

Nominet UK

Annual report and financial statements

For the year ended 31 March 2023



Company No. 03203859

Nominet UK

Annual report and financial statements for the year ended 31 March 2023

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Officers and professional advisers

Company registration number	03203859
Registered office	Minerva House Edmund Halley Road Oxford Science Park OXFORD OX4 4DQ
Directors	Andrew Green CBE – Chair Paul Fletcher Carolyn Bedford (appointed 1 December 2022) Simon Blackler Philip Buckingham (resigned 4 July 2023) Ashley La Bolle Eva Lindqvist Kieren McCarthy (appointed 7 October 2022) Sally Tilleray (appointed 1 August 2022) Patsy Wilkinson (appointed 6 October 2022)
Company Secretary	Rory Kelly
Bankers	National Westminster Bank plc 91 London Road Headington OXFORD OX3 9AF
Solicitors	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street LONDON EC4N 6AF
Investment managers	Quilter Cheviot Limited Senator House 85 Queen Victoria Street LONDON EC4V 4AB
Independent auditors	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Seacourt Tower Botley OXFORD OX2 0JJ

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Chair's statement

Dear Fellow Members,

I am pleased to report that Nominet has made progress in a number of significant areas this year to set us up for future success, while continuing to deliver the high-quality service that our members, registrants, governments and customers expect of us.

As you will see from the CEO's statement, under Paul's leadership the executive team has been strengthened with senior hires in key areas. Significant progress has been made to ensure investments meet the demands of our role as provider of critical national infrastructure, are well-managed, and contribute to the overall efficiency of the organisation.

Running the .UK registry safely and securely, providing Protective Domain Name Service (PDNS) to safeguard registrants and citizens and supporting social impact projects are all part of what makes Nominet a 'Public Benefit Company'.

Being guardians of the .UK registry is a privilege that we never take for granted. With concerns about the impact of internet and AI technologies at the fore, we find ourselves in a more active regulatory environment. We are proactive in responding to policy consultations and changes in legislation that impact our industry. The breadth of our contribution, from tackling domain abuse online and working with law enforcement to support important initiatives in the online safety arena, serves us well.

The PDNS service we provide for UK and Australian governments plays a key role protecting public services and is held in high regard. While the pipeline is long, it is clear there is significant interest internationally in emulating the service – business we are well placed to deliver. While our goal was to reach profitability by the end of FY24, it will take longer, and cost more than the £5m investment we originally anticipated. Given the potential to make a significant contribution to the core business over the longer term, and the important role this work plays, it makes sense to give more leeway in the short term. This year has underlined our view that providing services like this, which build on the expertise of Nominet, are core to what it means to be a Public Benefit Company. We still believe this can be a profitable service and I wish to reassure members that this decision will not impact domain pricing, social impact funding, or investments in our technology.

In keeping with a commitment made at last year's AGM, your Board's agenda this year has included a full review of Nominet's longstanding Articles of Association. It is essential that the basis on which Nominet operates is clear and up to date. Your Board has worked on this to create a modernised version, informed by your feedback, that accurately reflects the organisation, and the environment in which we operate today. However, the choice on whether to adopt them is entirely up to you, our members.

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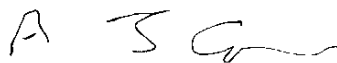
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Chair's statement (continued)

We are committed to reducing our impact on the environment (see sustainability report, page 25), and to achieving net zero emissions by 2050. In FY23, we expanded the scope of what we measure, and continue to offset our footprint through verified carbon standard initiatives.

Two years ago, we set out our plan to use our reserves to increase our social impact spending and create a lasting legacy. You will see on pages 15 – 24 some of the innovative projects, large and small, that Nominet's contribution has made possible. For example, our donation of Micro:bit computers will ensure that every primary school can have access to devices that we hope will spark the interest of the next generation of children in the technology industry. We are currently evaluating the opportunities that Nominet has to use its technical expertise to create public benefit. This will impact our social impact strategy going forward and potentially result in a new stream of public benefit activity supporting key technology initiatives that widen the contribution we make.

I am proud of the positive impact Nominet as a whole has on the world around us, from the registry and PDNS through to the charities and projects we support. I hope you are too.



Andrew Green, CBE

21/7/2023

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

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

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NOMINET
A PUBLIC BENEFIT COMPANY

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

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

We ensure .UK is secure, safe and resilient

We innovate and use world class technology to improve our services

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

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CEO's statement

It's been a stretching year at Nominet – we've been working hard on underpinning the foundations, modernising our processes and infrastructure, reviewing our registry strategy and developing several flagship social impact initiatives that are now underway. There's a lot for us all to be proud of.

We've continued to deliver great customer service and operations for our customers – with the registry delivering a solid performance against the cost-of-living crisis, rising inflation and economic headwinds worldwide. The registry ended the year with 11m domains under management (DUM) – having secured 1.9m new registrations during the year, with a renewal rate of 75%. Registry revenues for the period were £41.5m (FY22: £42.0m), DNS uptime was again 100%, and our customer service levels remained market-leading with a Net-Promoter score of 83% (FY22: 85%).

Our Protective DNS services for governments in the UK and Australia have shown their importance in protecting public services that we all rely on. PDNS is a relatively new space for Nominet – but it is so very clearly aligned to our public benefit mission of improving lives through technology. While much of our PDNS work is confidential – the UK's National Cyber Security Centre (NCSC) said in its latest report, Active Cyber Defence 6, that our service handled over half a trillion DNS queries over the last year, growing 29%. This resulted in 11bn DNS queries being blocked for 420,000 domains. PDNS in the UK blocked over 5m ransomware related requests alone – which means we play an important role in keeping services operating when people need them. At £12.6m, revenues are at similar levels to FY22 (£12.6m v £12.7m). Our plan is to increase this in future, through a combination of winning new business and expanding work with existing customers.

A strong service needs a strong team. This year, we've welcomed new hires with significant experience to our leadership team. Both Carolyn Bedford, our new Chief Financial Officer and Oli Tweedie – Chief Technology Officer have hit the ground running. They are both delivering important projects that will help shape our operational future – with updated processes and new financial systems that will benefit the entire business, and a new approach to technology that will ensure our platforms are in the best shape for long-term success.

One of the year's biggest – and ongoing – internal priorities is to reduce risk to key operations, as befits our role running a critical piece of internet infrastructure. We have been looking closely at where we invest in our people, processes, and operations to ensure we're in the best possible position to continue growing – and to do so as efficiently as possible. As an organisation we're committed to learning and improvement – ensuring our teams stay at the forefront of latest thinking and practice.

We've also made progress on our commitment to work more closely and collaboratively with members. It was great to see strong participation in our first in-person conferences we've held since the pandemic. One was focused on the wider environment that faces Nominet and our members, while the other, responding to member feedback, was a deeper dive into our tech stack

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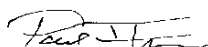
CEO's statement (continued)

and operations. As well as those elected to our Board, member representatives have made important contributions through the .UK Registry Advisory Council and our GiveHub panel. My thanks to everyone for their commitment to Nominet. We'll continue to develop the member programme in the year ahead.

Deeper into this report, you'll find a section dedicated to our social impact work. Our commitment to use both reserves and surplus to fund several major flagship programmes is now well underway. In FY23 we funded 45 partners in total – a significant undertaking, and I'm pleased that we're beginning to see some very positive results. We were delighted to see so many of the UK's primary schools – over 60% in the first few weeks alone – sign up to get their Micro:bit computers – a project we made possible. The ClickStart programme with the Institute of Coding is now underway; helping people, particularly from marginalised groups, get the help and often missing wraparound support they need to have a career in technology.

We have ambitious plans for the year ahead – with one of our biggest focuses being awareness and growth in market share of the .UK domain – increasing our position domestically against increased competition from .com. That ambition has driven us to look at all the elements of our .UK proposition, and how we conduct our marketing. We will be promoting .UK throughout the year ahead and look forward to offering members plenty of opportunities to be a part of the campaign.

And finally, we're undertaking a piece of work that looks at how we explain more clearly what it means to be a public benefit company, and how we can build on our strengths to make as strong a contribution as possible. After a period of change for the organisation, this aims to bring our purpose to life in a way everyone can understand and get behind. In common with many of the projects I've outlined, it's about building a strong foundation for future success.



Paul Fletcher

21/7/2023

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Headline financial information is shown in the table below:

	FY23 (£m)	FY22 (£m)
Revenue – Registry	41.6	42.0
Revenue – Cyber business	12.6	12.7
Operating profit before impairment and Social impact (FY22 restated to show CyGlass as a discontinued operation)	8.1	12.8
Cyber deficit	(2.4)	(1.8)
Social impact initiatives*	(11.9)	(4.8)
Net Loss	(3.9)	(4.4)

* Includes payment to CAF. See note on page 19

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Business updates

Our registry

With over 11 million domains, of which 1.9m were registered in year, .UK remains the nation's favourite domain.

We aim to set and maintain the highest standards for our registry operations. We're proud of the progress made this year on a number of fronts, from improving our service to registrars and registrants, to ensuring .UK is a safe place to be online.

We've been rolling out a new customer service system in our contact centre to ensure all our customers get quick and easy access to our help and support. At the same time, we've also managed to maintain market-leading service levels, with a Net Promoter Score of 83%.

Alongside strengthening our back-office infrastructure, we've taken a number of steps to improve our existing online estate. We launched a new online self-help guide, covering many of the most common questions our customer service team get asked. Aimed at providing information in the format most useful to customers, take-up so far has resulted in a reduction of related inbound phone calls by 35%. Improvements to our promotional website <http://theukdomain.uk>, which encourages adoption of the .UK domain over competitors, generated over 35,000 confirmed leads via our 'spinner' domain search tool – directly benefitting member registrars.

Over the last year, we've been consulting members ahead of important changes to the operation of the registry. We've revised our domain expiry process, with the introduction of drop lists for .UK. This was of significant interest to the drop-catching community, and we're pleased to have provided a transparent and orderly process to support the re-registration of expired domains. We welcomed members to discuss registry technical matters at our in-person conference in Oxford – where they were able to discuss our proposed Extensive Provisioning Protocol standardisation programme (EPP) with us.

And alongside these important updates to strengthen our services, we've taken advantage of opportunities to provide additional services to government in future. We're proud to have been named as a supplier on the Crown Commercial Service's NS3 Framework under Lot 1D for Critical Domain Services. This important step will allow us to bid for forthcoming domain services tenders for UK government domains including .gov.uk.

We have also increased our registry services portfolio this year – with Microsoft and Sky joining a client roster that already includes Amazon and the BBC.

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Business updates (continued)

.UK stats

11m domains under management

renewal rate 75%

1.9m new registrations

83% net promoter score

35K leads for registrars

Our registry service customers: Amazon, BBC, Microsoft, Sky

Keeping .UK safe

We are committed to keeping the .UK namespace as one of the safest in the world. This year, we have built on established procedures and processes to keep pace with the changing nature of threats.

When alerted by law enforcement agencies, Nominet works quickly with registrars to suspend domains that are being used for criminal activities. In addition to the work directly with law enforcement, we have continued to proactively take steps to intercept obvious phishing attempts. Nominet's Domain Watch initiative uses machine learning to flag potentially malicious domains at the point of registration and puts these on hold while our in-house compliance team works with the registrant and registrar to determine if they are for legitimate use.

We have also expanded our efforts to tackle other types of DNS abuse in .UK. Using threat feed data from third-party providers, domains used for malware distribution, fake web shops, command and control or cryptocurrency scams were suspended.

"The reduction in the number of .UK domains reported by PIPCU illustrates the positive impact that our partnership with Nominet has had in making this domain space a difficult place for organised crime groups to operate, and a safer environment for consumers."

DCI Gary Robinson, Police Intellectual Property Crime Unit (PIPCU)

Business updates (continued)

Our cyber service – Protective DNS

We're incredibly proud of our work in developing and delivering Protective DNS (PDNS) services for the UK and Australia.

The scale of the cyber security challenge has brought governments and industry together to build defences. PDNS is now recognised as a leading example of an effective collaboration, proven to deliver results at scale.

The very nature of this kind of cyber defence means we are not always able to share the full impact of the work we do. That said, it is clear that our work on PDNS is making a significant contribution to helping protect the public services that millions of people in the UK and Australia rely on. We know from our clients how important and effective it has been protecting against ransomware and detecting new threats, and PDNS data has aided their response to emergency situations. As the environment for disruption from cyber attacks continues to grow, the numbers from the National Cyber Security Centre below show we're making a real difference.

PDNS uses over a quarter of a century of experience built up at the heart of Nominet and is core to our public benefit mission, because we're improving lives through technology. The last 12 months have been about putting ourselves in the best position for growth – deepening our relationships with existing clients and developing opportunities for winning new business with other nations who have seen the effectiveness of PDNS as part of an active cyber defence strategy.

Protecting public services UK

In the UK, PDNS is a vital part of the country's Active Cyber Defence, which is designed to improve national resilience to cyber attacks. Our service is now available to all public sector organisations in the UK. Its use is now mandatory for central government services, and there's growing need for the protection we offer.

PDNS directly protects over 7m people who work for public sector organisations – and by doing its job, PDNS indirectly protects the entire population, by helping to keep essential services operating. The number of organisations using PDNS grew by 24% from 944 to 1,173 year on year. This figure does not include over 200 NHS trusts that benefit from PDNS, because we provide the service to the NHS at a national level rather than to individual NHS organisations.

The need for a Protective DNS service is clearly demonstrated by the following figures from the National Cyber Security Centre's Active Cyber Defence 6 report:

- PDNS queries grew by 29% from 66 billion to 86 billion per month.
- PDNS handles 0.55 trillion DNS queries and blocked 11 billion DNS queries for 420,000 domains, corresponding to 2% of all queries.

