

nominet

nominet

www.nominet.org.uk

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

ANNUAL REPORT & ACCOUNTS 2014



CONTENTS

REPORT

Chair's statement	2
CEO's statement	4
Our story	6
Corporate governance	10
Board members	11
Board committees	14
Subsidiaries	19
Internal controls and risk management	22

ACCOUNTS

Officers and professional advisers	26
Strategic report	28
Report of the directors	32
Report of the independent auditor	34
Principal accounting policies	36
Consolidated profit and loss account	38
Consolidated balance sheet	39
Company balance sheet	40
Consolidated cash flow statement	41
Notes to the annual report and financial statements	42

CHAIR'S STATEMENT

“As Nominet enters its 20th year, it seems a natural time to reflect on how the organisation has changed.”

The 2013-2014 financial year was, for Nominet and our members, one of significant momentum and change. I would like to take this opportunity to reflect on the year, to thank our members and those with whom we work, and to recognise some of the year's milestones.

It was an exciting year, with a number of key initiatives coming to fruition. It was also a challenging year – having enjoyed a period of growth, the domain name market is slowing down, and unprecedented competition is underway. As ever, we recognise and value the support of our members as we work to ensure Nominet and the namespaces we manage are robust and relevant for the future.

This more difficult environment is reflected both in the size of the .UK registry – which reduced by 0.7% over the year – and aspects of the wider global picture. For example, it is fair to say that the new gTLD programme has not met the more optimistic predictions of the industry. These challenges have been on the horizon

for several years now, and we are playing to our strengths in response. Our reputation as a world-class registry is reflected in our selection by ICANN as one of the few organisations trusted to step in should another registry fail, under the Emergency Back End Registry Operator (EBERO) scheme.

In June 2014, we delivered on our plans to launch second-level .UK domains. We are delighted to provide this additional choice for those wanting a shorter domain in the UK's most trusted and preferred namespace. We have further expanded our reach as a registry by working with the Welsh government to offer .cymru and .wales to those wishing to make a Welsh home online, and were proud to see the first Welsh domains go live in September 2014.

Throughout the year, we continued our efforts to represent the interests of the UK domain name industry on a global stage. National and international bodies expect an appropriate internet industry response to challenging internet issues. As a socially responsible business, we will continue

to demonstrate that self-regulation is working, while taking appropriate proactive action to ensure we are playing our part in maintaining the security and stability of the internet, in line with our public benefit ethos. We are also involved in ongoing, important debates about the future of internet governance to ensure the multi-stakeholder approach prevails when the US government relinquishes control of the root of the DNS.

In March 2014, our new Registrar Agreement, which aims to reflect diversity in registrar business models and incentivise higher standards, came into force. In May, our Data Quality policy was launched, reflecting the importance of high quality data in our role as the authoritative record of the .UK namespace. Further work to ensure our activities are underpinned by a robust and up-to-date policy framework included the introduction of a formalised Criminal Domains and Offensive Names policy. Our efforts to responsibly manage the .UK namespace were also reflected in the work of our Dispute Resolution

service, which saw 709 cases, allowing parties to avoid approximately £6 million in court costs. Our work to improve security included the launch of our 'Domain Lock' tool and the introduction of two-factor authentication for Nominet accounts.

Our public benefit commitment was reflected in initiatives such as the Nominet Internet Awards, our Knowthenet Social Age campaign, and our Girls in IT day campaign, for which we launched a report that found that more women in IT could boost the UK economy by £2.6 billion per year. We were also delighted to be able to end the year with a £3m donation to the Nominet Trust.

It was also an exciting year for our Research and Development team. We were selected as a database provider in Ofcom's TV Whitespace pilot, which explores uses for the radio spectrum freed up by the UK analogue TV switch-off; and partnered with the Oxford Flood Network to use TV Whitespace to provide wireless connectivity for flood sensors. In February,

we piloted a security support service for small businesses, and in April, we opened a London office in the heart of 'tech city'. We also developed data visualisation software that analyses DNS traffic so experts can investigate patterns. The software can spot security vulnerabilities, botnet networks and DDOS attacks, and has already been sold to one of the world's leading ISPs.

The year also saw the departure, in July of our long-serving CEO, Lesley Cowley, who led Nominet for the past 12 years and made a significant contribution to establishing the organisation as a widely respected registry. We thank Lesley for her commitment to Nominet over these many years.

In January 2015 we welcomed Russell Haworth as our new CEO. Russell brings an excellent mix of leadership qualities, experience working in complex stakeholder environments and a strong track record in developing a core business while exploring new opportunities and we are delighted to have him with us.

In all, it has been an incredibly busy year, and I am very proud of what we, together, have achieved. We have continued to work with members to advance and evolve the namespace; we have made progress in building on our strengths to develop our business; and, whilst we are being more commercially focused, our public benefit commitment remains as strong as ever. As Nominet enters its 20th year, it seems a natural time to reflect on how the organisation has changed, and I encourage those interested in our evolution to read the 'Our story' section on page 6.

I would like to sincerely thank our members and registrars, our staff, and my Board colleagues for their contribution. I look forward to working with you all as Nominet continues to move forward, confidently and collaboratively, to meet the challenges ahead.

Baroness Rennie Fritchie DBE
Chair

“The nature and pace of change in the internet industry can be a challenge, but above all it is an opportunity.”

CEO'S STATEMENT

It is a privilege to be tasked with leading Nominet at such an exciting and important time in our history.

Nominet is a technology company centred around a world-respected registry and a will to make a difference. We play a vital role in the UK's internet infrastructure, making an important contribution to one of the world's most successful digital economies.

We have solid foundations built on technical and customer service excellence, success in demonstrating responsible self-regulation, and the overwhelming trust and preference UK consumers have for the .UK domain family.

As a mature business in a saturated market, we are also facing some serious headwinds. Having benefitted from a rising tide – over a decade of growth in our core business as the domain industry has gone from strength to strength – increasing the size of the .UK register is now more of a challenge.

It is clear that we need to strengthen our core business, diversify our offering, and ensure the organisation fits the needs of the future. We approach this task with a strong sense of optimism.

While we're facing challenges in the core domain space, .UK remains a strong brand. It is too simplistic to say ours is a commoditised market – resonance, legitimacy, and heritage still matter, and

.UK leads the field across all of these attributes. A priority for us will be to promote and support .UK in strong and innovative ways, to ensure we build on our position. Ultimately I believe .UK will stand as a domain of choice among a field of many.

In addition to supporting our core registry business, we will be exploring ways in which our current capabilities can act as a springboard for future growth. Over time, we hope to offer a compelling portfolio of products and services that include, but are not limited to, domain name registrations.

Further afield, we will also explore opportunities that come from the major reshaping of the internet that is underway. This is taking place on multiple axes: interoperability; volume and use of data; changing public expectations; political and regulatory pressures; as well as technology game-changers. The 'internet of things' in particular represents a major point of inflection. The nature and pace of change in the internet industry can be a challenge, but above all it is an opportunity.

It is also apparent that Nominet's success is due in large part to an enviably efficient and effective sales channel. A key priority for me will be to ensure this partnership continues to strengthen and grow as we evolve.

Finally, I'd like to thank everyone for their warm welcome. I look forward to working with you in creating the Nominet of tomorrow.

Russell Haworth
CEO

CEO'S STATEMENT

OUR STORY

Nominet is a quiet force at the heart of the internet, most noted for our role running the .UK internet infrastructure. Millions of businesses and consumers rely on us, and it is a role we perform with pride.

Set up in days of internet infancy, Nominet was formed to create a professional setting for the management and registration of .UK domain names. Domain names are a small but vital cog in the internet ecosystem. Humans communicate in words, but computers talk numbers. The domain name system allowed memorable internet addresses – using words – to be used rather than relying simply on the numbering system of IP addresses. The commitment to bringing a human dimension to technology has been with us ever since.

Before Nominet, a naming committee of forward-looking pioneers oversaw an essentially manual vetting process for registration of domain names. In 1996, Nominet was formed by one of the committee, Oxford physicist and internet academic Dr Willie Black, to create a professional way to cope with the growing demand for domain names. Although a full seven years after the creation of the World Wide Web by Tim Berners-Lee, this was before the mass adoption of the internet by consumers and businesses was fully underway. Nominet took over management of 26,000 .UK domain name registrations (by contrast, there are now around 10.5 million .UK registrations).

It was a world where, apart from country specific endings or ‘country codes’, there were only five generics, including .com.

In the mid-eighties, two decisions were made that have created the UK’s internet landscape we know today. First was the decision to use .UK – in preference to the possible .gb; the other, to opt for a sub-domain system that created a portfolio of names intended for different uses – including .co.uk for businesses and .org.uk for charities and non-profit organisations.

