

HALF YEAR FINANCIAL UPDATE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

MESSAGE FROM THE CEO

Fellow members,

I'm pleased to share the half yearly financial update for the six months ending 30 September 2022.

Registry volumes were marginally up, with just under 1m new registrations and 3m renewals.

As a result, the first half of the current financial year has seen Nominet's revenues progress in line with expected levels.

Following a strategic review of the technology programmes underway, we are significantly changing the scope of a major programme and are looking to invest more consistently in our infrastructure in future. As part of that new approach, we have accelerated plans to move away from legacy infrastructure and to upgrade our wider DNS estate.

Our costs are £1.5m higher than last year: reflecting both the inflation facing all businesses, and the increased funding on the technology and infrastructure that supports our registry and cyber work. A new procurement process has been implemented to optimise our spend.

The cyber business performance is in line with forecast. Revenues were just ahead of the same period last year, although losses are higher due to phasing of set up fees for new contracts. We remain focused on achieving profitability in FY24.

Financial reserves, which started the financial year at £110m have decreased to £98.5m due to a combination of market volatility and the first draw down of funds for public benefit activities. The drop in our investment portfolio was partly offset by moving £5m of investments into cash.

The exit from Cyglass took place in the first quarter of the year and the final costs associated are reflected in this report.

I am proud to serve an organisation that delivers public benefit in our core business areas as well as supporting great projects led by charity partners. In the first half of the year, we have spent over £2.2 million, including funding for the UK Safer Internet Centre, the Institute of Coding, 01 Founders and Barnardo's.

I look forward to sharing progress with you in the months ahead.



PAUL FLETCHER
NOMINET CEO

KEY FIGURES

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

£2.2m

PUBLIC BENEFIT
SPEND

11.1m

DOMAINS UNDER
MANAGEMENT .UK
FAMILY

100%

DNS UP TIME

ASSETS & CASH FLOW

ASSETS AT 30 SEPTEMBER 2022, CASHFLOW FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

£98m

NET ASSETS

Balance sheet reduction driven by unrealised investment portfolio losses, offset by trading surplus

£98.5m

INVESTMENT
PORTFOLIO
VALUE

The value of our portfolio is 14.1 % lower than at end of prior year (£114.8m). This reflects a £5m transfer out to fund public benefit commitments, and a contraction in investment portfolio value. Global financial markets remain volatile as inflation and interest rate expectations continue to flex.

£4.2m

CAPITAL EXPENDITURE
AND PROJECT
RESOURCE COSTS

Expenditure to date focussed on technology programmes delivery and PDNS solution development. Includes spend of £1.9m on Technology Transformation Programme (TTP).

£1.3m

NET CASH FLOW

Net cash flow includes £5.0m transfer from investment portfolio, £7m from operating activities. Outflow includes £2.2m for public benefit, £5.1m for capex, £2.2m on working capital and £0.9m for CyGlass exit.

NOTE: THE FINANCIAL INFORMATION PRESENTED IS UNAUDITED

£m	September 6 months	
	Actual	Variance to Prior yr
Registry Solutions	20.9	(0.2)
Nominet Cyber	6.2	(0.1)
Revenue	27.1	(0.3)
Costs	(20.0)	(1.5)
Surplus (before depreciation)	7.0	(1.8)
Surplus % (before depreciation)	25.8%	(6.5%)
Surplus by Business Unit		
Registry Solutions	8.2	(1.2)
Nominet Cyber	(1.2)	(0.7)
Surplus (before depreciation)	7.0	(1.8)
Depreciation	(2.6)	(1.0)
Public Benefit	(2.2)	(0.2)
Currency Gains (Losses)	0.1	(0.1)
Surplus	2.3	(3.1)
Surplus %	8.6%	(11.2%)
Interest Receivable	0.2	0.0
Investment Income/(Losses)	(11.2)	(21.7)
Tax	3.0	5.3
Net Surplus/(deficit) before CyGlass	(5.8)	(19.5)
CyGlass net loss	(1.1)	0.6
CyGlass	(1.9)	(0.2)
Net Surplus/(deficit)	(7.7)	(19.7)

Notes

For the variance columns against prior year:

Positive variance value = higher revenue or lower cost

Negative variance value = lower revenue or higher cost

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FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