Business updates (continued)

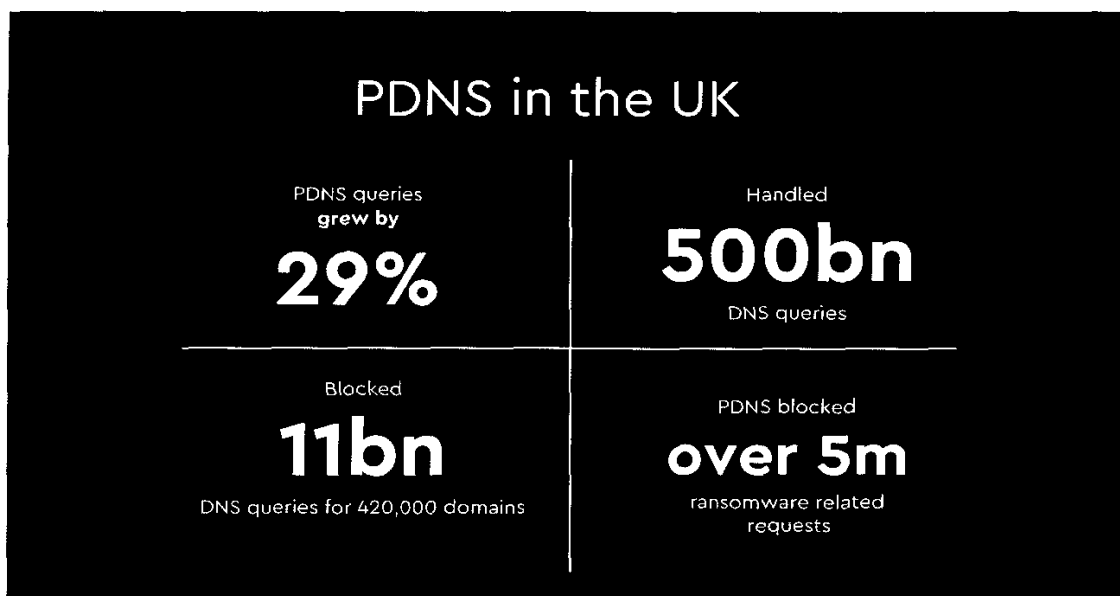
- PDNS blocked over 5 million requests for domains associated with ransomware, a significant contribution to protecting UK organisations from this threat.

The most common identified threats blocked by PDNS were:

- SocGhosh – an attack system that uses sophisticated social engineering lures to convince a target user to download and run malware, including ransomware.
- Flubot – mobile banking malware that is primarily spread using SMS phishing messages.
- Cobalt Strike – a commercial penetration testing tool that can also be used by attackers to compromise a network.
- CryptoStealer – searches affected systems for cryptocurrency wallets and uploads the information to a server.

We are protecting a greater variety of organisations than ever before. In 2022, the scope of UK PDNS was broadened, with UK Registered Social Housing Providers amongst those eligible for the service for the first time.

We are also protecting users and organisations on the move, with the release of PDNS Digital Roaming. This allows users to benefit from Protective DNS via a downloadable app, even when they are working remotely or at home without a VPN or enterprise DNS resolver.



Source: <https://www.ncsc.gov.uk/files/acd6-summary.pdf>

Business updates (continued)

Investing in our technology

We are changing the way we invest in our infrastructure. Over the past decade or so, the vast majority of spend on technology has been in two distinct phases, around 2012 and then more recently in 2021. Following a strategic review of our internal technology programmes in FY23, we plan to invest more consistently in the future, helping reduce the build-up of technical debt and enabling us to make more regular improvements to better serve our customers. To achieve this, we are investing in the right technology, approach and capabilities required to increase our resilience and improve our speed and efficiency. It will also help us set future investments at appropriate levels as we accelerate our plans to move away from legacy infrastructure and to upgrade our wider DNS estate.

As part of this new approach, we made a series of important changes to the existing Technology Transformation programme in FY23. The programme was designed to increase the capacity, resilience and security of Nominet's critical systems. Focusing on enterprise platform renewal, the roadmap includes network segregation, enhanced access management, an infrastructure refresh to increase capacity, new hardware across our data centres and changes to streamline Nominet's software delivery process. We paused in-year to review progress, giving us time to ensure our approach will secure those project outcomes.

A newly formed Technology directorate brings together all technical, security and project management teams; a joined-up approach that will allow for scale economies and efficiencies. In keeping with a focus on reducing risk moving forward, an ongoing programme to tackle technical obsolescence was set up by the CTO.

Progress over the past year includes:

- Building the first environment in the hardware deployment across our data centres. This will be copied across multiple environments, which will enable us to deliver software and solutions faster.
- Access management programme underway and on schedule.
- Adopted a team topologies framework to improve effectiveness of software development.
- Invested in an expanded security team and operation. We have continued to improve the security and resiliency of Nominet by implementing new features such as next generation endpoint detection, separation of services and preparedness exercises. This is alongside being a founder member of a Europe-wide information and security analysis centre with our partner ccTLDs.

The review in-year meant spending slowed in FY23. In total to date, we have spent £18.1m to end March 2023, with £13.8m capex and £4.3m opex (of which £3.2m capex and £2.6m fell in year FY23). Despite a wider scope, the investment overall remains within agreed budgets.

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Business updates (continued)

In FY24, our key objectives are to:

- Invest in secure, stable and resilient technology;
- Minimise risk – to maintain operational stability, resilience and security;
- Complete the development of our enterprise CNI platform and begin app migrations;
- Plan to reduce complex components across registry and cyber.

Giving back: creating social impact

We're proud to be able to support, create and fund a range of initiatives that use technology to change lives.

We announced our intention to invest c£65m in FY22, and we've made significant progress turning that commitment into a range of vital and innovative programmes.

At the heart of our work is the creation of four flagship projects which have the potential to improve hundreds of thousands of lives with new opportunities, aiming to bring about lasting societal change.

Click Start is a new digital training scheme we have developed with the Institute of Coding, while the growth of our relationship with the Micro:bit Educational Foundation saw us kick off an ambitious new coding and skills initiative aimed at primary school children. The year also saw us continue our support for the UK Safer Internet Centre and develop a major expansion of our work with Good Things Foundation to bridge the digital divide.

A number of significant grants were also made via our Countering Online Harms Fund – including to the Internet Watch Foundation and to The Lucy Faithfull Foundation. Both are using pioneering approaches to prevent the exploitation of children online.

Our Public Benefit Committee – a combination of Board members and experienced advisors, oversees activity to ensure our programmes are innovative, effective, and well-run.

To date, we have focused our social impact work on helping young people benefit from technology while addressing some of the challenges that come from growing up in a digital world. In FY23 we contributed £7.4m directly to charities and partners – enabling significant programmes to continue or get underway. While the focus has been on social impact programmes aimed at young people, we are reviewing the basis for future funding, and aim to include more projects that build on Nominet's core expertise in future.

Social Impact – our approach

Over the course of the year, our funding has made possible a broad spread of initiatives that promote greater connectivity, inclusivity, and new opportunities 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 partners to carefully design, test, deliver and evaluate programmes of work that best support and benefit young people.

Giving back: creating social impact (continued)

Nominet's digital expertise and our awareness of how important infrastructure is, means we can add unique value to UK charities. We're also developing a reputation for backing projects with the potential to be truly transformational – including a series of innovative new programmes through our Countering Online Harms Innovation Fund.

Our Flagship Programmes

Click Start

Together with the Institute of Coding (IoC) – a national consortium of industry, educators and outreach providers led by the University of Bath, we have launched an ambitious programme that aims to pull down the barriers many are facing while attempting to enter the country's rapidly-evolving workforce.

By committing £12.2m in funding over three years – we have co-developed the Click Start programme with IoC – bringing opportunities to at least 26,500 learners – everyone from force's veterans looking for a career change, to those looking to build the right skills for entry level tech and digital jobs.

Click Start will consist of targeted, regional projects across the UK – supporting learners into tech and digital roles through skills and education. In association with the University of Leeds, the learning platform Coursera will provide free access to education for over 25,000 learners through a scholarship scheme. The courses will be designed and built especially for the Click Start programme, with a curated suite of up to 30 courses, focusing on technical training, as well as Coursera's top professional and personal skills courses, to support them in taking the first steps towards a new digital career.

"We are faced with the significant challenges of a digital skills and recruitment crisis, compounded by a fragile talent pipeline of insufficient growth and diversity. But thanks to Nominet's funding, the IoC and its partners in education and industry can make a real impact through the design, build and scale of a programme that responds to these challenges."

Rachid Hourizi, Director, IoC

Micro:bit: the next generation

Research shows that 65% of primary school children will end up working in jobs that do not currently exist. In response we have deepened our partnership with the Micro:bit Educational Foundation, which began in 2016, to accelerate computational thinking, programming, digital creativity and machine learning skills in young people.

BBC Micro:bit – the next gen will deliver around 675,000 Micro:bits into UK primary schools by September 2024. The scheme aims to inspire primary school children to be more confident with

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Giving back: creating social impact (continued)

technology and digital skills – and provides 30 free devices per primary school, alongside free educational resources and teacher training.

Before rolling out this national scheme, we worked on a pilot project for primary schools, which enabled us to understand the challenges facing teachers of young children, and how digital skills could be improved in primary classrooms.

Our research, carried out in 2022 found that teachers feel overwhelmingly unprepared and lack confidence when teaching digital skills. 61% of UK primary teachers responsible for teaching computing have no background in the subject, while 3 in 5 also cited a lack of resources as a major barrier. In response this project also aims to increase teacher knowledge and confidence and empower educators with training and a toolkit of lesson plans and inspirational ideas.

"Thanks to Nominet we're able to help all primary schoolchildren across the UK to shape their best digital futures, as well as support teachers to implement digital skills into the curriculum."

Gareth Stockdale, CEO, Micro:bit Educational Foundation

UK Safer Internet Centre

The UK Safer Internet Centre (UKSIC) has a mission to promote the safe and responsible use of technology. We stepped in to support the organisation in 2022, to replace a £1.3m annual shortfall in funding that was previously provided to UKSIC by the EU and committed to funding its work until 2025 – with a grant totalling over £5.1m.

UKSIC's work includes the popular Safer Internet Day – a critical annual touchpoint in online safety education. In 2023, Safer Internet Day was supported by over 5,000 organisations who delivered activities – including schools, police forces, government, businesses, football clubs, charities and community groups.

In its 20th year, the reach and influence of Safer Internet Day continues to grow – with estimates it reached more than half of UK children and a third of parents and carers who went on to have discussions about staying safe online. Their work makes a real difference to the digital lives of children across the UK.

Among other services operated by UKSIC is the Revenge Porn Helpline – an increasingly important service offering victims support, often when they need it most.

Reality TV star Georgina Harrison found its help vital after she was a victim of revenge porn by her ex-boyfriend:

"Cases of revenge porn are growing at an alarming rate. If it wasn't for the helpline, there would be hardly any support in the UK for these victims. The helpline offers mental health support to help

Giving back: creating social impact (continued)

you get over the experience you've gone through and offers help in removing imagery and video from websites that the government simply doesn't offer."

"Nominet are an incredible supporter of our work – having stepped into literally save the day when we urgently needed new funding. Our work keeping young people safer on the internet continues because of Nominet's backing."

Will Gardner, Director, UK Safer Internet Centre

Good Things Foundation

Our fourth flagship project, launching in FY24* is a £4.5m programme running over three years with Good Things Foundation, created to accelerate its pioneering strategy to fix the UK's digital divide for good. Our support will accelerate the Foundation's ability to deliver their plans – with our programme looking to reach one million people – while ensuring 5,000 communities have somewhere local to find digital support.

The money will go towards furthering The National Databank and The National Device Bank – as well building the National Digital Inclusion Network. Together these will help people all over the UK who are currently digitally excluded; giving them access to internet connectivity, devices and support to learn the basic digital skills we need in our daily lives.

"Nominet's support and generous funding enables us to deliver our plans rapidly, and at scale across the country. By bringing together devices, data and digital skills with friendly local support, we can help those who need support most become digitally able, equal and safe – really improving their lives."

Helen Milner, CEO, Good Things Foundation

*The programme was agreed and developed in FY23, with funding to follow in FY24.

Member-Directed Funding

The Members' GiveHub plays a key role in giving members an opportunity to support the causes that matter to them.

In FY23 £71,000 was granted to charities supported by our members. Grants were given to organisations like Caius House – a 'home away from home' in Battersea, London who used the funds to build a new Tech Hub – replacing computers and refurbishing laptops to enable those from under privileged areas to build their digital skills.

While Access – Supporting Migrants in East Anglia, have built a new virtual platform to help the charity connect with its hardest-to-reach users with online appointments. It will make the work of

Giving back: creating social impact (continued)

its trained support workers easier – removing the need for paper case recording and will reduce running costs – lowering their carbon footprint and increasing capacity to help more users.

Member GiveHub: Making a difference

Our donations to member-supported charities have made a huge difference to local communities.

"I want to learn more stuff and experience more stuff. My favourite session at our Tech Hub is Coding Club because I get to learn new things and it helps me with computing at school."

Young visitor, Caius House

"We want to express our sincere gratitude for this generous contribution. We are a small charity, and this support will be very valuable to us."

Phillip Walker, CEO, Access Migrant Support

"I'm delighted People Know How was awarded a grant, and that we as members can nominate charities close to our heart. Nobody in our society should experience digital exclusion and the money will have a real impact here in Edinburgh and East Lothian."

James Crisp, CRegISP – nominator of People Know How

"We're very grateful for this generous grant, which will enable us to help even more vulnerable people in our community to get online, realising their dreams and aspirations by gaining skills and confidence to benefit from the opportunities the internet offers."

Diane Bradley, Fundraising Manager, Compaid

Humanitarian Aid

We responded to the devastating Turkish earthquakes by donating £50k to the Disasters Emergency Committee (DEC) appeal – specifically to provide vital support in the country. We chose to make this donation because the disaster directly impacted the families of several of our team members.

Charities Aid Foundation

We set up Charities Aid Foundation (CAF) account – this is a method of placing money in a holding account before making grant payments to social impact partners – and put in £3.97m in FY23. This allows us to ensure that more of our available funds go directly to organisations that will benefit from them.

This money will be distributed to our social impact partners in FY24 as they reach the agreed programme milestones.

Giving back: creating social impact (continued)

Programme Updates

Digital Youth Index

Now into its second year, the Nominet Digital Youth Index (DYI) is a unique research programme and interactive data platform, that tracks young peoples' experiences growing up in the world. At the launch of the latest findings in October 2022 we showcased information gathered from a survey of over 4,000 8-to-25-year-olds, alongside qualitative research from in-person sessions with young people, teachers, youth workers and social workers.

As well as informing our own grant-making activities, the insights from the DYI have begun to shape wider policy and best practices for supporting young people in a digital age, and a growing number of other organisations are now using our data and research to support their own work and policy decisions.

