERATING (LOSS)/PROFIT	(3,465)	2,471
ADJUSTED FOR:		
Depreciation of property, plant & equipment	2,488	1,944
Amortisation of intangible assets	1,175	941
Impairment of intangible assets	11,737	5,035
Depreciation of non-current asset	11	11
Foreign exchange (gains)/losses	(676)	723
Decrease/(increase) in trade and other receivables	2,467	(9,257)
Increase in trade and other payables	2,052	13
(Decrease)/increase in deferred income	(1,075)	1,217
Decrease/(increase) in contract asset	69	(65)
Cash generated/(used in) from operations	14,783	3,033

22. 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 2021	**13**
New leases	**430**
Cash-flows: Repayment	**(178)**
31 MARCH 2022	**265**

23. COMPANY LIMITED BY GUARANTEE

Nominet UK is limited by guarantee and each member's liability will not exceed £10. The number of members at 31 March 2022 was 2,369 (31 March 2021: 2,469).

24. 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 £5.5m (31 March 2021: £5.0m).

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 2022, 88% of trade receivables related to current month debt (31 March 2021: 72% current month debt).

Financial liabilities

As at 31 March 2022 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.

25. 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:

	GROUP 31 MARCH 2022 £000	GROUP 31 MARCH 2021 £000	**GROUP 31 MARCH 2022 £000**	GROUP 31 MARCH 2021 £000
Financial Assets				
CLASSIFIED AS LOANS AND RECEIVABLES:				
Loans to group companies	**-**	-	**-**	3,949
Trade and other receivables	**9,963**	12,798	**9,885**	12,790
Cash and cash equivalents	**4,040**	2,721	**3,815**	2,168
CLASSIFIED AS AVAILABLE FOR SALE:				
Investments held at FVTOCI	**114,785**	107,567	**114,785**	107,567
	128,788	123,086	**128,485**	126,474
Financial Liabilities				
CLASSIFIED AS FINANCIAL LIABILITIES HELD AT AMORTISED COST:				
Trade and other receivables	**10,202**	8,522	**9,871**	8,072

Loans to group companies are £nil following an impairment charge made as a result of the closure of CyGlass Inc (see note 29).

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.

26. 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.

27. CAPITAL COMMITMENTS

At 31 March 2022 the Group and Company had capital commitments of £1,195k (31 March 2021: £289k) relating to capital expenditure contracted but not provided for in the financial statements.

28. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2022 or at 31 March 2021.

29. POST BALANCE SHEET EVENT

On 26 April 2022, the Board agreed to conduct an orderly wind down of the CyGlass business in its current form. As a result, CyGlass Inc. entered an Assignment for Benefit of Creditors (ABC) process on 13 June 2022. At this point, an Assignee took control of the business and assets of CyGlass Inc. On 24 June 2022, the Assignee accepted a management buy out (MBO) proposal from a team of former CyGlass Inc. employees, and the assets and business were transferred from the Assignee to the MBO team for notional proceeds of $1.

This represents an adjusting post balance sheet event under IFRS. A provision for impairment of £6,684k has been made against Group intangible assets.

A provision for impairment of £15,557k has been made against Company loans to group companies and £1,216k against Company Investment in subsidiaries.

NOMINET

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