PUBLIC BENEFIT

- First half of any financial year is traditionally the planning and partner development phase for Public Benefit activity – however, for the first six months of FY22 spend was £2.2m
- Public Benefit spend in-line with expectations. Further uplift to deliver against total external commitments expected in second half of financial year

REGISTRY

- Stable underlying Registry trading performance
- Year to date new registrations above expectations overall. Renewal rates continue to be stable, with some indications rates may begin to return to pre-Covid levels in the coming months
- Year on year inflationary staff costs plus higher investment in technology and infrastructure led to a reduced registry surplus

NOMINET CYBER

- Loss for first six months in line with expectations
- Prior year benefited from Australian PDNS contract setup revenues. Increased year-on-year losses at the half-year were therefore expected
- Current year benefits from increase in overseas contract revenues
- Breakeven position targeted for FY24

CYGLASS

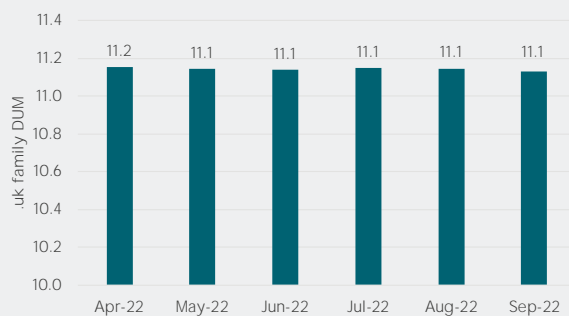
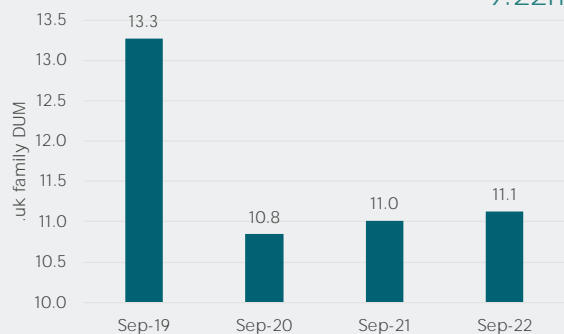
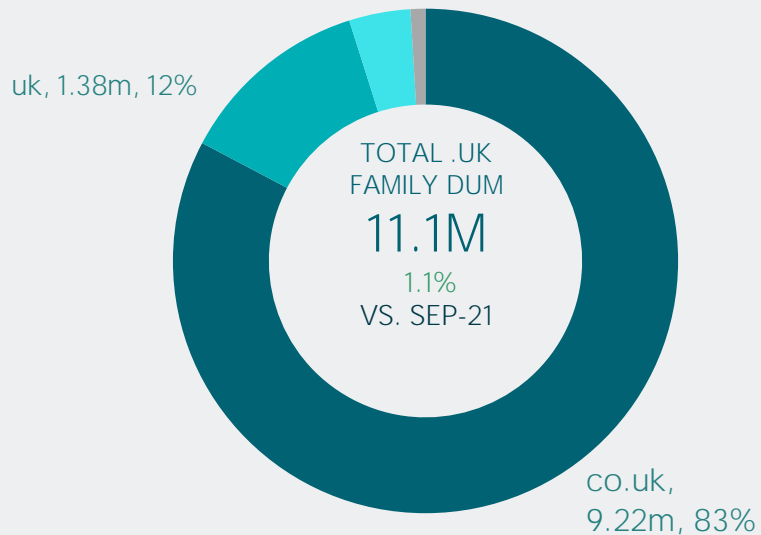
- Numbers reflect costs incurred between start of the financial year and exit. FY23 costs were included in the total cost of the Cyglass investment shared with members earlier this year.

OTHER

- Investment portfolio year-to-date drop in value reflects significant unrealised investment portfolio value contraction. Global markets remain volatile.