In 2022, we saw media interest in the DYI grow significantly, with national broadcasters, newspapers and websites picking up on key issues raised in our research, including young LGBTQ people being more than twice as likely to experience hate speech online and minority groups being more likely to feel being online has had a negative impact.

Completing the DYI over the years ahead will allow us to compare young people's digital skills, their use of online services, as well as their mental health and overall wellbeing over time.

Samaritans

We've been funding the Samaritans since FY19 – but this year the impact of our work has been publicly revealed, with the suicide prevention charity announcing on its 70th anniversary that Nominet's support meant it was now reaching thousands more people with its new digital services.

We have provided £1.1m of funding over four years to support the charity – enabling it to expand its online support offering to reach people struggling to cope in a way that works best for them.

Today, the Samaritans offers an online chat pilot – where 60% of users say they have never contacted them before, and 40% say they wouldn't do so any other way, while a new self-help web app has helped over 100,000 people look after their emotional wellbeing, setting up their own accounts.

Our funding has also enabled them to improve internal systems and develop a deeper understanding and programme of guidance around online harms.

Giving back: creating social impact (continued)

"We began 70 years ago with a single telephone, but now, thanks to the support of Nominet, we're able to help people in a variety of ways that would have been unimaginable to our early volunteers."

Julie Bentley, CEO, Samaritans

Lucy Faithfull Foundation

In the UK, online child sexual abuse (CSA) including making, viewing and sharing sexual images of children and online child sexual grooming is a major problem that is still growing. Last year alone, the Internet Watch Foundation (also supported by Nominet) reported that it found 255,588 online links containing child sexual abuse imagery globally, having links to the imagery, or advertising it.

The scale of this kind of online offending is now so great that law enforcement cannot solve the problem alone and instead a whole system response is required, which includes interventions targeted at prevention.

The Lucy Faithfull Foundation is the only UK-wide charity dedicated solely to tackling CSA and exploitation. For 30 years it has targeted evidence-based interventions that help keep children safe and prevent offending.

We have funded The Lucy Faithfull Foundation to develop and deliver a programme that aims to stop people from viewing sexual images and videos of children online. The charity will receive £930,000 over three years to use behavioural science, partnerships, and innovation to rollout effective online warnings across the internet to prevent this illegal behaviour.

The Lucy Faithfull Foundation has already pioneered the use of warning messages presented to people who are searching for sexual images of children online. These warnings clearly state that such behaviour is illegal, causes harm to children, and has huge consequences for the viewer and their own loved ones.

The funding provides an opportunity to further build on this experience and momentum to design impactful approaches to deterring potential perpetrators of abuse. Working in partnership with technology companies, researchers and law enforcement agencies, The Lucy Faithfull Foundation will be able to test and iterate warning messages and pilot new approaches, generating the evidence needed to scale up this form of intervention and implement it in more online spaces.

"The scale of online offending means that society needs to continually evolve the tools and techniques it uses to prevent harm to children. We want to achieve the change for child protection that's been needed for a long time. This project will be a game-changer – it will make the Internet a hostile place that confronts people who are offending or at risk of doing so with the reality of what they are doing. Projects like this require braver funders – thank you Nominet."

Deborah Denis, CEO, The Lucy Faithfull Foundation

Giving back: creating social impact (continued)

Barnardos: Project Backpack

As new technology and digital culture evolves, young people can be both the first and most impacted by the risks that present. Our partnership with Barnardos on Project Backpack is seeking to develop the first ever system that gives UK youth workers and other support professionals practical advice and guidance on dealing with emerging risks.

Together, we believe training on emerging risks is crucial to the care of young people who need help the most. Project Backpack will ensure the children's workforce is equipped with the insight they need to keep young people safe in an increasingly connected world.

The first year of the project saw extensive research, design and testing conducted with young people and professionals to identify the most effective and sustainable solution. Barnardos are now working to develop and scale Project Backpack over the next two years.

Awards

Beyond the growing impact the work we're supporting is now having on society, we're delighted that one of our charity partners received an award in FY23 for their Nominet funded work.

Stem4 is a teenage mental health charity we have funded since FY19 through our #reset programme, which brings together mental health and youth organisations to improve and amplify online support. Stem4 were awarded small charity of the year 2022 at the respected Third Sector Awards, while its CEO, Dr Nihara Kraus was named Charity Chief Executive of the Year.

Our funding of stem4 has helped the charity build out its suite of mental health apps for kids. Head Ed and Clear Fear have both now been downloaded millions of times and are actively recommended across the school system in the UK and on the NHS app store.

"It is hard to put into words how very grateful we are for your contribution to the growth of the charity via your grant. For a small charity it means we can continue to offer our services to the highest possible standard."

Dr Nihara Krause, Founder and CEO, stem4

Giving back: creating social impact (continued)

Overview: Social Impact at Nominet

Spend in FY23

Total Spend in FY23 £k:	11,906
Total of Programme Spend in FY23* £k:	11,457
Operating costs £k:	449
Operating cost/Total spend ratio	5.7%

* Please note the calculation includes £3.97m to CAF. Please see footnote note on page 24

Spend over time

In 2021 we committed to spending c£65m (funded from reserves or annual surplus) on activities that benefit the wider public. To date, this has focused on initiatives delivering social impact

£k	FY21	FY22	FY23
In-year	3,710	4,758	11,906
Cumulative		8,468	20,374

Our biggest grants in FY23

We supported 45 organisations during the year. The table below outlines grants over £250k

Partner/programme	Amount £k
Institute of Coding	2,580
Safer Internet Centre	1,538
Barnardos	628
Signpost programme (New Philanthropy Capital)	350
Lucy Faithfull	330
Internet Watch Foundation	250

Nominet UK**24****Annual report and financial statements for the year ended 31 March 2023****Giving back: creating social impact (continued)****Spend by programme area**

Spend by area:	Amount £k
Countering Harm	810
Critical Digital Services	753
Internet Safety	628
Digital Skills and Careers	308
Digital Youth Index	238
Digital Access & Inclusion	73
Digital Skills and Careers	2,580
Internet Safety	1,659
Internet Community	177
Digital Economy	192
Member GiveHub (causes chosen by our members)	71
CAF (Charities Aid Foundation)*:	3,967
Total	11,457

Other Spend	Amount £k
Staff GiveHub (causes chosen by our staff)	20
Humanitarian aid**	50

*This money is not part of FY23 programme spend, but was put into a CAF account. This allows us to ensure that more of our available funds go directly to organisations that will benefit from them.

**Donation to DEC for Turkey earthquake appeal

Sustainability

Methodology

Our carbon emissions data is gathered in accordance with Green House Gas (GHG) protocols and independently verified against ISO 14064-3. Our Carbon Reduction Plan is completed in accordance with PPN 06/01, and forms part of our PAS 2060 certification for carbon neutrality.

Nominet is committed to achieving Net Zero emissions by 2050. We have approved Science Based Targets initiative (SBTi) targets for our scope 1 and 2 emissions by 2030.

To greater improve our understanding of the impact of our measured footprint, we have begun reporting on Scope 3 emissions – adding five new categories into our FY23 report – which increases our total GHG emissions, but more accurately shows our total impact.

The additional Scope 3 categories include employee commuting, working from home, DNS queries and waste. This has resulted in our overall measured FY23 market-based carbon footprint rising from 264.75 tCO₂e to 829.74 tCO₂e. Nominet commits to off-setting its measured footprint for FY23 through an international forest protection and peatland restoration project and through the Nominet Forest, which are both Verified Carbon Standard initiatives.

Energy efficiency action taken

As part of our carbon reduction plan, we have replaced our server room air conditioning with more energy efficient units. This resolved a refrigerant gas leak which resulted in a 42.58 tCO₂e loss. The new units use a less harmful refrigerant gas, improving energy efficiency and lowering CO₂ emissions for the future.

These changes have contributed to the reduction of our location-based electricity emissions by 8.62%, from 128.10 tCO₂e to 117.06 tCO₂e.

We have recently replaced our server room UPS to greatly improve energy efficiency. We will be tracking the impact on electricity in the coming months. Through reduced use we have also reduced the emissions associated with gas by 5.84%, or 1.79 tCO₂e.

We have a long-term commitment to hybrid working, which reduces office energy use and commuting emissions. We have introduced an Ultra Low Emissions Vehicle Scheme, which has encouraged a number of the staff to adopt EVs and are in the process of installing additional charging points at our offices in Oxford.

Our emissions associated with Business Travel have risen from 125.54 tCO₂e to 336.45 tCO₂e. This was anticipated, while the level remains lower than pre-pandemic. The reported volume of energy and emissions associated with our outsourced data centre use has reduced due to actual usage figures now being available from our supplier.

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Sustainability (continued)**Greenhouse Gas Emissions (GHG)**

GHG Scope	Category	FY23 Emissions (tCO ₂ e)	FY22 Emissions (tCO ₂ e)
	Natural gas	28.82	30.61
	Diesel	0.77	0.00
	Fugitives	42.58	9.40
	Electricity (market-based)	0.00	0.00
	Electricity (location-based)	117.06	128.10
	03. Fuel and energy related activities – fuel	5.00	Not measured
	03. Fuel and energy related activities – electricity	40.18	Not measured
	04. Post and couriers	11.61	Not measured
	05. Waste	2.05	Not measured
	06. Business travel	336.45	125.54
	07. Employee commuting	58.58	Not measured
	07. Employee working from home	135.66	Not measured
	08. Data centres	67.65	99.21
	09. DNS queries	100.41	Not measured
Total Market-Based GHG Emissions (tCO₂e)		829.74	264.75
Total Location-Based GHG Emissions (tCO₂e)		946.80	392.86

Sustainability (continued)

Energy Use Data

GHG Scope	Category	Unit	FY23 Energy Use	FY22 Energy Use
Scope 1	Natural gas	kWh	160,093.00	167,108.80
	Diesel	Litres	300.00	0.00
	Fugitives	KG	24.00	4.50
	Electricity	kWh	605,330.60	603,605.40

Intensity Metric

tCO₂e per £1m revenue

	Unit	FY23	FY22
Scope 1	tCO ₂ e/£m	1.3	0.7
Scope 2	tCO ₂ e/£m	3.5	3.1

tCO₂e/£54.14m

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 2023, the Board comprised up to eight Non-Executive Directors, including the Chair, and up to two Executive Directors.

At the October 2022 AGM, the members elected Kieren McCarthy to replace Anne Taylor as elected NED. The proportion of women on the Board during the period was between 33% and 50%.

As recommended by the UK Corporate Governance Code, towards the end of FY23 the Board were in the process of undergoing a formal externally facilitated board evaluation exercise. This included a period of observation at the March Board meeting and Strategy Day. Directors also participated in a series of individual interviews. The independent report will evaluate the Board's effectiveness and identify areas for improvement. The Chair and Company Secretary will seek to incorporate these learnings moving forward.

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Gender pay gap and diversity

Gender pay report

Nominet's Gender Pay gap report is available on www.nominet.uk

Statement from CEO

We want to bring more diversity into our organisation, including taking steps to attract more women into technology roles. Our gender pay gap reporting informs our approach. We are pleased to report a decrease in our gender pay gap, but acknowledge it is still more than the national average and higher than the tech industry average.

Our gender pay gap stems from three factors:

- The existing gender imbalance across the tech sector in specific roles and skills.
- Competition in the external market for niche and scarce skills, which are having an inflationary impact on pay levels across the tech sector.
- We have recruited a higher number of men into technology and senior roles.

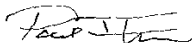
Whilst 50% of the Board and 57% of the direct reports to the CEO are women, we want to increase diversity in other areas, specifically within the technology functions (where we have increased our team size and capabilities), alongside inspiring future generations into the tech sector.

To achieve this, we are continuing to focus on improving our Employee Value Proposition, candidate, and colleague experience. Our recruitment process aims to position opportunities in a way that attracts a wider range of diverse candidates to consider a career at Nominet, especially for our technical roles.

We are also doing more to retain our existing employees by increasing awareness of the breadth and flexibility of our employee proposition. We are listening to our teams through focus groups and regular engagement surveys, so that we can respond to issues and concerns and improve our employee experience.

We track and review pay in line with relevant benchmarking to ensure teams are paid consistently and fairly in terms of experience, skills, and knowledge. This has been more challenging within the context of a volatile recruitment market and the cost-of-living crisis.

While we will still face a particular challenge of recruiting a scarce resource – female technologists – we are committed to the goal of attracting and retaining a diverse team here at Nominet.



Paul Fletcher

21/7/2023

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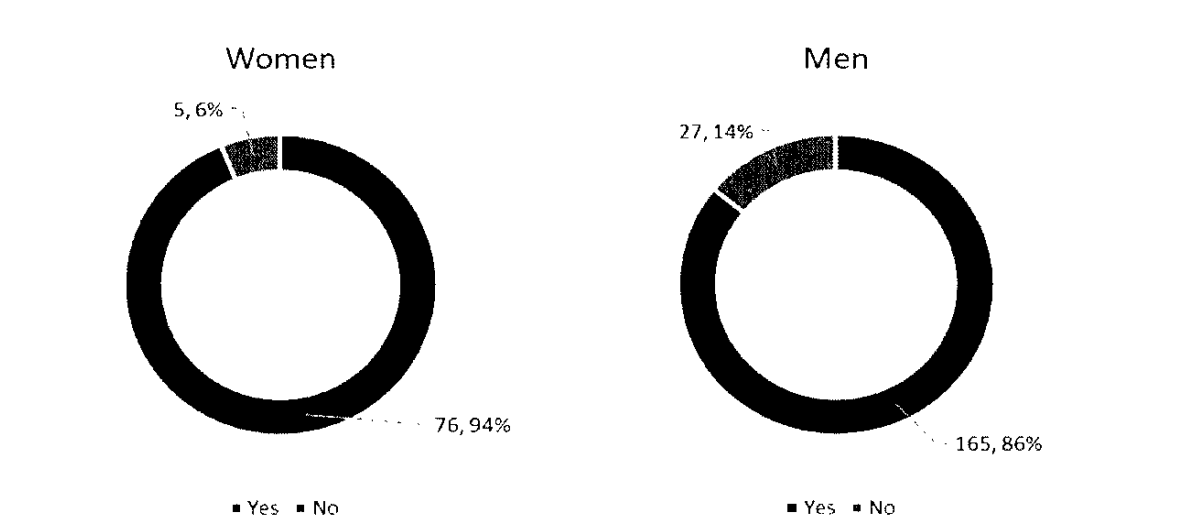
Gender pay gap and diversity (continued)

TABLE: Mean and Median pay / bonus gap between men and women

Nominet	Mean		Median	
	April	April	April	April
	(2022)	(2023)	(2022)	(2023)
Gender Pay Gap	17.9	17.3	25.9	24.9
Gender Bonus Gap	14.7	10.5	40.9	26.2

Gender pay gap and diversity (continued)

GRAPHIC: Bonus Pay proportion – proportion of men and women receiving a bonus



Yes = received bonus

TABLE: Quartile pay band proportions – proportion of men and women in each band

Post-salary review (2022)	M %	F %
Lower Quartile	41%	59%
Lower Middle Quartile	64%	36%
Upper Middle Quartile	77%	23%
Upper Quartile	77%	23%

Post-salary review (2023)	M %	F %
Lower Quartile	45%	55%
Lower Middle Quartile	69%	31%
Upper Middle Quartile	88%	12%
Upper Quartile	79%	21%

Gender pay gap and diversity (continued)

Encouraging diversity

We want to play our part to ensure Nominet is an attractive employer for everyone. We are addressing this by focusing on our recruitment, creating a welcoming employee experience, and by investing in programmes that help and encourage and more people to pursue a career in technology.