Nominet itself was set up as a not-for profit business, with a membership model giving members, who are in the main registrars of domain names, a say in how the company is run and access to discounted wholesale pricing, but no entitlement to a share in any proceeds.

This ‘not-for-profit’ terminology has led to an element of confusion over the years; it means that we cannot return any profit or surplus to our members. However, we do aim to be profitable, but we have built our reputation on providing a high-quality service at a reasonable cost. We believe it is important for us to be a successful and sustainable business, so we can continue to invest in our service, and contribute to building a more trusted internet.

With the growth of the internet, and with it domain name registrations, an unwelcome development was increased instances of cyber-squatting (registering, trafficking in, or using a domain name with bad-faith

intent to profit from the goodwill of a trademark belonging to someone else). We responded by introducing the Dispute Resolution Service, a much respected way of dealing with conflict over how a domain name is used, preventing abusive registrations. Since its creation in 2001, this low cost alternative to the courts, with mediation as its first resort, and independent judgement as its last resort, has tackled over 10,000 cases.

This responsible approach to our business has been followed ever since, most notably today with our commitment to working with law enforcement and the wider industry to protect internet users by suspending domains connected with crime. A corollary to our high-speed, open registration process is our rapid response to tackling the activities of rogue elements.

Lesley Cowley OBE took over running the business in 2002, and under her tenure, .UK domain names experienced a prolonged period of growth and Nominet’s reputation as a world class registry was cemented. .co.uk became the pre-eminent domain; trusted and more popular than .com in the UK. A position it still retains to this day.

Despite the success of domain names, by 2005 tensions in the design of the original model of governance were starting to show, and the organisation felt its future

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“Like many institutions, and every business, we have had to adapt and change.”

was under threat by the destabilising influence of a very few members with vested interests. After many years under the original model, we instigated a governance review, which resulted in a campaign to persuade the membership to change the company’s constitution. This resulted in a more stable governance arrangement, most notably with a stated commitment to running for the public benefit, the introduction of independent directors, and a re-weighted voting structure in 2010.

But with the internet economy increasingly too important to fail, the Government introduced a safety net in the Digital Economy Act – reserve powers to step in, should that be needed, to secure a safe .UK namespace. It’s a power that we work hard to ensure is never needed. Our preference for industry self-regulation is based on our belief that business can be both successful and responsible. Our own actions are driven by the need to take smart, timely and

appropriate action, working with others, in response to threats to the .UK namespace.

As the digital economy was booming, we were making a surplus and were able to use the proceeds from domain name registrations to create and fund a corporate foundation – the Nominet Trust. The Nominet Trust was set up in 2008 to invest in projects to harness the positive power of the internet. It has pioneered investing in innovative projects, filling a vital gap between initial funding and achieving the scale required to maximise impact. It has supported large and small initiatives, from encouraging digital skills to supporting charities using the internet to transform the impact of their work. It’s a success in which we as Nominet, our members and our registrants can all take pride.

At Nominet, we have long recognised that we are part of a wider internet infrastructure, and have built relationships across a wide range of stakeholder groups

in order to inform our thinking and play a larger role where it is appropriate. For example, we have also played our part in promoting a healthy digital economy with initiatives such as our Knowthenet campaigns, to educate consumers about how to stay safe online.

Although we are a relatively small organisation, based in Oxford, from the beginning we saw it was important to work closely with others in the international sphere. This includes ICANN (the international body responsible for domain names) and the Internet Governance Forum (IGF), where the vital matters of who runs the internet and how are discussed. In this regard, Nominet has always punched above its weight, making strong contributions to policy discussions and technical fora, working with others to tackle cyber-crime, and helping shape the future of the internet.

Having enjoyed a period of growth, the domain name market has slowed, and unprecedented competition is underway. Our Board saw this as an opportunity to play to our expertise and strengths, and made some important strategic decisions, the first being to expand our reach as a registry.

We embraced the liberalisation of the domain name world, working with brands wishing to have their own piece of internet real estate, and with the Welsh government to offer .cymru and .wales to those wishing to make a Welsh home online. And we were delighted to be selected under the EBERO scheme as one of the few organisations that would be trusted with taking over any failing registries around the world.

In one of the most significant changes to the .UK namespace for many years, we launched second-level .UK domains in June 2014. Sitting alongside the ever-popular .co.uk and .org.uk, .UK offers a shorter domain combined with the recognition and trust of the .UK brand, and we are very pleased to now be able to offer this additional choice to businesses and consumers wishing to highlight their UK connection online.

At the same time, we were implementing a major change to our core business: updating the contract that underpins our relationship with our sales channel. A high standard of data held is vital for a registry, which is the single authoritative source for registrations. While our efforts in this arena are a clear signal that poor quality registrations will not be accepted, we recognise the practical challenges involved in maintaining these records and are committed to working with others to improve the accuracy of data we hold.

Our efforts to create a reliable and trusted space include an increasing focus on cyber-security. In an arms race against cyber-criminals, we do what we can, working with others and independently. Our skill in

monitoring and interpreting patterns of traffic led us to identify and help fix a major weakness in the internet infrastructure. While we have been successful in keeping .UK up and running, resting on our laurels is not an option - we acknowledge that we cannot assume we will stay immune from the denial of service (DDoS attacks) that have damaged others.

The Nominet of today is barely recognisable from its beginnings, having evolved to meet the challenges of a changing industry, political and economic landscape. Like many institutions, and every business, we have had to adapt and change.

The future will bring more of the same. Some of the seeds have already been sown. In 2012 the board took the decision to invest in a research and development team that has the potential to considerably change the shape of Nominet in years to come. While developing our core registry business, we will also dream big - looking for new and different avenues for Nominet to explore. Currently the team is looking closely at the fast developing internet of things, and at how we can make more of our expertise in the DNS, including our ability to spot and interpret data trends.

Looking to the future, Nominet faces a number of tough challenges and competing priorities. We want to remain a world class registry, and respond to changing conditions and an increasingly competitive domain name market. Like any good business, we want to pursue diversification opportunities to offset dependence on a solo income stream. We also want to organise ourselves in a way that continues to deliver on our public benefit commitments. And we are committed to preserving the self-regulated status of the organisation.

Nominet was conceived when domain names were in their infancy, before mass adoption of the internet and when

customer service, running infrastructure and our membership were our sole concerns. Fast forward a generation, and we have a more complex role within a bigger and more sophisticated digital economy than was ever envisaged.

The need to operate in a fast-paced, commercial domain name industry, to help represent the UK domain name industry on a global stage, and to have a responsible approach to working with others to tackle cyber-crime are just three examples from a long list of how our role has evolved.

The complexity can sometimes make the early days of the internet appear halcyon by comparison, but we cannot turn back the clock. And nor do we want to, as our lives have been changed beyond measure, and largely for the good, as a result of the success of the internet. We want to remain part of that journey moving forward. To do that, we need to ensure we are set up for the future, while staying true to our beliefs and building on our key strengths: being a trusted guardian of the .UK namespace and maintaining our reputation as a world class registry, with excellent technical and customer service standards.

The year ahead will see us reviewing Nominet’s operating model – bringing in some outside perspective to help shape our thinking on some of the big questions we face. We will continue to re-appraise what we do, why we do it and how we can continue to build a successful, forward-thinking business that contributes to an internet that is flourishing, safe, and a powerful force for good.

CORPORATE GOVERNANCE

The Board sets the company's vision and strategic aims, ensuring that the necessary financial and other resources are in place. In carrying out this work, the Board is committed to ensuring high standards of corporate governance.

Nominet is a private company limited by guarantee and as such is not obliged to comply with the provisions of the UK Corporate Governance Code. However, Nominet has followed its principles as far as is practical, relevant and appropriate for a company of this size and structure as part of the Board's commitment to ensuring high standards of corporate governance.

In line with best practice guidance for structuring decisions, Nominet has a number of committees and working groups to focus on specific areas and then report into the main Board. It has a wholly-owned subsidiary, Nominet Registrar Services Limited (NRS), which was created to guarantee a route to market for .cymru and .wales. NRS is a legally distinct company to comply with ICANN rules on the formal separation of registry and registrar. During the year the Board also established an International Working Group (IWG).

The Board usually meets in person every two months. Every Board member is 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 an interest. As usual, the external auditors reviewed the register of Board members' interests during their audit of the company's financial statements.