.UK FAMILY DATA

org.uk, 438 k, 4% Other .uk, 107 k, 1%



.UK REGISTRY

- For six months to 30 September 2022:
 - New Registrations 0.99m
 - Renewals 3.02m
- Domains under management remain stable at 11.1m
- The high volumes of registrations during the pandemic have now returned to more expected levels
- Mature renewal rates remain strong, but flow through of FY22 promotion expected to dampen renewal rates in the third quarter
- A new approach to expired domains was introduced in September and will be reviewed after 6 months
- Outreach to members to discuss opportunities for .UK to standardise with industry norms where appropriate is now underway

NOTE: THE FINANCIAL INFORMATION PRESENTED IS UNAUDITED

PUBLIC BENEFIT

£2.2m FUNDING



GIVEHUB CHARITIES NOMINATED BY MEMBERS

Funding includes

ROTARY CLUB OF BATTERSEA PARK

The Rotary Club organises a free Christmas lunch every year for elderly people who live in Wandsworth and Lambeth and would be on their own at Christmas for up to 600 residents. By funding a new laptop and software, Member GiveHub funding has enabled the committee to get online and have greater control of its communication with guests and volunteers

OUTDOOR LADS



As a UK-wide charity aimed at improving the physical and mental wellbeing of gay, bi and trans men through outdoor pursuits – they run over 1500 events each year. Member GiveHub funding has helped provide funding to help the charity make its website faster and more secure

SHALLOWFORD TRUST



East Shallowford Farm supports disadvantaged young people from inner-city London – providing experiences for hundreds of people a year. To secure further funding, and to access resources, and support – they depend on communication. GiveHub funding has provided two new computers and access to high-speed Internet via satellite

Given modest take-up of available finds for Member GiveHub YTD, we will continue to raise awareness of the initiative across the membership in the second half of the year

FLAGSHIP PROGRAMMES

Funds committed from reserves include multi-year partnerships

£5.1m

for Safer Internet Centre

£12.3m

for Institute of Coding

Figures above refer to overall commitments to flagship programmes. Funding will be made in phases aligning with agreed milestones

PUBLIC BENEFIT PROGRAMMES



We've committed funding for two major projects so far from our reserves, including our biggest and most ambitious programme yet with the Institute of Coding. This will provide better futures for young adults who are under-represented in the digital sector – with over 25,000 set to benefit from access to careers in technology.



We are also funding the work of the Safer Internet Centre. With the loss of EU funding vital for the organisation – we stepped in with a £5.1m commitment. This will ensure events, like Safer Internet Day each February, continue to run and the charity is able to fund key services - like the Revenge Porn Helpline – that are supporting an increasing number of young people, at a time when they need them most



Our funding of Barnardo's Project Backpack initiative continues, and we're pleased to announce an early version will be available in Spring 2023. We've funded this work to enable the children's' charity to integrate internet safety into its well-established programmes, designed to help support young people who need their help the most. Project Backpack will continue to grow and evolve to help professionals support young people who are vulnerable to online risks



We've continued support of the 01Founders initiative too – a free, innovative training opportunity that culminates in a guaranteed job. It's a bold educational model without teachers, but we know it's already changing lives, encouraging young people to choose technology as a career, and it's opening up unique pathways into the sector



And in its second year – Nominet's Digital Youth Index underlined its position as a powerful tool for grant givers and charitable organisations focused on projects for young people. The valuable insights gained from its panel of over 4000 8-to-25-year-olds will help shape both policy and funding decisions for years to come – and not just Nominet. Visit digitalyouthindex.co.uk – which is free to use

"This generous funding from Nominet is a vital boost, and an essential lifeline for children at a time when we know they are at an elevated risk of online harm and abuse."

SUSIE HARGREAVES OBE
DIRECTOR, SAFER INTERNET CENTRE

"It's extremely important those supporting children have the knowledge and confidence to help them stay safe – that's why we're pleased to be working with Nominet on Project Backpack."

MICHELLE, LEE-IZU
CO-CEO, BARNARDO'S

"The strength of the Institute of Coding lies in bringing together educators, employers and outreach groups to co-develop digital skills education for those who really need it. With Nominet's support we'll be targeting underrepresented groups – allowing them to receive best-in-class training and support while seeking to remove some of the barriers young people face to working in tech."

PROF. RACHID HOURIZI
DIRECTOR, INSTITUTE OF CODING

"I'd strongly recommend anyone working online with young people has a closer look at the complex factors that are explored in the Nominet Digital Youth Index."

JUSTIN SPOONER,
DIGITAL STRATEGIST, UNTHINKABLE