Attracting a diverse candidate pool

- Our primary focus is on recruitment, the candidate experience and onboarding changes to make the employee journey as positive as possible. We are supporting our managers by giving them a more informed understanding of the market and training them on best practice in selection processes, unconscious bias and changing candidate expectations.
- We have invested in data and analytics tools to challenge shortlisting of candidates with our hiring managers and partners. We use a gender decoder to reduce unconscious language bias in adverts and job descriptions.
- We are working closely with our hiring partners to ensure they understand our talent requirements and our desire to build a more diverse organisation.
- As part of our longer-term workforce planning, we will begin developing our own future talent pipeline with the introduction of apprenticeship level roles to support critical / niche skillsets.

Inspiring a future generation

- Sponsoring and funding public benefit initiatives remains a key priority for us, and we are committed to taking positive action to encourage more women into tech roles.
- We have funded a major initiative, Click Start, to bring training opportunities to marginalised groups, in partnership with the Institute of Coding.
- We have funded the donation of Micro:bits to every primary school in the UK, giving every child the opportunity to develop digital skills and confidence.

Building a great place to work

- We are committed to encouraging equality, equity, diversity and inclusion in the workplace, and support this through progressive, inclusive policies and practices.
- We aim to maintain a welcoming and inclusive culture, reinforced at each touch point of the employee experience. Communicating who we are, what we do, how we work and what life is like inside Nominet is a key part of our approach to recruitment and onboarding.
- If an employee becomes disabled, every effort is made to provide continuity of employment in the same role or a suitable alternative. The same principles are applied when an employee is affected by long term illness, where we provide support to help their return to work.

Gender pay gap and diversity (continued)

- Wellbeing is a key priority, and we have a comprehensive wellbeing strategy that includes body, mind, spirit, and financial aspects.
- We continue to focus on flexibility through our hybrid working offer, the introduction of regional hub spaces where needed, and the development of new flexible options to improve our ability to attract and retain a diverse team.

Raising awareness and developing skills

Our new Diversity and Inclusion Group brings together employees with a shared interest in advancing diversity, whether as a member of a diverse community or as an ally. It aims to:

- Support the diversity and inclusion agenda at Nominet and become allies for others.
- Raise awareness of why diversity and inclusion is important within Nominet, with the aim of creating greater trust and inclusion.
- Increase the disclosure of diversity data by explaining why it is important and creating trust in how the data will be used.

We are also coaching our managers to build an inclusive culture through better conversations with team members, aimed at increasing everyone's confidence so that we can problem solve and drive change together.

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Current Board members

Andrew Green CBE – Chair

Paul Fletcher – CEO, Executive Director

Carolyn Bedford – CFO, Executive Director

Sally Tilleray – Appointed Senior Independent Director

Simon Blackler – Elected Non-Executive Director

Ashley La Bolle – Elected Non-Executive Director

Eva Lindqvist – Appointed Non-Executive Director

Kieren McCarthy – Elected Non-Executive Director

Patsy Wilkinson – Appointed Non-Executive Director

Board committees

Nominet has five Board committees that meet on a regular cycle: Audit & 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 five times during the reporting period and on these occasions:

- Met with the internal and external auditors once in the absence of the Executive, in accordance with governance best practice.
- Reviewed the annual report and accounts for the year to 31 March 2022 before they were tabled for the Board's approval.
- Reviewed the FY23 half year financial reporting.
- Considered the performance of the external auditors and provided feedback to them.
- Regularly reviewed the strategic risk register, and reports from Internal Audit on the internal controls and systems in place manage and mitigate risk. It also conducted a deep dive exercise on strategic risks facing the organisation.
- Approved minor changes to the health and safety policy.
- Reviewed its terms of reference and approved a series of minor amendments.
- Reviewed the company's compliance with the government-backed Cyber Essentials certification scheme.
- Reviewed the appropriateness of the company's risk appetite statement.
- Considered the tax implications associated with the company's public benefit activity.
- Received progress reports regarding key security uplift activities.

Standing agenda items at each committee meeting advise of any formal whistleblowing concerns and any payments made between £250k and £500k. Payments above £500k require Board approval.

Board committees (continued)

Nominations Committee

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

- Received information updates from the CEO on changes to the executive management team and steps to mitigate risk from a succession planning perspective.
- Reviewed and interviewed candidates for the role of appointed Non-Executive Director and made recommendations to the Board regarding appointments.
- Approved the process and documents related to the 2022 and 2023 Non-Executive Director elections.

Investment Committee

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

- Provided strategic input and feedback into the development of a series of social impact initiatives.
- Approved the Essential Digital Services programme of grant making.
- Discussed potential procedural improvements for applications made to the Member GiveHub.
- Approved funding in support of the Micro:bit 'Your Digital Future Now' initiative.
- Approved funding in support of the Good Things Foundation 'Fixing the Digital Divide' initiative.
- Approved the Countering Harm Innovation Fund.
- Monitored progress and provided oversight of previously approved social impact initiatives.
- Discussed broader public benefit activities that could stand to benefit from potential investment in FY24 and beyond.

Board committees (continued)

Code of Conduct Committee

The Code of Conduct Committee met three times during the reporting period to consider two separate complaints made against members. A copy of the decisions can be found online in the MemberHub.

Remuneration Committee

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

- Assessed the company's performance during FY23 against a series of KPIs, the result of which determined bonus outcomes for all employees.
- Ratified the CEO's recommendations regarding FY23 performance assessment of the executive leadership team members which informed the pay review process.
- Considered a market rate review of remuneration for the whole company.
- Set challenging FY24 targets for company performance and related annual bonus outcomes.
- Reviewed and agreed FY24 objectives for the executive leadership team.
- In line with good practice, reviewed the gender pay position within the company.
- Reviewed employee benefits and discussed possible flexible working practices to ensure the company can continue to retain and attract key skills and talent.

See remuneration report and statement from Remuneration Committee chair – page 39

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Board committees (continued)**Table of Attendance at Board meetings & Committee meetings**

Member	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee	Investment Committee	Public Benefit Committee	Code of Conduct Committee
Andrew Green	7 (7)		5 (5)	5 (5)	3 (4)	5 (5)	
Sally Tilleray ¹	4 (4)	4 (4)			3 (3)	4 (4)	1 (1)
Eva Lindqvist	6 (7)	4 (5)	5 (5)		2 (2)	1 (1)	3 (3)
Patsy Wilkinson ²	3 (3)	4 (4)	2 (2)	1 (1)			1 (1)
Philip Buckingham ³	7 (7)				4 (4)		
Ashley La Bolle	7 (7)	5 (5)	5 (5)				
Simon Blackler	7 (7)			5 (5)		5 (5)	
Kieren McCarthy ⁴	3 (3)			1 (1)		3 (3)	
Paul Fletcher	7 (7)						
Carolyn Bedford ⁵	2 (2)						
Directors leaving the Board in period covered by report							
Anne Taylor ⁶	4 (4)		3 (3)	3 (4)			
Robert Binns ⁷	2 (3)	1 (1)			1 (1)		2 (2)
Stephen Page ⁸	4 (4)	1 (1)		4 (4)	2 (2)		2 (2)

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

¹ Appointed 1st August 2022

² Appointed 6th October 2022

³ Resigned 4th July 2023

⁴ Elected 7th October 2022

⁵ Appointed 1st December

⁶ Resigned 6th October 2022

⁷ Resigned 1st August 2022

⁸ Resigned 6th October 2022

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Remuneration Report

Remuneration Report: Statement

Dear Members,

As Chair of the Remuneration Committee ("The Committee") and on behalf of the Board of Directors, I am pleased to present our Board report on remuneration for the financial year 2023.

The report is split into the following sections:

- This letter, which provides an overview of the key decisions made by the Remuneration Committee during the period.
- The Remuneration Report, which describes how the Policy was applied during the period.

The Remuneration Policy is available on the homepage of our website at www.nominet.uk

Implementation of the remuneration policy and addressing the cost-of-living crisis

The Committee recognises that executive pay is an important issue for a public benefit company and membership organisation operating in the technology industry. Therefore, since the Remuneration Policy was published in the autumn of 2021, the Committee have continued to work to provide increased challenge and rigour in how we remunerate our people. We want to ensure we maintain a high-performance culture, have strong governance and increased transparency.

Across the organisation, we have been mindful of the wider external economic context to ensure fair, and responsible actions were taken at all times. There is no doubt that FY23 has presented the challenge of responding to the ongoing cost-of-living crisis and the demands of an increasingly competitive market. We have made a concerted effort to focus on this as a theme throughout the year.

Actions we have taken include:

- Ensuring rigour and challenge in the setting of company objectives, KPI's and Executive Director personal objectives for delivery during FY23 and FY24 to reinforce performance expectations.
- Implementation of a tiered approach to the ratio of company versus personal performance ratio dependent on level of responsibility. This means that the company's bonus scheme for executives and employees recognises the respective levels of ability to influence company outcomes.
- Benchmarked the existing benefits offer to ensure it was competitive within the market, but also in keeping with the Remuneration Policy.

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Remuneration Report (continued)

- Updated benefits offer to provide wider choice and flexibility, recognising the diversity of needs across our team. In addition, enhanced salary sacrifice schemes were introduced for childcare and electric vehicles.
- The Committee agreed to offer a cost-of-living allowance for a fixed period (Oct 2022-Sept 2023). A fixed sum was paid quarterly to all employees (excluding the Executive Leadership Team) in recognition of the additional challenges during the financial crisis.

FY23 remuneration outcomes

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

The annual bonus award for the CEO was based on a set of Company Objectives (70%) and Personal Objectives (30%) and resulted in a total payout for the period of 62.7%. The CEO did not have any salary review during the period.

Executive Director changes

Carolyn Bedford, was employed from 1 December 2022 as the Company's new Chief Financial Officer (CFO) with the following remuneration arrangements:

- annual base salary of £190,000.
 - a pension opportunity of 10% base pay.
 - a maximum annual bonus opportunity of up to 60% of base pay.
 - a probation period of six months and was thus in probation at the end of the FY23 financial year.
- a one-off payment of £38,000 as compensation for loss of earnings from previous role (paid on successful completion of probation).

The CFO successfully completed her probation period and fully met all criteria on 1 June 2023.

Further information is outlined in the remuneration report.

I trust that the information presented in this report provides a higher degree of transparency than previous years.

Eva Lindqvist

Eva Lindqvist

Chair of the Remuneration Committee

21/7/2023

Remuneration Report (continued)

Board Report on remuneration

The remuneration of the Executive Directors consists of four parts:

- Base Salary
- Annual Bonus
- Pension
- Benefits (Core and Flexible)

1. Fixed Base Pay

The CEO has a fixed base pay of £290,000 per annum. No salary review took place in year as the CEO was employed 31 January 2022.

The CFO has a fixed base pay of £190,000 per annum. The CFO was employed 1 December 2022 and passed the six-month probation period on 1 June. No further salary review took place in the year.

2. Annual Bonus Opportunity

Current maximum bonus opportunities are as follows which is split 70/30 between achievement of Company and Personal objectives:

CEO – up to 75% of base salary, with 70% based on company performance, 30% on personal performance.

CFO – up to 60% of base salary, with 70% based on company performance, 30% on personal performance.

Company performance

The Company performance assessment for FY23 was based on a balanced scorecard that reflected objectives including delivery on our public benefit commitments, work towards securing a stable and resilient technology platform, becoming a world-class registry and to have a sustainable cyber business. Other objectives included a financially sustainable business, and finally to ensure that Nominet is seen as great place to work.

The Executive team have worked hard to further develop the new strategic direction with the Board. However, whilst heading in the right direction, progress has been slower than anticipated in some areas, which led to a realignment of technical programmes. The remuneration committee reflected this when determining the overall company performance level. This was set at 76.5 (out of a possible 100). *The company performance element of the bonus was therefore revised to reflect this assessment.*

Remuneration Report (continued)

Personal Performance

Performance levels were assessed for each Executive Director and relevant bonus percentage levels were aligned with their individual performance assessment rating.

CEO

The personal performance objectives for CEO Paul Fletcher in FY23 included areas such as *operational control and consistency to strategy, transparency and accountability, people and organisation*, and the relationship with members and other stakeholders.

The Committee concluded that due to his personal contribution to realigning the company to its new direction and making the necessary changes to improve future outcomes, the CEO's performance was above expectations.

Combining the personal element with the company element, the CEO bonus pay-out for the financial year FY23 was calculated to be 62.7% of base salary, equating to £181,830.

The CEO had a probation period starting in FY22 and ending successfully during FY23, with all *probation criteria met*. The *probation bonus awarded was not paid out until FY23, however an estimation was accrued in FY22 accounts*. This equated to an overall payment of £211,720 (of which £181,830 relates to FY23 and £29,890 paid in respect of the probation period during FY22). The amount noted in FY22 accounts was an estimated accrual but was not paid.

The company applies a probation period for all new employees, in the FY23 bonus scheme rules no bonus assessment or bonus payments are made until the following FY if the probation period falls between financial year periods. The CEO had part of his probation period (two months) running into FY22. After successfully ending the probation period at the end of August 2022 an assessment was made that the probation performance objectives were successfully achieved and delivered in line with expectations. This bonus payment was not included in last year's Remuneration Report as it was deferred till the end of FY23 performance period. It has been included in the FY23 annual report. The Remuneration committee have subsequently reviewed and simplified the approach to probation periods that fall between two financial years in the bonus scheme rules and therefore *different conditions have been applied to the probation period for the CFO*.