During 2013-14, the Board comprised three executive directors, including the CEO, and seven non-executive directors, including the Chair. Four of the non-executives are elected by the membership. Lesley Cowley left Nominet in July 2014 and following the elections at the 2014 AGM, Oliver Hope and Denesh Bhabuta joined the Board with Sebastien Lahtinen and Thomas Vollrath leaving the Board. The proportion of women on the Nominet Board was 40%, reducing to 33% after Lesley Cowley left.

The Board met six times during the year. Following each meeting of the Board a communiqué is published on the company website to outline the matters discussed. Regular activities carried out by the Board include reviewing financial and performance information, receiving updates on key projects and considering policy matters. In addition to these items, the Board also approved the Nominet business plan and oversaw the launch of

the .UK Second Level Domain Registration (SLDR) in June 2014 and the Welsh Business Priority phase of .cymru and .wales in September 2014. They approved the new registrar agreement and worked with Lord MacDonald on a registration policy review which led to an amendment to Nominet's standard terms and conditions of registration. The Board also commenced the planning process for the recruitment of a new CEO.

The Board approved the budget for the financial year starting on 1 October 2014 and agreed to make a charitable donation of £3m to the Nominet Trust, our charitable foundation.

BOARD MEMBERS



Baroness Rennie Fritchie DBE
Chair



Russell Haworth
Chief Executive



Eleanor Bradley
Chief Operating Officer



Simon McCalla
Chief Technology Officer



Dickie Armour
Non-Executive Director



Denesh Bhabuta
Non-Executive Director



Dr Clive Grace OBE
Non-Executive Director



Oliver Hope
Non-Executive Director



Nora Nanayakkara
Non-Executive Director



Piers White MBE
Non-Executive Director

BOARD MEMBERS

Baroness Rennie Fritchie DBE

Chair

Baroness Fritchie DBE joined as Chair of Nominet in 2010, and was reappointed following a member vote in 2013. She is an Independent Crossbench Peer, a consultant on strategy and leadership working out of Mainstream Development, a non-executive director of UK Shared Business Services Ltd and Chancellor for the University of Gloucestershire.

She holds seven Honorary Degrees from universities across Britain and is a Fellow of City & Guilds London and The Chartered Institute for Public Finance. She was appointed a Dame Commander of the Order of the British Empire in 1996 and a life peer in 2005.

Russell Haworth

Chief Executive

Russell joined Nominet as CEO in January 2015. He will lead the organisation as it develops its core registry business, explores the potential of new technologies in the global internet sector, and delivers on its commitment to ensuring the internet is a force for good.

He has extensive experience in the digital information, content and software services sectors and has held senior roles across four continents, covering both established and emerging markets. In 2013 he was recognized by Forbes as a leading executive in the Middle East, with particular recognition for achievements in the technology sector.

Eleanor Bradley

Chief Operating Officer

Eleanor joined the Board as an executive director in December 2012. She is responsible for operations and corporate services at Nominet - this includes customer service, dispute resolution, policy development, and the finance, legal and HR functions.

Eleanor also leads Nominet's business continuity and risk management team, key areas of focus in a company operating at the heart of the UK Internet. She has over 15 years' experience in the internet industry with a focus on customer service, continuous improvement and stakeholder engagement.

Simon McCalla

Chief Technology Officer

Simon joined the Board as an executive director in November 2012. He leads the team responsible for the technology behind Nominet's world class registry services, providing a vital resource on which millions of businesses and individuals depend.

Building on Nominet's expertise with the Domain Name System, Simon provides technical leadership within the UK and international internet communities, regularly representing Nominet with technical, government and media audiences. Simon is a fellow of the British Computer Society, and has over 20 years' experience overseeing information technology for global enterprises.

Dickie Armour

Non-Executive Director

Dickie was elected to the Board in May 2011 and re-elected in 2013. An internet entrepreneur, author and speaker, Dickie has extensive experience of the internet services and domain name market, having set up, run and sold two successful hosting businesses.

He is currently General Manager of Fibrant Services Ltd, a domain name registrar and software development company, and MyBrandEmail, a software service that helps brands offer personalised email addresses. Dickie is a regular participant at ICANN meetings around the world.

Denesh Bhabuta

Non-Executive Director

Denesh was elected to the Board in May 2014. He has extensive experience of the internet industry and is currently a Director and Principal Consultant at Meidan Ventures Limited, Executive Director and Event Manager for the UK Network Operators Forum (UKNOF), and Event Co-ordinator for the DNS Operations, Analysis, and Research Centre (DNS-OARC).

Denesh is also joint Director and Chairman of event management company D&A Events in Portugal and Chairman of Usurp, a not-for-profit art collective which develops opportunities for communities to work with artists and activists from diverse backgrounds.

Dr Clive Grace OBE

Non-Executive Director

Clive was co-opted to the Board in December 2008, then elected by the membership in July 2009, and subsequently appointed as an independent non-executive director under the revised constitution. Clive has a keen interest in the internet as an end user and a particular commitment to its self-regulation.

He has extensive Board level experience in the not-for-profit, public and commercial sectors. He chairs UK Shared Business Services Ltd and the Board of BT Wales, and is a former Deputy-Auditor General of Wales. Clive was awarded an OBE for services to business and to the community in 2013.

Oliver Hope

Non-Executive Director

Oliver was elected to the Board in May 2014. He has been involved in the domain name industry since 2008 and is the Brand Director for Domainmonster.com and Director of Operational Policy for Host Europe Group (HEG). Oliver also serves as a member of the elected Executive Committee of the ICANN Accredited Registrar Stakeholder Group.

In 2008, he became a chartered accountant and a Member of the Association of Chartered Certified Accountants (ACCA). In 2013, he qualified as a Fellow Chartered Certified Accountant (FCCA).

Nora Nanayakkara

Non-Executive Director

Nora was elected to the Board in June 2009 and re-elected in 2011. She served as Nominet's appointed Trustee to the Nominet Trust from 2011 to 2013. Nora is an experienced Business Development, Marketing and Communications professional with a background in the tech/digital sector.

Nora launched domain marketplace Sedo's UK presence in 2009 and has since worked with domain registrars, brands and IP rights management companies as an independent business development and programme management consultant. Nora is a non-executive director at the Intellectual Property Office, a member of its Audit Committee and the Board appointee to its Transformational Change Committee, which oversees the digitisation of government services such as applying for patents and designs.

Piers White MBE

Non-Executive Director

Piers was appointed to the Board in June 2010 and reappointed by members in May 2012. He is an experienced non-executive director, with an extensive Board-level business career. He is a non-executive director at Ordnance Survey, The Hyde Housing Association, ACS International Schools Ltd, Chair of Ploughshare Innovations Ltd, Chair of Courier Facilities Ltd and a Governor of Croydon College. Previously, Piers held a number of executive roles in banking.

Piers is a member of the Chartered Institute of Marketing and an associate of the Chartered Institute of Bankers. He was awarded an MBE for public service in 2009.

BOARD COMMITTEES

AUDIT COMMITTEE / AUDIT & GOVERNANCE COMMITTEE

PURPOSE

The Audit Committee was established in September 2002, and consists of no fewer than three non-executive directors who are all independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement. The committee reports to the Board on how it is discharging its responsibilities following each committee meeting. From September 2014 the Committee became known as the Audit and Governance Committee to reflect increased focus on governance.

The role of the committee is to monitor the financial processes and controls resulting from policies set by the Board, in addition to monitoring the integrity of the company's financial statements and any significant judgements therein. The committee particularly focuses on the independence, scope, results and effectiveness of the external audit, as well as reviewing the effectiveness of the safeguards in place to mitigate any independence concerns resulting from non-audit services provided by the external auditors. It looks at the effectiveness of the processes of governance and value for money. The committee also checks on compliance with policy, statutory requirements, professional standards and the operation of internal controls. Full terms of reference are available on the Nominet website.

REPORT FROM THE CHAIR

The Audit Committee met three times over the last financial year, in December, June and September. On these occasions we:

- Reviewed the risk register and reports from Internal Audit on internal controls and systems in place to manage and mitigate risk.
- Received an update on the implementation of the Bribery Policy and reviewed internal controls related to fraud.
- Undertook a review of banking arrangements and the efficacy of the controls related to internet banking.
- Considered the implications of IFRS of the accounting and reporting arrangements in Nominet.
- Monitored the arrangements to ensure the annual review policies and insurance cover took place.

INVESTMENT COMMITTEE

PURPOSE

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

The committee also sets and reviews treasury policy, including monitoring the distribution of the company's cash balances, and proposing recommendations on treasury policy to the Board as appropriate. The Investment Committee was established in March 2011 and is required to meet at least twice a year. Full terms of reference are available on the Nominet website.

REPORT FROM THE CHAIR

The Investment Committee met three times over the last financial year, in November, February and June.

The committee routinely assessed the performance of the company's investments, reviewing reports provided by Quilter Cheviot relating to the performance of the various asset classes held within the Nominet portfolio. The committee also reviewed the investment strategy and related asset allocations, proposing various minor amendments that were then adopted by the Board. Over the course of the financial year, the Company contributed an additional sum of £4m. Including these contributions, the market value of the portfolio increased from £40.9m to £47.7m.

The committee also considered issues related to ethical screening, retaining the exclusion of direct tobacco investments, and the impact on investment decisions.

The company's cash-flow forecasts were reviewed at each meeting as well as the credit status of the panel of banks with which we hold funds. As part of our routine financial reporting the committee monitors bank creditworthiness.

The committee conducted a self-review exercise, reviewed its terms of reference and with the agreement of the Board dealt with the appointment and re-appointment of committee members.

BOARD COMMITTEES

REMUNERATION COMMITTEE

PURPOSE

The Remuneration Committee reviews and determines the company's policy on remuneration and advises on the specific remuneration packages of Senior Management, including the CEO, so as to:

- ensure that Senior Management are rewarded for their individual contributions to the Company's overall performance in accordance with Nominet's policy on pay and remuneration;
- demonstrate that the pay of Senior Management is set by a committee which has no personal interest in the outcome of its decision and which gives due regard to the interests of the public and of the financial health of the company.

It provides a medium of public accountability, which is not controlled by the company's Management.

The full terms of reference can be found on Nominet's website.

GOVERNANCE

The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration. In determining the Directors' remuneration for the year, the Committee utilises Towers Watson market related data and takes advice from the Director of HR.

REPORT FROM THE CHAIR

The Remuneration Committee met five times over the last financial year, in October, February, April, June and September. The Remuneration Committee continued to review the application of the company's remuneration strategy and uphold the company's principles of remuneration, which are:

- Pay competitive base salaries defined as between median and upper quartile of the market.
- To reward our best performers the most and not to reward poor performance.
- Attract great employees to grow the business.
- Motivate employees to continue to excel by supporting a performance-orientated culture.
- Create the environment to retain the right employees to promote continuity and preserve intellectual capital.
- Maintain a reasonable cost structure.
- Be driven by local market and industry data.

Pay rises amounted to 2.7% this year, allocated in line with our remuneration principles; very high performers were rewarded with increases of up to 7%, while over 25% of employees received no increase in pay.

For the year ended 2013/14 company-wide performance was assessed as having met 75% of the key performance targets, this reflected a year of significant delivery against a backdrop of challenging market conditions and leadership changes. The bonus was distributed in line with individual employee performance, with only the highest performers receiving a bonus. In total, £639.5k (10% of total annual salaries) was distributed to employees below the executive level and £82.9k was paid to the executive team. One third of executive bonuses are deferred for three years as part of a deferred bonus arrangement. The deferred element of any award is subject to adjustment, depending on the company performance against medium term objectives, with a maximum aggregate potential increase of £46.5k.

In addition the committee also oversaw the planning for the implementation of the pension auto-enrolment scheme from 1st May 2014 and the planning for the introduction of a revised bonus scheme for FY14-15. Work on introducing flexible benefits continued with the launch of total reward statements in December 2014.

The committee undertook a self-review exercise and considered the employment status of Non-Executive Directors. The Chair of the Committee reviewed and contributed to the consideration of remuneration arrangements in relation to the CEO's departure and interim arrangements pending the appointment of a new CEO. These arrangements were recommended for approval to the Board.

NOMINATIONS COMMITTEE

PURPOSE

The Nominations Committee was established in March 2010. It is required to meet at least twice a year. The role of the committee is to evaluate the balance of skills, knowledge, experience, diversity and general capability on the Board. It also oversees appointments of the appointed non-executive directors and any executive appointments. The committee endeavours to ensure that any appointments maintain or improve the composition of the Board. The work of the committee is reported regularly to the Board.

The full terms of reference are available on the Nominet website.

REPORT FROM THE CHAIR

The Nominations Committee met five times during the year, December, twice in February, April and September. The work of the committee included;

- Considering the elections process for 2014 and appointing the sub-committee to oversee 2015 elections.
- Undertaking a review of Board skills and considering the implications of this in succession planning.
- Determining the criteria for selecting an external partner for the recruitment.
- Overseeing the work related to the appointment of a new CEO, CCO and a new independent NED.
- Conducting a review of terms of reference and a self-review exercise.

BOARD COMMITTEES

DEVELOPMENT WORKING GROUP (DWG)

PURPOSE

The Development Working Group was established in February 2012, consists of at least three directors and is chaired by the chair of the Nominet Board. The chair provides a report at each Board meeting on the proceedings of the Working Group.

The role of the Working Group is to provide Board oversight of early stage opportunities for business diversification. The Working Group provides thought leadership and strategic thinking in order to maximise the conversion of any early stage opportunities which meet the business strategy as agreed by the Nominet Board.

REPORT FROM THE CHAIR

The Development Working Group met five times during the year, in October, December, April, June and September.

At each meeting, there is an update on research & development and a review of the Nominet Product Pipeline. Other work by the Development Working Group through the year included:

- Cyber security within small to medium enterprises (SMEs).
- The launch of .cymru and .wales and receiving reports from the Wales Advisory Group (WAG).

- Reviewed research partnership arrangements and recommended to the board to enter into a new partnership with the Georgia Institute of Technology (Georgia Tech) in the USA.
- Self-assessment and review of the terms of reference.

INTERNATIONAL WORKING GROUP (IWG)

PURPOSE

The International Working Group was established in January 2014. The Group consists of at least three directors and is chaired by the chair of the Nominet Board. The chair provides a report at each Board meeting on the proceedings of the Working Group.

The Working Group acts as a review group for the consideration of the Company's contribution to and engagement with the global internet community.

REPORT FROM THE CHAIR

The International Working Group met three times during the year, in January, March and May. The key business items considered by the Group included;

- Reviewing and agreeing the terms of reference.
- Preparing for and following up from ICANN meetings.
- Updates related to the work of the Internet Governance Forum and NetMundial and feedback from these meetings.
- Discussing and agreeing the response from Nominet to the internationalising the IANA function consultation.

SUBSIDIARIES

NOMINET REGISTRAR SERVICES (NRS)

PURPOSE

Nominet Registrar Services Limited (NRS) was incorporated on 26 July 2012 and is a wholly owned subsidiary of Nominet UK. NRS is an ICANN accredited registrar engaged in the business of providing generic top level domain names (gTLDs) to the wholesale (reseller) market in respect of .cymru and .wales.

REPORT FROM THE CHAIR

The NRS Board met five times during the in the period between 1st October 2013 and 30th September 2014. The main business related to preparing to enter into contracts with resellers ahead of the launch of the Welsh gTLDs in September 2014.

BOARD COMMITTEES

BOARD, COMMITTEE AND WORKING GROUP MEMBERSHIP

BOARD COMMITTEES

Meeting	Membership
Board	Rennie Fritchie (Chair) Clive Grace Piers White (Senior Independent Director) Nora Nanayakkara Dickie Armour Thomas Vollrath (to May 2014) Sebastien Lahtinen (to May 2014) Oliver Hope (from May 2014) Denesh Bhabuta (from May 2014) Lesley Cowley (to July 2014) Eleanor Bradley Simon McCalla
Audit Committee (Audit & Governance Committee from September 2014)	Clive Grace (Chair) Nora Nanayakkara Dickie Armour Oliver Hope (from June 2014)
Nominations Committee	Rennie Fritchie (Chair) Nora Nanayakkara Sebastien Lahtinen (to May 2014) Lesley Cowley (to April 2014) Denesh Bhabuta (from May 2014)
Remuneration Committee	Piers White (Chair) Rennie Fritchie Nora Nanayakkara Oliver Hope (from June 2014) Sebastien Lahtinen (to May 2014) Thomas Vollrath (to May 2014)
Investment Committee	Piers White (Chair) Dickie Armour Eleanor Bradley (from Feb 2014)
Development Working Group	Rennie Fritchie (Chair) Piers White Simon McCalla Sebastien Lahtinen (to May 2014) Lesley Cowley (to July 2014) Clive Grace (from September 2014)
International Working Group	Lesley Cowley (Chair) (to July 2014) Rennie Fritchie Simon McCalla Thomas Vollrath Clive Grace (from May 2014)

BOARD COMMITTEES

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board of Directors holds responsibility for ensuring that Nominet maintains a sound system of risk management and control and for ensuring that the effectiveness of this is reviewed regularly. Day-to-day responsibility for identifying risks and managing risk treatments lies with management and is led by the Executive Team.