CFO

Carolyn Bedford was employed from 1 December 2022 and was in a probationary period at the end of the FY23 financial year. The CFO successfully completed her probation period as fully met on 1 June 2023 and in recognition for the financial year FY23 the performance assessment and pay-out was calculated to be 40.6% of base salary. This equates to a payment of £25,547 (pro-rata payment

Remuneration Report (continued)

reflecting four months of probation period during FY23). In addition, she was also awarded a one-off payment of £38,000 as compensation for loss of earnings from her previous role that was agreed as part of her appointment in December 2022. Both payments were made in June 2023 following successful completion of her probation period. No other bonuses were awarded.

3. Pension

The employer pension contribution to the CEO and CFO equates to 10% of base pay. In lieu of pension contribution / growth that might fall outside the annual allowance, the CEO receives an alternative monthly allowance in respect of the Employer contribution.

4. Benefits

Executive Directors are provided with a company car cash allowance, life assurance and private medical insurance. A range of additional flexible benefits form part of our benefits offer which individuals can add to their total benefits package at their own cost.

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 agreement and commitment to this position is further evidenced in the appointment of the new CFO and associated rigour in relation to overall practice and application of remuneration level.

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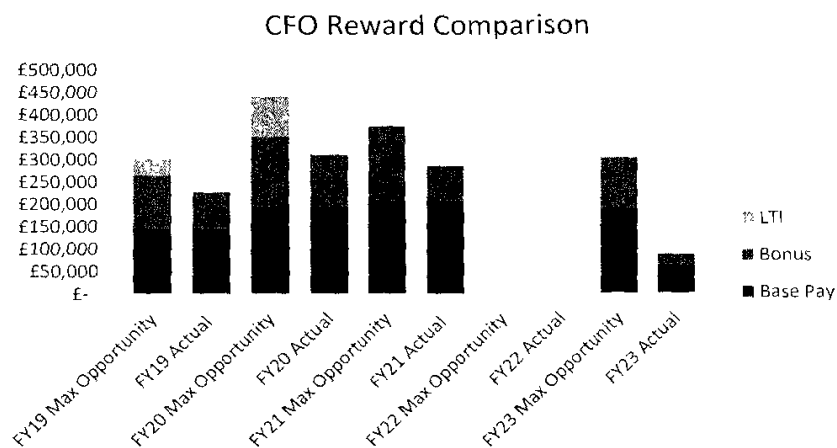
Annual report and financial statements for the year ended 31 March 2023

Remuneration Report (continued)

The tables below set out the potential v actual reward compensation for Executive Directors.



The tables above and below show the maximum potential earning opportunity for Executive Directors v actual payments made. A long-term incentive scheme, which was in operation from FY19, was closed in May 2021. The outgoing CEO did not receive a payout (accruals noted in FY19 and FY20 accounts were not paid). There is no equivalent scheme for Executive Directors today.

**Footnotes:**

FY22 shows no CFO - the role was removed from board in FY22 and incumbent left in September 2022. For the new CFO, employed from 1 December 2022, the chart shows an illustration of base salary for a full year and potential bonus on a full payout, the FY Actual is for the period of in-year employment and associated period with probation bonus payout (4 months)

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Remuneration Report (continued)**Board fees**

	Salary/ fees	Bonus	Pension	Other costs and benefits*	31 March 2023	31 March 2022
	£000	£000	£000	£000	£000	£000
Andrew Green	90	-	-	6	96	65
Paul Fletcher	290	181	-	41	512	92
Carolyn Bedford	63	26	7	42	138	-
Robert Binns	15	-	-	-	15	46
Simon Blackler	37	-	-	-	37	14
James Bladel	-	-	-	-	-	24
Philip Buckingham	37	-	-	-	37	37
Rory Kelly	-	-	-	-	-	109
Ashley La Bolle	37	-	-	1	38	14
Adam Leach	-	-	-	-	-	209
Eva Lindqvist	45	-	-	1	46	31
Kieren McCarthy	18	-	-	-	18	-
Stephen Page	24	-	-	-	24	48
Anne Taylor	19	-	-	1	20	37
David Thornton	-	-	-	-	-	24
Sally Tilleray	35	-	-	-	35	-
Patsy Wilkinson	28	-	-	1	29	-
Year to 31 March 2023	738	207	7	93	1,045	750

* Other costs and benefits consist of taxable expense reimbursements, pension allowances paid in cash, sign on bonuses, company car allowances and private health insurance.

The fees for the Non-Executive Directors have been at the same levels since FY21, except for the Chair, whose fee was reduced at time of appointment.

The Committee looks forward to continuing to provide rigour and challenge to ensure appropriate governance and rigour across the application of our Remuneration Policy and practice, providing confidence and transparency in our approach.



Eva Lindqvist

Remuneration Committee Chair

21/7/2023

.UK Registry Advisory Council

The .UK Registry Advisory Council (UKRAC) is an advisory council to the Nominet Board on .UK policy matters. *The purpose of the UKRAC is to foster the long-term sustainable success of the .UK namespace, ensuring it remains safe, secure, and competitive.*

The UKRAC consists of up to six Nominet members, elected by their fellow members on a one member, one vote basis. The election cycle runs annually, and there were three positions up for re-election in 2022. Elections were held from 16 May – 17 June 2022 resulting in the re-appointment of Dan Rodgers (representing mid to small sized registrars) and the election of Rob Taylor (representing secondary market registrars). Since there were no nominations in the large registrars (top 25) segment, Volker Greimann indicated he was willing to join the UKRAC on an interim basis.

The Nominet Board approved the UKRAC's recommendation to co-opt him as a voting member for the remaining portion of that term.

The current Chair is member-elected Non-Executive Director Ashley La Bolle, who took over from Anne Taylor when she stood down from the Board following the 2022 AGM. The representatives from the large registrars (top 25 by .UK domains under management) are Rex Wickham, 2020 Media Ltd and Volker Greimann, Key-Systems GmbH; mid to small registrars Andrew Bennett, Netistrar Ltd and Dan Rodgers, Domain Registrar Services Limited; and representing the secondary market Ciprian Cucuruz, Webber Multimedia Ltd and Rob Taylor Hey.co.uk Ltd.

The council met eight times in FY23 to discuss a range of topics. It has:

- Begun a review of the Anti-avoidance and Connected Persons clause of Nominet's Acceptable Use Policies to determine whether it is relevant, fit for purpose, clear, unambiguous and enforceable.
- Responded to three Community moderation complaints and reviewed the Nominet Community Complaint Procedure to ensure its efficacy. The UKRAC has agreed to remove council involvement in reviewing complaints and appoint a Retained Independent Third Party.
- Reviewed the UKRAC segments to ensure they reflect the Nominet membership and discussed how to encourage greater engagement amongst members.
- Reviewed .UK standardisation proposals, discussed possible .UK policy implications and how and when UKRAC, members and stakeholders can provide feedback.
- Begun discussion on factors that the Nominet Board should consider in the .UK pricing review.
- Contributed to drafting of Nominet's Policy Development Process to ensure members and external stakeholders are able to engage.

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.UK Registry Advisory Council (continued)

- Discussed briefings on regulatory and policy landscape in the UK and internationally e.g. The Online Safety Bill and how to ensure members are aware of changes and supported where appropriate.

UKRAC members are paid a fixed per diem fee of £500 per meeting attendance, and the UKRAC is administered by an independent secretariat. The total direct costs of holding these meetings in 2022-23 amounted to £43,554.

Internal controls and risk management

Nominet's risk management strategy is to identify, understand and appropriately treat the risks that Nominet faces as an organisation. This is done using the methodology set out in the Company's risk appetite statement and risk management policy which together form the Nominet risk assessment process. *Nominet aligns to the ISO 31000:2018 standard for risk management to guide the Company's risk management methodology.*

The Board of Directors holds responsibility for ensuring that Nominet maintains a sound system of risk management and control and seeks to ensure that the Company's culture and risk management approach are aligned. The Executive are accountable for identifying and managing risk while the Board is accountable for ensuring the adequacy of Nominet's risk management system and for setting the Company's risk appetite. Working together in this way ensures that risks are considered as part of business-as-usual activity, after changes, and when decisions are made.

As corporate aims develop during the planning round the risks which may arise are identified and *risk treatments and mitigations are included in business plans and objectives. These are then tracked by the Executive to inform our decision making and activity.*

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 to evidence 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 Audit & Risk Committee during the financial year and an exercise was undertaken to survey risk appetite sentiment across various risk factors and elements. This work will continue into the next financial year with a review of the risk appetite statement by the full Board scheduled for later in 2023.

Nominet UK**49****Annual report and financial statements for the year ended 31 March 2023****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 management process. During the reporting period regular reviews of the Strategic Risk Register were led by the Executive as well as deep dives into key risk areas. New risks were added, and others updated or removed as the risk landscape evolved. The Audit & Risk Committee reviewed the adequacy of the Company's risk treatment arrangements at each of their meetings.

Internal controls and risk management (continued)

The Company's internal audit function reported on the results of internal audit activity at each Audit & Risk Committee meeting. Findings and key themes were highlighted alongside progress updates on the delivery of the Executive's corrective and preventive actions. 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 2025.

Internal audits highlighted areas where improvements were required to strengthen our controls. No significant concerns were raised with the risk assessment processes and controls were generally found to be working effectively to reduce and control risks. During the reporting period we produced updated operational risk registers for the Company's business units; Cyber, Registry and Public Benefit, and Technology.

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 also continue to hold ISO certifications for IT Service Management (ISO 20000-1:2018) and Information Security Management (ISO 27001:2013) and conduct regular security testing.

Nominet continues to be an active participant in business continuity and security forums. The Executive contribute expertise to the wider community through both governmental and non-governmental groups and receive intelligence and data about resilience issues, security threats, and available mitigations.

Risk Landscape

During FY23 Nominet's risk management policy and procedures were reviewed and updated by the Executive. The new risk appetite statement determined by the Board was adopted and minor updates to aid clarity were also made.

FY23 saw us move from the Covid lockdowns and ways of working back into a more business-as-usual set-up. Nominet now operates a hybrid approach to workforce management, and the Company has developed the supporting controls and protections whilst striving to nurture an effective working environment and culture. Dominant factors in the risk landscape during the year were high impact interlocking risks relating to geopolitical tensions and the war in Ukraine, fuel price volatility, supply chain disruptions, IT security threats, shortages of raw materials and the knock-on increase to the cost of living.

IT security threats remain fierce, and the criticality of our services has increased with the onboarding of more users to our PDNS deployments.

Internal controls and risk management (continued)

Recruitment, retention, and critical resource management was a top priority as we progressed the Company’s security and business transformation plans.

Our overall risk profile during the reporting period increased with the number of strategic risks the Company is actively managing rising slightly following the reduction we saw during the Covid lockdowns. Nominet’s most significant risks for FY23 fell into three broad areas:

- **Business disruption and systems failure** risks where complexity of infrastructure, international footprint and obsolescence challenges require continued focus.
- **IT security and systems related vulnerabilities** driven by the increasing threat levels seen globally where threat actors are seeking to exploit vulnerabilities and attack providers of critical national infrastructure.
- **Resource management** risks relating to the availability of critical skills and our ability to have the right resource at the right time in the right place as we deliver complex transformation programmes.
- **Supply chain risks** both from a security threat perspective and a resilience perspective as the knock-on impacts of the war in Ukraine and general supply chain fragility have been exposed.

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
<p>Critical infrastructure disruption</p> <p>Critical to our business and customers is the core infrastructure and technology through which our services are provided.</p> <p>Complexity of infrastructure, international footprint, obsolescence challenges and the increasing threat of disruption by threat actors keep this a significant risk.</p>	<ul style="list-style-type: none">• Investment in the resilience of our critical DNS and registry infrastructure; transformation programmes ongoing• Robust ISO22301 certified business continuity and disaster recovery plans in place which are 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

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Description of risk	What we are doing to manage the risk
<p>Critical supplier failure</p> <p>Significant dependencies on cloud services, deploy as-a-service solutions, in-country delivery partners and third-party suppliers</p>	<ul style="list-style-type: none"> • ISO22301 certified Business Continuity Management System and Business Continuity Plans • Critical supplier selection and due diligence controls • Resilience, redundancy and continuity measures built into critical services • Critical supplier management; reviews and service level monitoring
<p>Cyber Security</p> <p>As an Operator of Essential Services providing critical DNS and Registry services we are an attractive target</p> <p>The ongoing worldwide geopolitical instability and the war in Ukraine keep this a significant risk</p>	<ul style="list-style-type: none"> • Delivery of key Security improvements to strengthen our defences • Continued investment in high quality infrastructure • Regular penetration, vulnerability, and intrusion testing • Effective internal and external security control monitoring • Participation in closed security-focussed knowledge sharing groups • Rapid controlled response to any identified security threats and vulnerabilities
<p>Economic</p> <p>Post-Covid we are seeing the after-effects of the monetary policies that Governments brought in to protect their economies and populations. Nominet is seeing its costs increase and the cost of living of its employees increase. We are seeing the market we operate in becoming more challenging with strong competition</p>	<ul style="list-style-type: none"> • Cost of living allowance for our employees • Developing our products to remain competitive • Pipeline of new client opportunities • Focus on cost controls
<p>Environment</p> <p>Nominet is committed to achieving NetZero emissions by 2050, however 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 critical technical infrastructure</p> <p>Failure to achieve our Net Zero targets would harm our ability to contribute to the global aim of achieving climate stability and would likely lead to financial penalties in future as well as reputational harm</p>	<ul style="list-style-type: none"> • We are committed to reducing our emissions and carbon footprint, and have a carbon reduction plan in place • We continue to invest in sustainable woodland creation in the UK to offset our carbon emissions • We are committed to offsetting our measured emissions

Description of risk	What we are doing to manage the risk
<p>Governance</p> <p>Nominet's governance structure is an area of key importance. Our primary objective is to ensure operational and organisational stability</p> <p>As expected, governance of the wider technology industry has re-emerged as a priority for the UK Government following Covid-19</p>	<ul style="list-style-type: none"> • Through an active stakeholder engagement programme we continue to seek input and feedback from across our stakeholder groups • A review and refresh of the Articles of Association is underway • Maintaining strong relationships with key Government stakeholders • Demonstrating commitment to and effectiveness of the multi-stakeholder and self-regulation models for internet governance
<p>People and resources</p> <p>Economic instability, which has seen a dramatic increase in the cost of living, combined with changes in the recruitment market following Covid and Brexit continues to present recruitment and retention challenges. Professionals with in-demand skill sets are highly sought after with seasoned professionals in short supply</p> <p>Supply chains are stretched and increasingly fragile, with long lead times on key components now commonplace</p>	<ul style="list-style-type: none"> • Resource planning, forecasting and management • Controlling the scope of our work programmes • Succession planning and training; cascading knowledge within senior operational experts to rest of team • Critical skills analysis and planning • Competitive EVP to attract and retain top talent • Hybrid working now fully implemented through our Ways of Working policy • Critical supplier due diligence • Advance ordering of new equipment to ensure an on-time delivery
<p>Reputation and brand</p> <p>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</p>	<ul style="list-style-type: none"> • Ensuring the high quality and availability of our services • 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

Nominet UK**54****Annual report and financial statements for the year ended 31 March 2023****Strategic report**

The Directors present their annual report and the financial statements of the Group and Company for the year ended 31 March 2023.