Nominet's risk management strategy is to identify, understand and appropriately treat the risks that Nominet faces as an organisation using the risk management processes set out in our risk management statement and risk management policy, which together form our risk assessment process.

It is not always possible to eliminate risk completely and the system is designed to manage rather than eliminate business risk. The risk management framework that we align our risk management process with is the best practice guidance set out in ISO 31000:2009.

During the year work took place to ensure that the Risk Register continues to fully and accurately reflect the risks faced by the business. We have refined the way that we present risk within the Risk Register to aid scrutiny of the controls that are put in place to mitigate and treat these risks.

The Audit Committee reviews the Risk Register and the risk treatment arrangements being progressed at each of its meetings. An annual full review of the Risk Register also takes place and the Board considers strategic risk items at its meetings.

The internal audit function also reports on a regular basis to the Audit Committee and work commenced in the year to

strengthen the links to the work of the external auditors to provide a greater level of assurance on systems and controls used across the business.

Nominet maintains and operates a business continuity management system certified to the ISO standard for Societal Security (ISO22301:2012), that includes testing and exercising, to ensure disaster recovery and emergency response plans are fit for purpose and well rehearsed. In addition to this, and recognising our dependence on IT security, we maintain a regular schedule of security testing using external experts and consider their reports and recommendations to further strengthen our IT controls.

Under the leadership of the Head of Information Security, Nominet received certification to the ISO standard for Information Security (ISO27001:2013) in June 2014 and the security roadmap delivered the new domain locking service and two factor authentication for online services.

Nominet has forged strong relationships with governmental and non-governmental groups and through these we work to ensure that we are at the centre of security discussions about the UK internet.

Managing our risks

Taking and managing risks is an inevitable and necessary part of doing business and, like all businesses, Nominet faces potential threats and opportunities that could affect the long term success of the company. A successful risk management approach balances risk and rewards, enabling the business to identify where it is appropriate to take risks in order to reap the benefits. This relies on a sound judgement of risk likelihood and impact.

The Board is responsible for approving the company's strategy, risk attitude and risk appetite. Our risk management approach enables informed decision-making based on an assessment of the impact and likelihood of events, and seeks to balance risk and reward rather than eliminate risk entirely.

Risks are consolidated from across the business into a corporate risk register which is considered by the Audit Committee at each of its meetings. Responsibility for managing each risk and the associated controls and mitigations is allocated to individual business leads within the organisation with oversight from the Executive Team.

Description of risk	What we are doing to manage the risk
<p>Business disruption Key to our business is the infrastructure and technology through which we provide our core services.</p>	<ul style="list-style-type: none"> Continued significant investment in the resilience of our DNS infrastructure with the completion of a major infrastructure transformation programme in the FY13/14. Strong IT policies and operational controls are in place. Levels of security are monitored and continue to be enhanced. Robust disaster recovery plans and a comprehensive business continuity management system are in place and tested on a regular basis.
<p>Market risk We are in a more competitive environment as a result of the liberalisation of the Top Level Domain market. We must ensure we invest and adapt to remain competitive and relevant.</p>	<ul style="list-style-type: none"> Continuing to focus on the quality of our core business through initiatives to improve industry standards and reputation of the UK namespace. Investing in the development of our brands. Maintaining the quality of our products and investing in new products to meet the needs of our customers.
<p>Business development and change We fail to deliver our plans for the development and growth of our business due to capacity or capability constraints. Failure to manage these change programmes adequately could put at risk our objectives and financial targets and expose the business to significant liability.</p>	<ul style="list-style-type: none"> Ongoing commitment to building capacity commensurate with the development of the business, while recognising that we are doing so in a challenging employment market. The Board's Development Working Group is designed to ensure appropriate rigour and prioritisation is applied to decisions to explore new business areas. Effective approaches to risk assessment, management and mitigation regarding business development and growth are deployed. We operate a rigorous programme and project management approach including regular reviews of each programme to consider resource requirements, progress, dependencies between projects, and risks. Effective governance structures for major programmes with close monitoring by Executive Management and, where appropriate, the Board. Engagement of key stakeholders and colleagues involved in and affected by change.
<p>Reputation and brand Our reputation is damaged by a significant adverse event leading to a loss of trust and confidence amongst our stakeholders.</p>	<ul style="list-style-type: none"> Ongoing commitment to operating for the public benefit, recognising our obligation to balance the needs of our broad and diverse range of stakeholders. Focus on business continuity and resilience, customer service, multi-stakeholder policy development and the development of products and services to enhance trust and confidence in the internet.
<p>Regulation Nominet is subject to strategically damaging regulation.</p>	<ul style="list-style-type: none"> We continue to focus on demonstrating that the industry can effectively self-regulate its activities. In relation to our core business we have worked to raise standards across the industry through revisions to our contract with our channel, improving the quality of customer data and revising our registration policies. We maintain strong relationships with our key Government stakeholders and remain committed to the multi-stakeholder model for developing policy in relation to the broader governance of the internet.
<p>Failure to diversify We are committed to diversifying our products and services building on our skills and reputation to deliver our strategic objectives.</p>	<ul style="list-style-type: none"> Ongoing investment in our Research & Development and business development capability to deliver technical innovations and commercially successful new products.

Having a positive impact on the environment

Nominet is committed to reducing the impact of its work on the environment and to reducing carbon emissions. We continue to do this through a range of methods from scrutinising our energy consumption and usage patterns, encouraging and promoting sustainable travel and recycling food waste, paper, plastics and all electrical goods.

We ask potential suppliers to include details of their environmental credentials and solutions when they submit tenders for business to us.

Welcoming diversity

Nominet is committed to a fair, equal opportunity approach at all levels of its business. Attracting great employees and rewarding great performance is a key aspect of our growth strategy and we do this regardless of gender, race, age, disability, ethnic or national origin, sexual orientation, family status or religion.





OFFICERS & PROFESSIONAL ADVISERS

Company registration number
03203859

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

Directors
Baroness I Fritchie DBE - Chair
C Grace OBE
R Armour
N Nanayakkara
P White MBE
E Bradley
S McCalla
D Bhabuta (Appointed 21 May 2014)
O Hope (Appointed 21 May 2014)
R Haworth (Appointed 5 January 2015)

Secretary
S Foreman

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

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

Investment managers
Quilter Cheviot Limited
39 Bennetts Hill
BIRMINGHAM
B2 5SN

Auditor
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
3140 Rowan Place
John Smith Drive
Oxford Business Park South
OXFORD OX4 2WB

STRATEGIC REPORT

The principal activity of the Group is the registration and maintenance of internet domain names, primarily within the .UK namespace. The principal activity of the subsidiary, Nominet Registrar Services Ltd, is the business of providing .cymru and .wales top level domains to registrars who are not ICANN accredited.

Business review and key performance indicators

Income and registry performance

2014 was another challenging year due to market conditions, the register closed the year at 10.5 million domain names under management. While new registrations fell by 8.8% compared to the previous year, this was offset by the renewal rate increasing to 69.9% from 67.5% the previous year.

Underlying revenues grew by 4.5% to £28m, due to the increased rate of renewals and a higher proportion of single year registrations. The operating profit before exceptional items (charitable donation, investment provision movement and impairment of intangible asset) reduced to 14% (2013: 26%). This reflected increased investment in staff and related recruitment costs, and costs relating to the launch of both .UK second level registrations and the .cymru/.wales project.

Expenditure

Operating expenditure increased by £4.21m to £24m (2013: £19.8m). Operating costs now represent 86% as a proportion of revenue (2013: 74%).

Average staff numbers increased to 156 (2013: 134) and permanent staff costs

increased by £1.5m (19%). This cost increase reflected the new hires as well as the full year effect of the 2013 hires, and the annual pay review.

Other costs

Administrative costs increased by £1.5m to £4.5m in 2014 (2013: £3.0m). The bulk of the increase - £1.2m - is attributable to non-recurring costs for the launch of second-level .UK registrations and the .cymru/.wales project.

Commercial costs (including marketing, communications and business development) to support the ongoing business were in line with FY13 at £1.5m.

Depreciation was slightly higher than the previous year at £2.3m (2013: £2.1m).

Investments

2014 was another good year for investors, with continued positive economic news across the majority of global markets reflected in consistent improvements in valuations. A further £4m capital contribution made throughout the year (2013: £1m), took advantage of the positive environment and helped increase the market value of the investment portfolio, which closed the year at £47.7m (2013: £40.9m). There have been further valuation gains since the year-end.

This valuation compares favourably against the £34.0m of capital invested.

As required by our investments accounting policy, we have aligned the carrying value of our investments with the prevailing market values for any investments where the market value at 30 September 2014 was below the historic cost. The result of this review was to reduce the investment impairment provision by £0.1m (2013: £0.3m).

During the year we realised £1.36m of gains on the disposal of investments within the portfolio (2013: £0.9m) and investment income from the portfolio during the year totalled £1.0m (2013: £0.9m). The Bank of England base rate remained at 0.5% throughout the year and interest earned remained at a similar level to 2014 at £0.1m.

Charitable donation

We conducted a review of our financial year-end position and our future financial projections and were pleased to be able to donate £3m to Nominet Trust (2013: £6m). The Trust was incorporated in 2008 with the objectives of funding internet education, inclusion and safety initiatives and since it was founded Nominet has contributed £35.0m.

The balance sheet

Retained funds increased by £2.6m during the financial year to £34.2m (2013: £31.6m).

Underlying cash inflow from like-for-like operations (excluding the donation to Nominet Trust) was £8.5m (2013: £10.1m).

The key cash movements included £3m donation to Nominet Trust, capital expenditure on fixed assets £1.0m (2013: £1.2m) and the £4.0m contribution to the investment portfolio (2013: £1.0m). As a result the cash balances increased by £0.4m to £9.7m in 2014 (2013: £9.3m).

Outlook and future developments

We are committed to building a sustainable long-term business that allows us to make a positive contribution to a safer internet and the digital economy. In order to deliver against that vision, our strategic priorities are growing our core business, diversifying, and securing a positive operating environment.

The primary focus of our business to date, the management of domain names, continues to undergo a considerable period of change. We are a mature business in a saturated market. Increased competition is coming not only from within the domain name world - as new entrants and the established registries invest in securing wider take-up, but also competing offerings from social networking companies offering businesses and consumers a form of online presence. This creates an ongoing downwards pressure on the number of domains under our management.

In response, the company is focused on developing and investing in its core registry business, as well as continuing to build a more diversified business.

Primarily, we will invest in developing and supporting the core .UK proposition, maximising its appeal as a recognised and trusted namespace. In addition to a programme driving demand, stronger partnerships will be sought with the sales channel in order to maintain the prominence of .UK within a crowded market.

We will continue to strengthen our core .UK business through an ongoing commitment to high standards in the way both we and our channel operate, and work together, to ensure that .UK suffix continues to represent trust and security for registrants and internet end-users alike. The resilience of the .UK internet infrastructure remains of paramount importance, and our approach of proactive monitoring of attacks on the domain name system (DNS) along with working with the broader community, will ensure we remain vigilant and primed to respond to the increasing level and variety of threats. It remains the case that the level of .UK domains involved in crime is low, but we are committed to continuing our successful partnership working with registrars and law enforcement to tackle instances of crime within the namespace.

Expectations and scrutiny from government of the internet industry at large continues to increase. The internet is increasingly considered within government circles as a part of critical national infrastructure, with possible moves to put this on a more formal footing. We are comfortable that our proactive approach to tackling threats, and ongoing focus on the resilience of the .UK internet infrastructure means that we are well placed to meet both the challenges and opportunities this may bring.

Reflecting our broader domain portfolio, we will aim to grow registrations in .cymru and .wales, while managing our cost base to reflect the post-launch climate and revised financial projections for the project.

An ongoing review of costs and investments aims to focus spending on investing in areas which will deliver the greatest return on our strategic priorities.

Our commitment to offsetting market conditions includes further plans to become a more diversified business, and a renewed focus on building on our existing expertise and knowledge base. Accordingly, we will continue to explore market-driven opportunities, including expanding our offer within the DNS space, and seeking further opportunities to commercialise our data visualisation software.

We will also pursue high-growth opportunities. The coming year will see Nominet build and expand on the early work and investment in R&D, including more work to explore relevant opportunities for us and our partners connected to an evolving internet, for example, the emerging internet of things infrastructure, TV Whitespace and building on exploratory work with Smart Cities.

Nominet continues to plan for a changing domain name and internet landscape. Political, economic, social and technological developments, as well as a commitment to strong governance and public benefit, continue to inform our approach moving forward.

We are also committed to continual evolution - keeping pace with the business's development and with best practice - to ensure the highest standards of corporate governance. The Board recognises the importance of the membership, and plans to carry out a review of this relationship, which will take place alongside a review of our long-term strategy in order to maximise alignment and ensure an appropriate foundation for the company as it enters its next phase of development.

Principal risks and uncertainties

The group is exposed to a variety of risks which result from both its operating and investing activities. The Board is responsible for coordinating the group's risk management and focuses on actively securing the group's cash flows.

The most significant financial risks to which the group are exposed are described below.

Financial instrument risk

The Group uses various financial instruments. These include cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to manage the finances for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks although as a result of cash balances available to the company these risks are minimal.

The main risk therefore is cashflow risk. The directors review and agree policies for managing the cashflow risk which are summarised below. These policies have remained unchanged from previous years.

Cash risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest surplus cash assets safely and profitably within reputable PRA and FCA regulated institutions. Short-term flexibility is achieved by treasury deposits and other bank facilities accordingly.

The most significant non-financial risks to which the Group is exposed are described below.

External risks

The Group acknowledges the infrastructure and technology that we use to deliver our core services may be targeted by third parties with malevolent intent. Accordingly a strong emphasis is placed on investing in the security and resilience of our DNS infrastructure to mitigate risk of business disruption.

The Group operates in a self-regulating industry, however the government retains reserved powers to intervene if 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 risk could have on Nominet's reputation and brand.

Market risks

The Group is operating in a more competitive environment and as a result is investing both in its core .UK proposition and in delivering a diversified portfolio of products and services to mitigate dependence on a single income stream.

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

ON BEHALF OF THE BOARD

Baroness I Fritchie DBE

Chair

2nd April 2015

£3M
DONATED
TO NOMINET TRUST

REPORT OF THE DIRECTORS

Information given in the Strategic Report

Information on the future developments of the business and financial risks is given in the Strategic Report.

Directors

The directors who served the company during the year were as follows:

Baroness I Fritchie DBE - Chair
L Cowley OBE (Resigned 9 July 2014)
C Grace OBE
R Armour
S Lahtinen (Senior Independent Director to 21 May 2014, Resigned 21 May 2014)
N Nanayakkara
T Vollrath (Resigned 21 May 2014)
P White MBE - Senior Independent Director from 21 May 2014
E Bradley
S McCalla
D Bhabuta (Appointed 21 May 2014)
O Hope (Appointed 21 May 2014)

The Board has implemented 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 accounts.

Donations

During the year the company made a donation of £3m (2013: £6m) to the Nominet Charitable Foundation ("the Nominet Trust"). The Nominet Trust was set up during 2008 for the purpose of funding education, research and development initiatives in the UK Internet Industry.

The company has exercised its right to appoint two trustees of the Nominet Trust, from a total of six. The Nominet Trust operates independently from the company.

In addition to the above, during the year the company contributed £9,090 (2013: £6,830) to charities. A significant proportion of this sum matched donations made by Nominet staff to various fundraising activities organised by a staff volunteer led "Charity Action Group".

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial

statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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's transactions and disclose with reasonable accuracy at any time the financial position

of the group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The company's articles require annual reappointment of the auditors. Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with s485(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

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

ON BEHALF OF THE BOARD
Baroness I Fritchie DBE
Chair
2nd April 2015

AUDITOR'S REPORT

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NOMINET UK

We have audited the financial statements of Nominet UK for the year ended 30 September 2014 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's

affairs as at 30 September 2014 and of the group's profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the other information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements. This other information comprises only the Chair's statement, the Chief Executive's statement, Our story, Corporate governance, Board members, Board committees and Internal controls and risk management.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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
- the 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.

Nicholas Watson

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
2nd April 2015

PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies remain unchanged from the prior year and are set out below.

Basis of consolidation

The financial statements consolidate the accounts of Nominet UK and all of its subsidiary undertakings ("subsidiaries"). These are adjusted, where appropriate, to conform to group accounting policies.

Acquisitions are accounted for under the acquisition method and the results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes retrospectively. The results of subsidiaries acquired or incorporated during the year are included from the effective date of acquisition or incorporation. A separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

The profit for the financial year for the company, as opposed to the group, was £2,668k (2013: £2,756k).

Turnover

Turnover represents fees for domain name registration and related services and membership subscriptions, excluding value added tax. Only subscriptions and fees relating to this accounting period are included as income of this accounting period. That part of subscriptions and fees which relates to future accounting periods is included on the balance sheet as deferred income.