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 2.

The Company and Group financial statements have been prepared in accordance with UK-adopted international accounting standards.

Business review and key financial indicators

The trading results for the year and the Group and Company's financial position at 31 March 2023 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 decreased slightly by £0.6m (-1.1%) driven by a £0.5m reduction in Registry revenue and a £0.1m reduction in Cyber revenue. The .UK register at 31 March 2023 closed at 11.0 million DUM (31 March 2022 – 11.1 million) with .UK market share at 54% (31 March 2022 – 54%).

Expenditure and Operating profit (excluding Social Impact)

The overall Operating profit for Nominet's trading activities (excluding CyGlass and Social Impact spend) decreased to £8.1m (FY22 £12.8m) with the impact of increased operating costs.

Other operating costs, excluding CyGlass and Social Impact, are £46.0m representing 85.0% of revenue (FY22: £41.9m, 76.6% of revenue). Operating costs have increased due to staff cost inflation and an increase in technical costs and depreciation due to the impact of the investment in our technology infrastructure. The overall operating loss of £3.8m (FY22: £8.0m profit) reflects the significant uplift in Social Impact spend to £11.9m (FY22: £4.8m) combined with the increase in operating costs.

Business unit performance

Segmental business unit reporting is shown in note 2 (page 91).

Cyber revenue was £12.6m (FY22: £12.7m). The slight decrease is in line with the contractual revenue profile of our protective DNS services for governments in the UK and Australia. The Cyber deficit for the year was £2.4m (FY22: £1.8m), with IT costs driving an increase in operating costs.

Strategic report (continued)

Registry revenue was £41.5m (FY22: £42m), with the slight decrease due to a partial reversal of the significant .UK registration growth in FY22 driven by increased online activity linked to Covid-19.

Business unit performance (continued)

The Registry surplus for the year was £14.8m (FY22 £18.5m). Staff costs were impacted by inflation, and IT costs increased significantly due to the impact of the investment in our technology infrastructure

Cyglass (Discontinued operation)

The decision to acquire CyGlass was made in February 2020. It was part of an agreed acquisition strategy the Board at the time believed was in the best long-term interests of the Group.

Following the strategic review presented to members in Autumn 2021, it was agreed to exit CyGlass. A sale would have been in the best interests of the business and was actively pursued. However, without the prospect of a sale and with a significant burn rate, the decision to place CyGlass into the formal closure process was made by the Nominet Board in April 2022, and the total cost of £18m was shared with members. The total in-year loss relating to CyGlass (including costs associated with closure) is £1.7m (FY22: £12m). These costs were included in the £18m total figure.

FY22 comparatives have been restated to show the financial effects of the exit from CyGlass across both FY23 and FY22.

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 decreased during the year and closed at £96.3m (FY22: £114.8m) as global markets reacted to changes in interest rate and inflation expectations. During the year £11.8m was withdrawn from the portfolio.

During the period we realised £7.5m of gains on the disposal of investments within the portfolio (2022: £4.6m) and investment income from the portfolio during the year was £2.1m (FY22: £2.2m).

Full details of the movement in investments for the year are shown in note 13 (page 104).

Social Impact

We have continued to scale up our commitment to social impact in the year, with total spend increasing by 148% to £11.9m (FY21: £4.8m). Full details of our social impact activity during the year are given in the social impact report on pages 15-24.

Strategic report (continued)

Balance sheet and cash flow

Retained earnings for the Group increased by £2.0m during the year to £88.9m (FY22: £86.9m). Cash used in operations before tax payments was £5.6m (FY22: cash generated £11.0m) reflecting the significant increase in Social Impact spend and working capital movements.

The other key cash movements included capital expenditure and other development costs totalling £8.8m (FY22: £9.8m), and income tax payments of £0.9m (FY22: £1.6m). Cash balances held at the period end decreased by £3.2m to £0.8m (FY22: £4.0m).

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 (page 112) 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.

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Annual report and financial statements for the year ended 31 March 2023

Strategic report (continued)

Market risks

Further details of the risks impacting the Group are given on pages 48 – 53 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."

Strategic report (continued)


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

Stakeholder	How we engage
Members	<p>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; Member Hub and transparency activities; Nominet Community; .UK Registry Advisory Council; Member GiveHub; General Meetings.</p> <p>Board members and executives have held frequent open calls for members, covering a wide range of topics and listening to member views.</p>
Employees	<p>Engagement surveys; weekly CEO communications; performance management process; shared intranet and social forums; ad hoc interactions on key issues; formal performance management framework</p>
UK government including law enforcement and national security agencies	<p>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.</p> <p>Regular updates are provided to DSIT as the sponsoring department; and we interact with Ofcom as regulator. Input from both DSIT, Ofcom and NCSC are carefully considered in shaping service offerings.</p> <p>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.</p>
Customers, suppliers, business partners	<p>Customer priorities are carefully considered and reflected in our investment in customer services, infrastructure and engagement programmes.</p> <p>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.</p> <p>Many customers are also members and have additional opportunities to engage (see above).</p> <p>The UKRAC provides a channel through which users of Nominet's services can provide input to policies and working practices for the .UK domain.</p> <p>Key suppliers are regularly consulted to ensure strategic alignment with Nominet's needs.</p> <p>Nominet works with industry partners through attendance at conferences and liaison events.</p>

Strategic report (continued)

UK internet users (commercial and members of the public)	<p>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.</p> <p>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.</p>
Charity and Social impact partners	<p>Nominet has a Board committee focused on its Public Benefit activities. This committee strengthens the scrutiny of strategic choices and value delivered through our partnerships.</p> <p>There are formal and informal engagement activities in place for each of our charity and social impact partners. These provide strategic alignment, clear goals for partnerships, and measurement of delivered results.</p> <p>Nominet conducts periodic formal reviews of the value created by its social impact programmes, using independent external support.</p>
Wider civil society	<p>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.</p> <p>This year's progress on environmental matters is set out in the Sustainability section on page 25. Progress on wider impact is set out in the social impact section on page 15.</p>

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



Andrew Green CBE

Chair

21 July 2023

Nominet UK

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Annual report and financial statements for the year ended 31 March 2023

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:

Carolyn Bedford (*appointed 1 December 2022*)

Robert Binns (*resigned 1 August 2022*)

Simon Blackler

Philip Buckingham (*resigned 4 July 2023*)

Paul Fletcher

Andrew Green CBE

Ashley La Bolle

Eva Lindqvist

Kieren McCarthy (*appointed 7 October 2022*)

Dr. Stephen Page (*resigned 6 October 2022*)

Anne Taylor (*resigned 6 October 2022*)

Sally Tilleray (*appointed 1 August 2022*)

Patsy Wilkinson (*appointed 6 October 2022*)

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 statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards.

Report of the Directors (continued)

Directors' responsibilities (continued)

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 and profit or loss of the Company and 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 accounting estimates that are reasonable and prudent
- state whether UK-adopted international accounting standards 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 and Company'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 Group and Company's 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.

Directors' and officers' liability insurance and indemnity

During the year, the Group and Company maintained liability insurance for its directors and officers. The provision, which is a qualifying third-party indemnity provision as defined by Section 233 of the Companies Act 2006, was in force throughout the year and remained in force at the date of signature of the accounts.

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Annual report and financial statements for the year ended 31 March 2023

Report of the Directors (continued)

Going Concern

The Directors continue to adopt the going concern basis of presentation for the Group and Company's financial statements. The Directors have reached this opinion after reviewing the Group and Company's annual budget, cash balances and assets held within the investment portfolio. (See Principal Accounting Policies, Going Concern).

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



Andrew Green CBE

Chair

21 July 2023

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 2023, which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company cash flow statements, the consolidated and company statement 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 UK-adopted international accounting standards 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 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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 director's 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 crisis in Ukraine and cost of living crisis, we assessed and challenged the

Independent auditor's report to the members of Nominet UK

reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and parent company's resources or ability to continue operations over the going concern period.

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.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 themselves. 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 report of the directors 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.

Independent auditor's report to the members of Nominet UK

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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

Independent auditor's report to the members of Nominet UK

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 the group and the parent 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 group and the parent'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 unexpected effective dates, journals posted by leavers after their tenure, Public benefit expenditure, revenue recognition-unexpected account combinations, last month deferred income and supplementary testing; and
- challenging assumptions and judgements made by management in its significant accounting estimates, such as useful economic life or intangible assets, bad debt provision and recognition of contract revenue

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;

Independent auditor's report to the members of Nominet UK

- 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.

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.

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
21 July 2023

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 and Company forecasts, working capital requirements and potential sensitivities including stress tests, the Directors have a reasonable expectation that the Group and 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.

Principal accounting policies (continued)

The stress tests applied to forecasts included an assessment of the impact of the discontinuation of certain significant cyber business revenue streams, and a 30% decline in the value of the investment portfolio.

Neither of these scenarios, even when taken together, would impact on the ability of the Group and Company to continue in operational existence for 12 months from the date of approval of these financial statements.

The total of cash in hand and investments are expected to be £95m at the time of signing the group financial statements. The discontinuation of cyber business revenue stress test does not result in any reduction of revenue, as the reduction in revenue in this test begins more than 12 months following the expected signature of the group financial statements.

If the investment portfolio value decline scenario materialised in the 12 months following the expected date of signature of the group accounts, the reduction would still leave total cash and investments on hand at 31 July 2024 of £41m.

This assessment is further supported by the strong balance sheet of the Group and Company, 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, which has been subject to inflationary assumptions in line with current and expected levels of inflation over the forecast period. As a result, the Group and 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 2023, 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.

Principal accounting policies (continued)

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.

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.

.UK domain registrations and renewals

The Group provides .UK domains to customers via domain registrars, who are entities authorised by Nominet to register and manage .UK domains on behalf of customers. Although several services are required to register or renew a domain and provide ongoing Domain Name System (DNS) services to that domain over its registration/renewal period, the Group has assessed that these services are inseparable, and therefore constitute a single performance obligation. This performance obligation is transferred to the customer over time. The revenue for .UK domain registrations and renewals is therefore recognised on a straight-line basis over the domain registration or renewal period. Registration and renewal fees are charged in advance, and revenue relating to future accounting periods is reported in the balance sheet as deferred revenue.

The cost of registering or renewing a domain is non-refundable and no obligations therefore exist for returns or refunds.

The wholesale transaction price for a .UK domain registration or renewal has been set at £3.90 per year since January 2020. The price is determined with regard to the costs of running the registry services and the need to invest in the resilience and reliability of Nominet's systems.

Principal accounting policies (continued)

PDNS

The Group provides PDNS services to national governments. Performance obligations are assessed for each individual contract. If services are distinct, a separate performance obligation is assessed for each service. Depending on their nature, performance obligations may either be transferred to a customer over time, or at a point in time on a milestone basis. Revenue for PDNS is therefore recognised on either a straight-line basis or at a point in time based on attaining specified contract milestones.

There is no right to return or provision for refunds in relation to PDNS contracts, and no obligations therefore exist for returns or refunds.

The transaction price for PDNS services is determined with reference to the expected costs of delivering the service.

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.

Social Impact 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.

Principal accounting policies (continued)

Property, plant and equipment (PPE)

PPE 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.

Principal accounting policies (continued)

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 (continued)

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:

Generic top-level domain (gTLD) development costs	-	10 years
Other development costs	-	3-5 years

Principal accounting policies (continued)

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 assets 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.

Principal accounting policies (continued)

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.

Financial instruments (continued)

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

Principal accounting policies (continued)

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 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.

Principal accounting policies (continued)

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

Provisions and contingent liabilities (continued)

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.

Principal accounting policies (continued)

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.

Principal accounting policies (continued)

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.

Profit or loss from discontinued operations

A discontinued operation is a component of the Group that has either been disposed of or is classified as held for sale. A discontinued operation represents a separate major line of the business. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value, including impairment charges.

Where necessary, these disclosures are re-presented for prior periods to allow the financial effects of the discontinued operations to be seen across reporting periods.

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.

Principal accounting policies (continued)

Significant accounting estimates and judgements (continued)

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:

- 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

		31 March 2023	31 March 2022 (as restated)
	Note	£000	£000
Revenue	1	54,124	54,721
Other operating charges	3	(46,003)	(41,914)
Social Impact Initiatives		(11,906)	(4,758)
Total operating charges		(57,909)	(46,672)
Operating profit before Social Impact Initiatives		8,121	12,807
Operating (loss)/profit		(3,785)	8,049
Income from investments held at fair value through OCI	13	2,084	2,165
Finance income	6	25	38
(Loss)/profit before taxation		(1,676)	10,252
Taxation	7	(544)	(2,608)
(Loss)/profit for the year from continuing operations		(2,220)	7,644
Loss for the year from discontinued operations	4	(1,698)	(12,036)
Loss for the year		(3,918)	(4,392)

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

Consolidated statement of comprehensive income

	31 March 2023	31 March 2022 (as restated)
Note	£000	£000
Loss for the year	(3,918)	(4,392)
Other comprehensive income (OCI):		
Items that will not be subsequently reclassified to profit or loss		
(Losses)/gains on investments held at fair value through OCI net of associated deferred tax	(4,835)	4,607
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	(1,474)	(15)
Exchange differences on translation of discontinued operation	(41)	(343)
	<u>(10,268)</u>	<u>(143)</u>
Total comprehensive loss for the year	<u>(10,268)</u>	<u>(143)</u>

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

Consolidated statement of financial position

As at 31 March

	Note	2023 £000	2022 (as restated) £000
ASSETS			
Non-current assets			
Property, plant & equipment	10	15,246	16,644
Intangible assets	11	11,310	6,329
Advance land lease payment		1,507	1,518
Investments held at fair value through OCI	13	96,348	114,785
		<u>124,411</u>	<u>139,276</u>
Current assets			
Trade and other receivables	15	18,056	16,755
Current income tax asset	18	1,275	820
Contract asset		11	-
Cash and cash equivalents		767	4,040
		<u>20,109</u>	<u>21,615</u>
Total assets		<u>144,520</u>	<u>160,891</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	9,200	11,131
Lease Liabilities	17	104	265
Deferred income	19	25,999	26,403
		<u>35,303</u>	<u>37,799</u>
Non-current liabilities			
Deferred tax liability	14	4,345	7,752
Deferred income	19	9,226	9,426
		<u>13,571</u>	<u>17,178</u>
Total liabilities		<u>48,874</u>	<u>54,977</u>
Net assets		<u>95,646</u>	<u>105,914</u>

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

Consolidated statement of financial position (continued)

As at 31 March	Note	2023 £000	2022 £000
EQUITY AND RESERVES			
Retained earnings		90,522	86,853
Translation reserve		(1,599)	-
Investments held at fair value through OCI		6,723	19,061
Total funds		95,646	105,914

These financial statements were approved by the Directors and authorised for issue on 21 July 2023, and are signed on their behalf by:



Andrew Green CBE
Chair
Company Registration Number: 03203859
21/7/2023

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

Company statement of financial position

As at 31 March		2023	2022
	Note	£000	£000
ASSETS			
Non-current assets			
Property, plant & equipment	10	15,246	16,613
Intangible assets	11	11,304	6,327
Advance land lease payment		1,507	1,518
Investments held at fair value through OCI	13	96,348	114,785
		<u>124,405</u>	<u>139,243</u>
Current assets			
Trade and other receivables	15	18,081	16,583
Current income tax asset	18	1,314	829
Contract asset		12	-
Cash and cash equivalents		713	3,815
		<u>20,120</u>	<u>21,227</u>
Total assets		<u>144,525</u>	<u>160,470</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	9,319	10,801
Lease Liabilities	17	104	265
Deferred income	19	25,983	25,992
		<u>35,406</u>	<u>37,058</u>
Non-current liabilities			
Deferred tax liability	14	4,351	7,758
Deferred income	19	9,226	9,385
		<u>13,577</u>	<u>17,143</u>
Total liabilities		<u>48,983</u>	<u>54,201</u>
Net assets		<u>95,542</u>	<u>106,269</u>

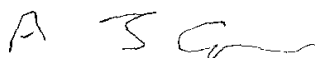
The accompanying accounting policies and notes form part of these financial statements.

Company statement of financial position (continued)

As at 31 March	Note	2023 £000	2022 £000
EQUITY AND RESERVES			
Retained earnings		88,819	87,208
Investments held at fair value through OCI		6,723	19,061
Total funds		95,542	106,269

As permitted by section 408(3) of the Companies Act 2006, no profit or loss account of the Company is presented. The loss for the financial year dealt with in the financial statements of the Company is £10,727k (31 March 2022: profit £1,371k).

These financial statements were approved by the Directors and authorised for issue on 21 July 2023, and are signed on their behalf by:



Andrew Green CBE

Chair

Company Registration Number: 03203859

21/7/2023

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

Consolidated cash flow statement

		31 March 2023	31 March 2022 (as restated)
	Note	£000	£000
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(5,280)	11,005
Income taxes paid		(843)	(1,633)
Net cash (used in)/generated from operating activities		<u>(6,123)</u>	<u>9,372</u>
Cash flows from investing activities			
Income received from investments held at fair value through OCI	13	2,084	2,165
Interest received on cash balances	6	25	38
Purchase of property, plant and equipment	10	(2,587)	(2,867)
Purchase of intangible assets	11	(6,590)	(6,954)
Income re-invested in investments held at fair value through OCI		(9,178)	(6,385)
Disposal of available for sale investments	13	19,253	5,641
Net cash generated from/(used in) investing activities		<u>3,007</u>	<u>(8,362)</u>
Cash flows from financing activities			
Principal elements of lease payments		(161)	(178)
New leases		-	430
Net cash (used in)/generated from financing activities		<u>(161)</u>	<u>252</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,277)</u>	<u>1,262</u>
Cash and cash equivalents at start of year		4,040	2,721
Effect of foreign exchange on cash and cash equivalents		4	57
Cash and cash equivalents at end of year		<u>767</u>	<u>4,040</u>

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

Company cash flow statement

		31 March 2023	31 March 2022 (as restated)
	Note	£000	£000
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(3,968)	14,783
Income taxes paid		(860)	(1,637)
Net cash (used in)/generated from operating activities		<u>(4,828)</u>	<u>13,146</u>
Cash flows from investing activities			
Income received from investments held at fair value through OCI	13	2,084	2,165
Interest received on cash balances	6	25	38
Payments for financial assets at amortised cost		(1,464)	(5,313)
Purchase of property, plant and equipment	10	(2,587)	(2,851)
Purchase of intangible assets	11	(6,246)	(5,046)
Income re-invested in investments held at fair value through OCI		(9,178)	(6,385)
Disposal of available for sale investments	13	19,253	5,641
Net cash generated from/(used in) investing activities		<u>1,887</u>	<u>(11,751)</u>
Cash flows from financing activities			
Principal elements of lease payments		(161)	(178)
New leases		-	430
Net cash (used in)/generated from financing activities		<u>(161)</u>	<u>252</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,102)</u>	<u>1,647</u>
Cash and cash equivalents at start of year		3,815	2,168
Cash and cash equivalents at end of year		<u>713</u>	<u>3,815</u>

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

Consolidated statement of changes in equity

	Investments held at fair value through OCI	Retained earnings	Translation reserve	Total
	£000	£000	£000	£000
Balance at 1 April 2022	19,061	86,853	-	105,914
Transfers	-	84	(84)	-
Loss for the year	-	(3,918)	-	(3,918)
Gains on investments held at fair value through OCI net of associated deferred tax	(4,835)	-	-	(4,835)
Transfer of realised gains on investments held at fair value through OCI	(7,503)	7,503	-	-
Exchange differences on translating foreign operations	-	-	(1,515)	(1,515)
Balance at 31 March 2023	6,723	90,522	(1,599)	95,646
	£000	£000	£000	£000
Balance at 1 April 2021	19,095	86,962	-	106,057
Loss for the year	-	(4,392)	-	(4,392)
Gains on investments held at fair value through OCI net of associated deferred tax	4,607	-	-	4,607
Transfer of realised gains on investments held at fair value through OCI	(4,641)	4,641	-	-
Exchange differences on translating foreign operations	-	(358)	-	(358)
Balance at 31 March 2022	19,061	86,853	-	105,914

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

Company statement of changes in equity

	Investments held at fair value through OCI £000	Retained earnings £000	Total £000
Balance at 1 April 2022	19,061	87,208	106,269
Loss for the year	-	(5,892)	(5,892)
Gains on investments held at fair value through OCI net of associated deferred tax	(4,835)	-	(4,835)
Transfer of realised gains on investments held at fair value through OCI	(7,503)	7,503	-
Balance at 31 March 2023	6,723	88,819	95,542
	£000	£000	£000
Balance at 1 April 2021	19,095	85,803	104,898
Loss for the year	-	(3,236)	(3,236)
Gains on investments held at fair value through OCI net of associated deferred tax	4,607	-	4,607
Transfer of realised gains on investments held at fair value through OCI	(4,641)	4,641	-
Balance at 31 March 2022	19,061	87,208	106,269

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 two business units Registry and Cyber. An analysis of revenue by these categories and the geographical location of the customers is given below:

	31 March 2023			31 March 2022 (as restated)		
	UK	Overseas	Total	UK	Overseas	Total
	£000	£000	£000	£000	£000	£000
Registry	20,425	21,148	41,573	23,361	18,687	42,048
Cyber Business	8,337	4,214	12,551	8,332	4,343	12,675
Total	28,762	25,362	54,124	31,693	23,030	54,723

Revenue for the year ended 31 March 2023 includes a release of £26,403k of prior year deferred revenue.

2 Business unit reporting

	31 March 2023	31 March 2022 (as restated)
Revenue	£000	£000
Registry	41,573	42,048
Cyber Business	12,551	12,675
Total	54,124	54,723
Surplus/(deficit)		
Registry	14,807	18,522
Cyber Business	(2,410)	(1,769)
Total business unit surplus	12,397	16,752
Depreciation of owned property, plant & equipment	(3,956)	(2,546)
Depreciation of non-current asset	(11)	(11)
Amortisation of intangible assets	(1,269)	(1,450)
Public Benefit Initiatives	(11,906)	(4,758)
Exchange rate movements	1,318	596
Other administrative costs not allocated to business units	(358)	(535)
Operating (loss)/profit	(3,785)	8,049

Notes to the financial statements

3 Other operating charges

	31 March 2023 £000	31 March 2022 (as restated) £000
Staff and other personnel costs	23,225	22,218
Technical systems and infrastructure	13,665	10,917
Other administrative	2,810	3,075
Exchange rate movements	(1,365)	(596)
Depreciation of owned property, plant & equipment	3,956	2,546
Depreciation of non-current asset	11	11
Amortisation of intangible assets	1,269	1,451
Operations	847	740
Facilities	846	723
Communications and marketing	739	829
	<u>46,003</u>	<u>41,914</u>

Notes to the financial statements

4 Discontinued Operations – Cyglass

On 26 April 2022, the Board agreed to conduct an orderly wind down of the CyGlass business. Following this decision, CyGlass Inc. entered an Assignment for Benefit of Creditors (ABC) process on 13 June 2022, with an Assignee taking control of the business and assets of CyGlass Inc. On 24 June 2022, the Assignee accepted a management buyout (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.

Revenue and expenses of CyGlass and expenses relating to the discontinuation of CyGlass have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line in the consolidated statement of profit or loss. Comparatives for the year ended 31 March 2022 have been restated in line with IFRS 5 to show the financial effects of the discontinued operation across reporting periods.

	31 March 2023 £000	31 March 2022 (as restated) £000
Revenue	482	382
Other operating charges	(1,877)	(4,307)
Impairment	(134)	(6,684)
Depreciation of owned property, plant & equipment	(3)	(22)
Amortisation of intangible assets	(201)	(764)
Loss from discontinued operations before tax	(1,733)	(11,395)
Current tax	35	52
Deferred tax	-	(693)
Loss for the year from discontinued operations	(1,698)	(12,036)

Cash used by CyGlass for the reporting periods under review until its closure is as follows:

	31 March 2023 £000	31 March 2022 £000
Operating activities	(1,970)	(3,669)
Investing activities	(340)	(1,923)
Cash flows from discontinued operations	(2,310)	(5,592)

Notes to the financial statements

5 Operating loss

Operating loss is stated after charging:

	31 March 2023 £000	31 March 2022 (as restated) £000
Depreciation of owned property, plant & equipment	3,956	2,546
Depreciation of non-current asset	11	11
Amortisation of intangible assets	1,269	1,451
<i>Auditor's remuneration:</i>		
Audit fees – Company and Group	68	55
Non-audit fees – taxation services	17	58

6 Finance Income

	31 March 2023 £000	31 March 2022 £000
Group		
Interest receivable on cash balances	14	-
Financing interest receivable	11	38
	<u>25</u>	<u>38</u>
Company		
Interest receivable on cash balances	14	-
Financing interest receivable	11	38
Group company loan interest receivable	198	583
	<u>223</u>	<u>621</u>

Notes to the financial statements

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% (FY22: 19%) and the reported tax expense in profit or loss are as follows:

	31 March 2023 £000	31 March 2022 (as restated*) £000
(Loss)/profit before taxation	(1,676)	10,252
Domestic tax rate for Nominet UK	19%	19%
Expected tax (credit)/expense	(318)	1,948
Adjustment for:		
Fixed asset differences	(115)	(14)
Expenses not deductible for tax purposes	3,598	137
Income not taxable	(3,833)	(233)
Amounts relating to OCI or otherwise transferred	19	(129)
Additional deduction for R&D expenditure	(437)	(405)
Difference in overseas tax rates	23	2
Chargeable (losses)/gains	(1,299)	1,279
Foreign tax credits	-	(126)
Exchange differences	-	(6)
Adjust closing deferred tax to average rate of 19%	1,044	-
Adjust opening deferred tax to average rate of 19%	(1,819)	-
Adjustment to deferred tax charge in respect of previous periods – current tax	293	283
Adjustment to deferred tax charge in respect of previous periods – deferred tax	-	(25)
Deferred tax not recognised	(140)	(103)
Deferred tax relating to OCI	3,528	-
Actual tax expense	544	2,608

*Comparative information has been restated to reflect the reclassification of components of tax expense to discontinued operations.

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.

Notes to the financial statements

7 Income tax expense (continued)

	31 March 2023 £000	31 March 2022 (as restated) £000
Tax expense comprises:		
Current tax expense:	130	1,056
Adjustment to current tax charge in respect of previous periods	293	283
	<u>423</u>	<u>1,338</u>
Deferred tax expense:		
Origination and reversal of temporary differences (note 14)	121	1,269
Tax expense	<u>544</u>	<u>2,608</u>
Deferred tax (credit)/expense, recognised directly in other comprehensive income	<u>(3,528)</u>	<u>1,868</u>
Note 14 provides information on deferred tax assets and liabilities.		

Notes to the financial statements

8 Particulars of employees

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

	31 March 2023 No.	31 March 2022 No.
Operations	270	295
Management	15	16
	285	311

The aggregate payroll costs of the above were:

	31 March 2023 £000	31 March 2022 £000
Wages and salaries	21,994	22,606
Social security costs	2,459	2,347
Other pension costs	1,275	1,189
	25,728	26,142

9 Directors

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

	31 March 2023 £000	31 March 2022 £000
Emoluments receivable	1,038	729
Company pension contributions to defined contribution pension schemes	7	21
	1,045	750

The information above is expanded by Director in the table on the following page. The higher total reflects the full year addition of the CEO (see table below).