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

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

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

Leasehold land is not depreciated.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred.

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project, as set out in SSAP 13 - Research and Development.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the impaired element of the balance of any related research and development is written off to the profit and loss account.

Amortisation is provided at the following rates:

gTLD development costs	-	over 10 years
other development costs	-	over the life of the asset

Investments

Fixed asset investments are stated at the lower of cost and market value.

Movements in unrealised provisions are included in operating expenses. Realised profits and losses on disposal, net of any provisions previously made, are disclosed after operating profit.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Consolidated profit and loss account

For the year ended 30 September 2014

	Note	2014 £000	2013 £000
Turnover	1	28,026	26,830
Movement in provision against investments	10	81	267
Donation to the Nominet Trust	2	(3,000)	(6,000)
Impairment of development costs	9	(579)	-
Other operating charges	2	(24,020)	(19,810)
Total operating charges		27,518	25,543
Operating profit	3	508	1,287
Operating profit before amounts provided against investment, donation to charitable foundation and impairment of development costs.		4,006	7,020
Income from fixed asset investment	10	958	854
Interest receivable	6	101	90
Profit on disposal of investments	10	1,360	880
Profit on ordinary activities before taxation		2,927	3,111
Tax on profit on ordinary activities	7	(343)	(423)
Profit for the financial year	18	2,584	2,688

All amounts relate to continuing activities.

The group has no recognised gains or losses other than the results for the year as set out above in both the current and preceding financial period.

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

Consolidated balance sheet

As at 30 September 2014

	Note	2014 £000	2013 £000
Fixed assets		£000	£000
Tangible assets	8	10,172	11,429
Intangible assets	9	-	579
Investments	10	40,660	34,472
		50,832	46,480
Current assets			
Debtors	11	6,016	5,979
Cash at bank		9,695	9,307
		15,711	15,286
Creditors: amounts falling due within one year	13	3,586	2,878
Net current assets		12,125	12,408
Total assets less current liabilities		62,957	58,888
Deferred income	14	28,778	27,293
		34,179	31,595
Reserves			
Profit and loss account	18	34,179	31,595
Total funds		34,179	31,595

These financial statements were approved by the directors and authorised for issue on 2nd April 2015, and are signed on their behalf by:

Baroness I Fritchie DBE, Chair

Company Registration Number: 3203859

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

Company balance sheet

As at 30 September 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	10,172	11,429
Intangible assets	9	-	579
Investments	10	40,660	34,472
		50,832	46,480
Current assets			
Debtors	11	6,254	6,247
Cash at bank		9,595	9,107
		15,849	15,354
Creditors: amounts falling due within one year			
	13	3,572	2,878
Net current assets		12,277	12,476
Total assets less current liabilities		63,109	58,956
Deferred income			
	14	28,778	27,293
		34,331	31,663
Reserves			
Profit and loss account	18	34,331	31,663
Funds		34,331	31,663

These financial statements were approved by the directors and authorised for issue on 2nd April 2015, and are signed on their behalf by:

Baroness I Fritchie DBE, Chair
 Company Registration Number: 3203859
 The accompanying accounting policies and notes form part of these financial statements.

Consolidated cash flow statement

For the year ended 30 September 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	19	5,509	4,056
Returns on investments and servicing of finance	19	1,059	944
Taxation	19	(387)	(550)
Capital expenditure and financial investment	19	(5,793)	(3,051)
(Decrease)/Increase in cash	19	388	1,399

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

Notes to the financial statements

For the year ended 30 September 2014

1 - Turnover

The turnover and profit before tax are attributable to the one principal activity of the group. An analysis of turnover, based on the geographical location of the registrars, is given below:

	2014	2013
	£000	£000
United Kingdom	18,072	17,283
Overseas	9,954	9,547
	28,026	26,830

2 - Other operating charges

	2014	2013
	£000	£000
Staff	11,478	9,295
Technical	3,054	2,789
Other administrative	4,529	2,989
Depreciation and loss on disposal of fixed assets	2,270	2,126
Operations	266	304
Facilities	944	776
Communications	1,479	1,531
	24,020	19,810

During the year the company made a donation of £3m (2013: £6m) to the Nominet Trust. This amount has been separately disclosed on the face of the profit and loss account due to its material nature.

Notes to the financial statements

For the year ended 30 September 2014

3 - Operating profit

Operating profit is stated after charging:

	2014	2013
	£000	£000
Depreciation of owned fixed assets	2,270	2,126
Auditor's remuneration:		
Audit fees	25	24
Non-audit fees	20	15
Operating lease costs:		
Plant and machinery	21	59

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

4 - Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2014	2013
	No	No
Operations	104	87
Office	41	36
Management	11	11
	156	134

The aggregate payroll costs of the above were:

	2014	2013
	£000	£000
Wages and salaries	8,102	6,812
Social security costs	982	839
Other pension costs	319	233
	9,403	7,884

Notes to the financial statements

For the year ended 30 September 2014

5 - Directors

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

	2014	2013
	£000	£000
Emoluments receivable	1,089	869
Pension contributions to money purchase pension schemes	47	45
	1,136	914

Emoluments of highest paid director:

	2014	2013
	£000	£000
Total emoluments (excluding pension contributions)	308	252
Company pension contributions to defined contribution pension schemes	17	21

Notes to the financial statements

For the year ended 30 September 2014

	Salary / fees	Bonus (PRP)*	Pension	Other costs and benefits**	2014	2013
	£000	£000	£000	£000	£000	£000

5 - Directors (continued)

The above summary information is expanded in the table set out below:

L Cowley	152	43	17	113	325	273
R Fritchie	135	-	-	-	135	90
R Armour	30	-	-	-	30	30
C Grace	30	-	-	-	30	32
S Lahtinen	20	-	-	-	20	30
O Hope	11	-	-	-	11	-
N Nanayakkara	30	-	-	-	30	30
T Vollrath	19	-	-	-	19	30
P White	32	-	-	-	32	32
E Bradley	148	47	15	36	246	165
S McCalla	150	47	15	35	247	187
D Bhabuta	11	-	-	-	11	-
G Hayward	-	-	-	-	-	15
Year ended 30 Sep 2014	768	137	47	184	1,136	
Year ended 30 Sep 2013	730	100	45	39		914

* Of the bonus amounts disclosed above, with the exception of L Cowley, 33% is deferred for a period of three years and payment is dependent on the director remaining in employment at Nominet for that period. The deferred element is subject to a potential increase depending on the company performance against medium term objectives, with a maximum potential increase of £47k in total. A further maximum potential increase of £28k in total could result from bonus schemes in earlier years.

** Other costs and benefits consist of income protection, private health insurance, company cars as well as car allowances and one off payments and variation in contract. The figure for L Cowley includes a one-off mutually agreed termination payment of £80k.

Notes to the financial statements

For the year ended 30 September 2014

6 - Interest receivable

	2014	2013
	£000	£000
Bank interest receivable	101	90

7 - Taxation on ordinary activities

(a) Analysis of charge in the year

	2014	2013
	£000	£000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 22% (2013 – 23.5%)	483	604
Under/ (Over) provision in prior year	28	(52)
Total current tax	511	552

Deferred tax:

	2014	2013
	£000	£000
Origination and reversal of timing differences (note 12)	(168)	(129)
Tax on profit of ordinary activities	343	423

Notes to the financial statements

For the year ended 30 September 2014

7 - Taxation on ordinary activities (continued)

b) Factors affecting current tax charge.

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 22% (2013: 23.5%)

	2014	2013
	£000	£000
Profit on ordinary activities before taxation	2,927	3,111
Profit on ordinary activities multiplied by rate of tax	644	731
Fixed asset differences	102	32
Expenses not deductible for tax purposes	9	14
Income not allowable for tax purposes	(457)	(395)
Chargeable gains	238	127
Depreciation in excess of capital allowances	95	156
Research and development enhancement	(183)	(82)
Other short term timing differences	35	21
Adjustments to tax charge in respect of previous periods	28	(52)
Total current tax (note 7(a))	511	552

Notes to the financial statements

For the year ended 30 September 2014

8 - Tangible fixed assets

Group and company

	Leasehold land and buildings £000	Computers £000	Other assets £000	Total £000
Cost				
At 1 October 2013	8,352	9,888	2,462	20,702
Additions	-	449	597	1,046
Disposals	-	-	(331)	(331)
At 30 September 2014	8,352	10,337	2,728	21,417
Depreciation				
At 1 October 2013	829	6,927	1,517	9,273
Charge for the year	135	1,837	298	2,270
On disposals	-	-	(298)	(298)
At 30 September 2014	964	8,764	1,517	11,245
Net book value				
At 30 September 2014	7,388	1,573	1,211	10,172
At 30 September 2013	7,523	2,961	945	11,429

Leasehold land is not depreciated. The land is owned by Magdalen College and leased by the company over 150 years.