Notes to the financial statements

9 Directors (continued)

Emoluments of highest paid Director:

	31 March 2023 £000	31 March 2022 £000
Salary	290	155
Bonus	181	29
Contractual benefits	41	11
Company pension contributions to defined contribution pension schemes	-	14
Total for year	512	209

The above summary information is expanded in the following table:

	Salary/fees £000	Bonus £000	Pension £000	Other costs and benefits* £000	31 March 2023 £000	31 March 2022 £000
Andrew Green	90	-	-	6	96	65
Paul Fletcher	290	181	-	41	512	92
Carolyn Bedford	63	26	7	42	138	-
Robert Binns	15	-	-	-	15	46
Simon Blackler	37	-	-	-	37	14
James Bladel	-	-	-	-	-	24
Philip Buckingham	37	-	-	-	37	37
Rory Kelly	-	-	-	-	-	109
Ashley La Bolle	37	-	-	1	38	14
Adam Leach	-	-	-	-	-	209
Eva Lindqvist	45	-	-	1	46	31
Kieren McCarthy	18	-	-	-	18	-
Stephen Page	24	-	-	-	24	48
Anne Taylor	19	-	-	1	20	37
David Thornton	-	-	-	-	-	24
Sally Tilleray	35	-	-	-	35	-
Patsy Wilkinson	28	-	-	1	29	-
Year to 31 March 2023	738	207	7	93	1,045	750

* Other costs and benefits consist of taxable expense reimbursements, pension allowances paid in cash, sign on bonuses, company car allowances and private health insurance.

Notes to the financial statements

10 Property, plant and equipment

Group

	Leasehold buildings	Computer hardware & software	Fixtures, fittings and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 April 2022	7,333	27,095	3,409	37,837
Additions	-	2,396	191	2,587
Disposals	-	(210)	-	(210)
At 31 March 2023	<u>7,333</u>	<u>29,281</u>	<u>3,600</u>	<u>40,214</u>
Depreciation				
At 1 April 2022	2,541	15,446	3,206	21,193
Charge for the year	135	3,738	86	3,959
Disposals	-	(184)	-	(184)
At 31 March 2023	<u>2,676</u>	<u>19,000</u>	<u>3,292</u>	<u>24,968</u>
Net Book Value				
At 31 March 2023	<u>4,657</u>	<u>10,281</u>	<u>308</u>	<u>15,246</u>
At 31 March 2022	<u>4,792</u>	<u>11,649</u>	<u>203</u>	<u>16,644</u>

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 132.5 years. £11k of depreciation was charged in the year (31 March 2022: £11k).

The net carrying amount of property, plant and equipment includes the following amounts held under leases for the year ended 31 March 2023: Computer hardware & software £252k, Fixtures, fittings and equipment £3k (31 March 2022 Computer hardware & software £395k, Fixtures, fittings and equipment £9k). Assets arising from leases where the Group is a lessee have been accounted for under IFRS 16.

Notes to the financial statements

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 2022	7,333	26,887	3,408	37,628
Additions	-	2,396	191	2,587
At 31 March 2023	<u>7,333</u>	<u>29,283</u>	<u>3,599</u>	<u>40,215</u>
Depreciation				
At 1 April 2022	2,541	15,269	3,205	21,015
Charge for the year	135	3,733	86	3,954
At 31 March 2023	<u>2,676</u>	<u>19,002</u>	<u>3,291</u>	<u>24,969</u>
Net Book Value				
At 31 March 2023	<u>4,657</u>	<u>10,281</u>	<u>308</u>	<u>15,246</u>
At 31 March 2022	<u>4,792</u>	<u>11,618</u>	<u>203</u>	<u>16,613</u>

Notes to the financial statements

11 Intangible fixed assets

Group	Goodwill £000	Development costs £000	Acquired product intangibles £000	Total £000
Cost				
At 1 April 2022	2,391	12,558	3,182	18,131
Additions	-	6,590	-	6,590
Disposals	(2,391)	(4,027)	(2,882)	(9,300)
Effect of foreign exchange	-	220	-	220
At 31 March 2023	-	15,342	300	15,642
Amortisation and impairment				
At 1 April 2022	2,391	6,229	3,182	11,802
Amortisation	-	1,470	-	1,470
Disposals	(2,391)	(4,027)	(2,882)	(9,300)
Impairment	-	134	-	134
Effect of foreign exchange	-	226	-	226
At 31 March 2023	-	4,032	300	4,332
Net book value				
At 31 March 2023	-	11,310	-	11,310
At 31 March 2022	-	6,329	-	6,329

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.

Notes to the financial statements

11 Intangible fixed assets (continued)

Company	Development costs £000	Acquired product intangibles £000	Total £000
Cost			
At 1 April 2022	9,089	300	9,389
Additions	6,246	-	6,246
At 31 March 2023	15,335	300	15,635
Amortisation and impairment			
At 1 April 2022	2,762	300	3,062
Charge for the year	1,269	-	1,269
At 31 March 2023	4,031	300	4,331
Net book value			
At 31 March 2023	11,304	-	11,304
At 31 March 2023	6,327	-	6,327

Notes to the financial statements

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%	Contracting entity for US based customers
Nominet UK Holding Co Limited	UK	100%	Holding Company established to hold investments under discontinued strategy of building a portfolio of complementary cyber businesses. At the Board meeting on 22 March 2023, a decision was approved to start the dissolution process of the entity
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. At the Board meeting on 22 March 2023, a decision was approved to start the dissolution process of the entity
CyGlass Inc.	US	100%	Business and assets transferred out on 13 June 2022 and company dissolved in March 2023
Nominet Australia Pty Limited	Australia	100%	Employment vehicle for Australia based staff

For the year ended 31 March 2023, 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.

Notes to the financial statements

13 Investments held at fair value through other comprehensive income

Group and Company

	31 March 2023 £000	31 March 2022 £000
At beginning of year	114,785	107,567
Sale of investments	(11,750)	(1,000)
Re-invested gains on disposal of investments held at fair value through OCI	7,503	4,641
Re-invested income	2,084	2,165
Management charges and foreign exchange movements	(408)	(422)
Unrealised gain on revaluation	(15,866)	1,834
At end of year	<u>96,348</u>	<u>114,785</u>

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 £000	Tax losses £000	Unrealised investment (losses)/gains £000	Other temporary differences £000	Total £000
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 1 April 2022	(1,669)	-	(6,021)	(62)	(7,752)
Deferred tax charge for year in profit or loss	(163)	-	-	42	(121)
Deferred tax charge for year in statement of OCI	-	-	3,528	-	3,528
At 31 March 2023	(1,832)	-	(2,493)	(20)	(4,345)

Notes to the financial statements

14 Deferred tax (continued)

Company

	PPE & Intangible assets £000	Unrealised investment (losses)/gains £000	Other temporary differences £000	Total £000
At 1 April 2021	(517)	(4,153)	10	(4,660)
Adjustment in respect of prior periods	55	-	-	55
Deferred tax (charge)/credit for year in profit or loss	(1,213)	-	(72)	(1,285)
Deferred tax (charge)/credit for year in statement of OCI	-	(1,868)	-	(1,868)
At 31 March 2022	(1,675)	(6,021)	(62)	(7,758)
Deferred tax charge for year in profit or loss	(163)	-	42	(121)
Deferred tax (charge)/credit for year in statement of OCI	-	3,528	-	3,528
At 31 March 2023	(1,838)	(2,493)	(20)	(4,351)

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.

Notes to the financial statements

15 Current trade and other receivables

	31 March 2023	31 March 2023
Group	£000	£000
Trade receivables	5,895	4,587
Accrued income	4,109	5,273
Other receivables	94	103
Financial assets	10,098	9,963
Prepayments	7,958	6,792
Non-financial assets	7,958	6,792
Trade and other receivables	18,056	16,755
Company		
Trade receivables	5,895	4,491
Accrued income	4,109	5,273
Other receivables	94	97
Amounts owed by group undertakings	28	24
Financial assets	10,126	9,885
Prepayments	7,955	6,698
Non-financial assets	7,955	6,698
Trade and other receivables	18,081	16,583

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 2023 has been determined at £3k. (31 March 2022: £20k). The related expense has been recorded in other operating charges.

Notes to the financial statements

16 Current trade and other payables

	31 March 2023 £000	31 March 2022 £000
Group		
Trade payables	2,413	4,634
Other creditors*	952	1,143
Accruals	4,901	4,425
Financial liabilities	8,266	10,202
Other taxation and social security	934	929
Non-financial liabilities	934	929
Trade and other payables	9,200	11,131
Company		
Trade payables	2,413	4,530
Other creditors	952	1,120
Accruals	4,750	4,094
Amounts owed to Group undertakings	269	127
Financial liabilities	8,384	9,871
Other taxation and social security	935	930
Non-financial liabilities	935	930
Trade and other payables	9,319	10,801

*Balance comprises payments in advance from Registry and Cyber Business customers

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

Notes to the financial statements

17 Leases

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

Group and company	31 March 2023	31 March 2022
	£000	£000
Right-of-use assets*		
Fixtures, fittings and equipment	255	404
	<u>255</u>	<u>404</u>
Lease liabilities		
Current	104	191
Non-current	-	74
	<u>104</u>	<u>265</u>

*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 2023	31 March 2022
	£000	£000
Depreciation charge of right-of-use assets		
Fixtures, fittings and equipment	(149)	(42)
	<u>(149)</u>	<u>(42)</u>

18 Income tax

Group	31 March 2023	31 March 2022
	£000	£000
Income tax asset	1,275	820
Company		
Income tax asset	1,314	829

Notes to the financial statements

19 Deferred income

Group	31 March 2023 £000	31 March 2022 £000
Current deferred income	25,999	26,403
Non-current deferred income	9,226	9,426
	<u>35,225</u>	<u>35,829</u>
Company	31 March 2023 £000	31 March 2022 £000
Current deferred income	25,983	25,992
Non-current deferred income	9,226	9,385
	<u>35,209</u>	<u>35,377</u>

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. There were no related party transactions during the year to 31 March 2023. Comparative information for the year to 31 March 2022 is shown in the table below.

	Due to/(Owed by) Nominet UK at 31 March 2022	Income to Nominet UK 31 March 2022
	£000	£000
David Thornton	(1)	2
	<u>(1)</u>	<u>2</u>

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 2023 were £129k (FY22: £62k).

Notes to the financial statements

21 Notes to the cash flow statement

Group	31 March 2023	31 March 2022 (as restated)
	£000	£000
(Loss)/profit for the year from continuing operations	(2,220)	7,644
Loss for the year from discontinued operations before tax	(1,733)	(11,396)
Adjusted for:		
Income from investments held at fair value through OCI	(2,084)	(2,165)
Finance income	(25)	(38)
Taxation	544	2,608
Depreciation of property, plant & equipment	3,959	2,510
Amortisation of intangible assets	1,470	2,214
Impairment of intangible assets	134	6,684
Depreciation of non-current asset	11	11
Loss on disposal of PPE	27	-
Foreign exchange (gains)/losses	(1,515)	(675)
(Increase)/decrease in trade and other receivables	(1,301)	2,380
(Decrease)/increase in trade and other payables	(1,931)	1,911
Decrease in deferred income	(604)	(773)
(Increase)/decrease in contract asset	(12)	90
Cash (used in)/generated from operations	<u>(5,280)</u>	<u>11,005</u>

Notes to the financial statements

21 Notes to the cash flow statement (continued)

Company	31 March 2023 £000	31 March 2022 (as restated) £000
(Loss)/profit for the year from continuing operations	(5,247)	8,503
Loss for the year from discontinued operations	(645)	(11,737)
Adjusted for:		
Income from investments held at fair value through OCI	(2,084)	(2,165)
Finance income	(223)	(621)
Taxation	496	2,555
Depreciation of property, plant & equipment	3,954	2,488
Amortisation of intangible assets	1,269	1,175
Impairment of loans to group companies	-	11,737
Release of loans to group companies	1,498	-
Depreciation of non-current asset	11	11
Foreign exchange losses/(gains)	164	(676)
(Increase)/decrease in trade, loans and other receivables	(1,498)	2,467
(Decrease)/increase in trade and other payables	(1,484)	2,052
Decrease in deferred income	(167)	(1,075)
(Increase)/decrease in contract asset	(12)	69
Cash (used in)/generated from operations	<u>(3,968)</u>	<u>14,783</u>

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 2022	265
New leases	-
Cash-flows: Repayment	(161)
31 March 2023	<u>104</u>

Notes to the financial statements

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 2023 was 2,322 (31 March 2022: 2,369).

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 £5.3m (31 March 2022: £5.5m).

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

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. 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. The impact of macroeconomic factors has not been considered significant due to the nature of the markets that the Group operates in and its customer base. Credit risk of trade receivables has not increased significantly since initial recognition.

Credit risk of new customers is assessed before entering contracts. Trade receivables are considered in default and written off (i.e. derecognised) when there is no reasonable expectation of recovery. The entry of a counterparty into administration where receivables are unsecured would be considered an indicator of no reasonable expectation of recovery. These definitions have been selected as based on experience, entry into administration is the only situation that has resulted in default.

At 31 March 2023, 94% of trade receivables related to current month debt (31 March 2022: 88% current month debt).

Notes to the financial statements

24 Financial instruments risk (continued)

Financial liabilities

As at 31 March 2023 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 Nominet Australia Pty Ltd, 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 2023 £000	Group 31 March 2022 £000	Company 31 March 2023 £000	Company 31 March 2022 £000
Financial assets				
Classified as loans and receivables:				
Trade and other receivables	10,098	9,963	10,126	9,885
Cash and cash equivalents	767	4,040	713	3,815
Classified as available for sale:				
Investments held at FVTOCI	96,348	114,785	96,348	114,785
	107,213	128,788	107,187	128,485
Financial liabilities				
Classified as financial liabilities held at amortised cost:				
Trade and other payables	8,266	10,202	8,384	9,871

Notes to the financial statements

25 Financial instruments (continued)

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 2023 the Group and Company had capital commitments of £917k (31 March 2022: £1,195k) relating to capital expenditure contracted but not provided for in the financial statements. Of these commitments, £697k related to intangible assets and £220k to PPE.

28 Contingent liabilities

There were no contingent liabilities at 31 March 2023 or at 31 March 2022.