Notes to the financial statements

For the year ended 30 September 2014

9 - Intangible fixed assets

Group and Company

	Development work £000	Total £000
Cost		
At 1 October 2013	579	579
Additions	-	-
Disposals	-	-
At 30 September 2014	579	579
Amortisation		
At 1 October 2013	-	-
Charge for the year	-	-
Impairment	579	579
At 30 September 2014	579	579
NBV		
At 30 September 2014	-	-
At 30 September 2013	579	579

Intangible assets relate to development costs associated with the generic top level domains project. The carrying value of the development costs has been reviewed by the directors and due to the lower than expected take up of generic top level domains to date, an impairment has been made against the full value of the intangible asset.

Notes to the financial statements

For the year ended 30 September 2014

10 - Investments

Group and Company

	Listed investments	
	2014	2013
Cost and net book value	£000	£000
At 1 October	34,472	31,681
Additions	4,000	1,000
Re-invested gains on disposal of investments	1,360	880
Re-invested income	958	854
Management charges and foreign exchange movements	(211)	(210)
Movement on provision against investments	81	267
At 30 September	40,660	34,472

A provision against fixed asset investments has been made by the company to reflect investments at the lower of cost and market value, in accordance with the accounting policy on page 37. At 30 September 2014 the total provision against fixed asset investments was £500k (2013: £581k).

At 30 September 2014 the aggregate market value of the fixed asset investments was £47.7m (2013: £40.9m).

In addition to the investments above, the company has the following interests in subsidiary undertakings:

The company holds 100% of the equity share capital of its subsidiary undertaking, Nominet Limited. Nominet Limited was incorporated for intellectual property protection purposes on 25 May 2007, when it issued one thousand £1 shares to Nominet UK. Nominet Limited has been dormant since its incorporation.

The company also holds 100% of the equity share capital of its subsidiary undertaking, Nominet Registrar Services Limited. Nominet Registrar Services Limited was incorporated in preparation for the new gTLD project on 26 July 2012, when it issued one hundred £1 shares to Nominet UK.

Notes to the financial statements

For the year ended 30 September 2014

11 - Debtors

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Trade debtors	2,339	2,008	2,339	2,008
Other debtors	6	60	6	60
Prepayments and accrued income	3,325	3,710	3,325	3,707
Deferred taxation (note 12)	346	178	346	178
Corporation tax repayable	-	23	-	23
Amounts owed by group undertakings	-	-	238	271
	6,016	5,979	6,254	6,247

All debtors are repayable within one year of the balance sheet date.

12 - Deferred taxation

The movement in the deferred taxation account during the year was:

	2014		2013	
	£000	£000	£000	£000
Balance brought forward	178	49	178	49
Profit and loss account movement arising during the year (note 7)	168	129	168	129
Balance carried forward	346	178	346	178

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

	2014		2013	
	£000	£000	£000	£000
Excess of taxation allowances over depreciation	314	168	314	168
Other short term timing differences	32	10	32	10
Balance carried forward	346	178	346	178

Notes to the financial statements

For the year ended 30 September 2014

13 - Creditors: amounts falling due within one year

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade creditors	616	498	616	498
Other taxation and social security	740	728	740	728
Other creditors	328	351	328	351
Accruals	1,798	1,301	1,784	1,301
Corporation Tax	104	-	104	-
	3,586	2,878	3,572	2,878

14 - Deferred income

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts to be recognised within one year	20,032	19,336	20,032	19,336
Amounts to be recognised after more than one year	8,746	7,957	8,746	7,957
	28,778	27,293	28,778	27,293

Deferred income consists of those parts of membership subscription fees and registration fees that relate to future accounting periods.

15 - Commitments under operating leases

At 30 September 2014 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land and buildings	
	2014 £000	2013 £000
Operating leases which expire:		
Within 1 year	10	30
Within 2 to 5 years	15	17
	25	47

Notes to the financial statements

For the year ended 30 September 2014

16 - Related party transactions

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

	Owed to Nominet UK at 30 Sept 14 £000	Income to Nominet UK 2014 £000	Purchases by Nominet UK 2014 £000
Baroness I Fritchie DBE	-	-	7
S Lahtinen (NetConnex Ltd)	-	1	-
S Lahtinen (London Internet Exchange)	-	-	11
T Vollrath/O Hope (Heart Internet Ltd)*	(104)	1,271	-
T Vollrath/O Hope (Webfusion Ltd)*	(549)	6,176	50
T Vollrath/O Hope (Mesh Digital Ltd)*	(32)	326	10
D Armour (Fibrant Services Limited)	(11)	140	-
	(696)	7,914	69

	Owed to Nominet UK at 30 Sept 13 £000	Income to Nominet UK 2013 £000	Purchases by Nominet UK 2013 £000
Baroness I Fritchie DBE	-	-	3
S Lahtinen (NetConnex Ltd)	-	2	-
S Lahtinen (LONAP Ltd)	-	-	2
T Vollrath (Heart Internet Ltd)	(117)	1,098	-
T Vollrath (Webfusion Ltd)	(611)	6,050	30
T Vollrath (Mesh Digital Ltd)	(29)	315	14
	(757)	7,465	49

The directors personally purchased domain names from Nominet in the year. The total amount invoiced per director was less than £750 (2013: less than £750).

*T. Vollrath and O. Hope were separately elected by Nominet's membership as non-executive directors, both were associated with Host Europe Group therefore their related party transactions are connected to the same entities. All these transactions were on an arm's length basis, on normal business terms.

Notes to the financial statements

For the year ended 30 September 2014

17 - Company limited by guarantee

The company is limited by guarantee and each member's liability will not exceed £10.
The number of members at 30 September 2014 was 2,734 (2013: 2,841).

18 - Profit and loss account

Group

	2014	2013
	£000	£000
Balance brought forward	31,595	28,907
Profit for the financial year	2,584	2,688
Balance carried forward	34,179	31,595

Company

	2014	2013
	£000	£000
Balance brought forward	31,663	28,907
Profit for the financial year	2,668	2,756
Balance carried forward	34,331	31,663

The Articles of Association of the company prohibit all distributions to the members. These funds are retained for the continuation of the on-going operations, for contingencies and to enable education, research and development initiatives in the UK Internet industry.

Notes to the financial statements

For the year ended 30 September 2014

19 - Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£000	£000
Operating profit	508	1,287
Depreciation	2,270	2,126
Impairment	579	-
Amounts provided against investments	(81)	(267)
Loss on disposal of fixed assets	33	-
Decrease / (increase) in debtors	111	(448)
Increase in creditors	2,089	1,358
Net cash inflow from operating activities	5,509	4,056

The operating profit for the year ended 30 September 2014 is stated after a donation to the Nominet Trust of £3m (2013: £6m) and a decrease in provisions against investments of £81k (2013: £267k).

Returns on investments and servicing of finance

	2014	2013
	£000	£000
Income from other fixed asset investments	958	854
Interest received	101	90
Net cash inflow from returns on investments and servicing of finance	1,059	944

Taxation

	2014	2013
	£000	£000
Taxation	(387)	(550)

Notes to the financial statements

For the year ended 30 September 2014

19 - Notes to the cash flow statement (continued)

Capital expenditure and financial investment

	2014	2013
	£000	£000
Payments to acquire tangible fixed assets	(1,046)	(1,155)
Acquisition of fixed asset investments	(4,000)	(1,000)
Purchase of intangible fixed assets	-	(252)
Income re-invested in fixed asset investments, net of management charges and foreign exchange	(747)	(644)
Net cash outflow for capital expenditure and financial investment	(5,793)	(3,051)

Reconciliation of net cash flow to movement in net cash

	2014	2013
	£000	£000
Increase in cash in the period	388	1,399
Net cash at the beginning of the year	9,307	7,908
Net cash at the end of the year	9,695	9,307

Analysis of changes in net cash

	At 1 Oct 2013	Cash flows	At 30 Sep 2014
	£000	£000	£000
Cash at bank	9,307	388	9,695
Net cash	9,307	388	9,695

Notes to the financial statements

For the year ended 30 September 2014

20 - Contingent liabilities

There were no contingent liabilities at 30 September 2014 or at 30 September 2013.

21 - Capital commitments

There were no capital commitments at 30 September 2014 or at 30 September 2013.