

**Registration number 3203859**

**Nominet UK  
Company limited by guarantee**

**Directors' report and financial statements**

**for the year ended 30 September 2005**



**A18  
COMPANIES HOUSE**

**\*AKWA8HG5\***

**247  
27/07/2006**

**Nominet UK**  
**Company limited by guarantee**

**Company information**

Directors	Dr W Black Mr A Bligh Mrs L Cowley Mr G Dick Mr R Gilbert Ms F Howard Mr J Robinson	resigned 9 December 2004    appointed 1 May 2005
Secretary	Mrs E Taylor	
Company number	3203859	
Registered office	Sandford Gate Sandy Lane West Oxford OX4 6LB	
Auditors	Critchleys Greyfriars Court Paradise Square Oxford OX1 1BE	
Bankers	National Westminster Bank Headington Oxford	
Solicitors	CMS Cameron McKenna London	

**Nominet UK**  
**Company limited by guarantee**

**Contents**

	<b>Page</b>
Directors' report	<b>1 - 2</b>
Auditors' report	<b>3 - 4</b>
Income and expenditure account	<b>5</b>
Balance sheet	<b>6</b>
Cash flow statement	<b>7</b>
Notes to the financial statements	<b>8 - 18</b>

**Nominet UK**  
**Company limited by guarantee**

**Directors' report**  
**for the year ended 30 September 2005**

The directors present their report and the financial statements for the year ended 30 September 2005.

**Principal activity and review of the business**

The principal activity of the company is the registration and maintenance of .uk Internet Domain Names. The company's balance sheet on page 6 shows a satisfactory position, members' funds amounting to £8,956,000. The Memorandum and Articles of Association of the company prohibit all distributions to the members. These funds are retained for the continuation of ongoing operations and for contingencies.

**Results and dividends**

The results for the year are set out on page 5.

**Future developments**

Work is continuing on the re-engineering of existing systems and processes and the development of new customer facing projects, particularly the development of greater online web based services. In addition, Nominet publishes an annual report covering its activities during the year and providing further details on our plans for the future. Copies can be obtained from the website at [www.nominet.org.uk](http://www.nominet.org.uk).

**Directors**

The directors who served during the year are as stated below:

Dr W Black           resigned 9 December 2004  
Mr A Bligh  
Mrs L Cowley  
Mr G Dick  
Mr R Gilbert       appointed 1 May 2005  
Ms F Howard  
Mr J Robinson

**Charitable and political contributions**

During the year the company contributed £2,000 to charities. This sum matched donations made by Nominet staff to various fundraising activities organised by a staff volunteer led "Charity Action Group".

**Register of directors' interests**

During the year, the board agreed a policy for the conduct of board members and for declaring an interest. Consequently Nominet now holds and maintains a register of interests of board members which was reviewed by the Auditors during their audit of the company's accounts.

**Nominet UK**  
**Company limited by guarantee**

**Directors' report**  
**for the year ended 30 September 2005**

**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the surplus or deficit of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Critchleys be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 21 February 2006 and signed on its behalf by



**Mrs E Taylor**  
**Secretary**

**Nominet UK**  
**Company limited by guarantee**

**Independent auditors' report to the members of Nominet UK**

We have audited the financial statements of Nominet UK for the year ended 30 September 2005 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Nominet UK**  
**Company limited by guarantee**

**Independent auditors' report to the members of Nominet UK continued**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Critchleys**  
**Chartered Accountants and**  
**Registered auditors**

*2 June 2006*

**Greyfriars Court**  
**Paradise Square**  
**Oxford**  
**OX1 1BE**

**Nominet UK**  
**Company limited by guarantee**

**Income and expenditure account**  
**for the year ended 30 September 2005**

		<b>Continuing operations</b>	
		<b>2005</b>	<b>2004</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>	<b>2</b>	12,621	10,593
Administrative expenses		(9,903)	(9,421)
Other operating income		-	3
<b>Operating surplus</b>	<b>3</b>	<u>2,718</u>	<u>1,175</u>
Investment income	<b>4</b>	551	48
Other interest receivable and similar income	<b>5</b>	210	188
<b>Surplus on ordinary activities before taxation</b>		<u>3,479</u>	<u>1,411</u>
Tax on surplus on ordinary activities	<b>8</b>	(1,055)	(394)
<b>Surplus on ordinary activities after taxation</b>		<u>2,424</u>	<u>1,017</u>
<b>Retained surplus for the year</b>		<u>2,424</u>	<u>1,017</u>
Retained surplus brought forward		6,532	5,515
<b>Retained surplus carried forward</b>		<u>8,956</u>	<u>6,532</u>

There are no recognised gains or losses other than the surplus or deficit for the above two financial years.

The notes on pages 8 to 18 form an integral part of these financial statements.

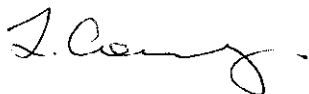


**Nominet UK**  
**Company limited by guarantee**

**Balance sheet**  
**as at 30 September 2005**

		<b>2005</b>		<b>2004</b>	
	<b>Notes</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	<b>9</b>		6,071		6,393
Investments	<b>10</b>		10,997		5,985
			<u>17,068</u>		<u>12,378</u>
<b>Current assets</b>					
Debtors	<b>11</b>	2,590		1,936	
Cash at bank and in hand		4,435		5,511	
		<u>7,025</u>		<u>7,447</u>	
<b>Creditors: amounts falling due within one year</b>	<b>12</b>	(11,659)		(10,422)	
<b>Net current liabilities</b>			<u>(4,634)</u>		<u>(2,975)</u>
<b>Total assets less current liabilities</b>			12,434		9,403
<b>Creditors: amounts falling due after more than one year</b>	<b>13</b>		(3,478)		(2,801)
<b>Provisions for liabilities and charges</b>	<b>14</b>		-		(70)
<b>Net assets</b>			<u>8,956</u>		<u>6,532</u>
<b>Capital and reserves</b>					
Income and expenditure account			8,956		6,532
<b>Members' funds</b>	<b>16</b>		<u>8,956</u>		<u>6,532</u>

The financial statements were approved by the Board on 21 February 2006 and signed on its behalf by



**Mrs L Cowley**  
**Chief Executive Officer**

The notes on pages 8 to 18 form an integral part of these financial statements.

**Nominet UK**  
**Company limited by guarantee**

**Cash flow statement**  
**for the year ended 30 September 2005**

	Notes	2005 £000	2004 £000
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>			
Operating surplus		2,718	1,175
Depreciation and disposals		1,042	837
(Increase) / decrease in debtors		(654)	346
Increase in creditors		1,158	3,404
<b>Net cash inflow from operating activities</b>		<u>4,264</u>	<u>5,762</u>
<b>Cash flow statement</b>			
Net cash inflow from operating activities		4,264	5,762
Returns on investments and servicing of finance	20	249	236
Taxation	20	(369)	(225)
Capital expenditure and financial investment	20	(5,220)	(6,708)
<b>Decrease in cash in the year</b>		<u>(1,076)</u>	<u>(935)</u>
<b>Reconciliation of net cash flow to movement in net funds (Note 21)</b>			
<b>Decrease in cash in the year</b>		(1,076)	(935)
<b>Net funds at 1 October 2004</b>		5,511	6,446
<b>Net funds at 30 September 2005</b>		<u>4,435</u>	<u>5,511</u>

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

**1. Accounting policies**

**1.1. Accounting convention**

The financial statements are prepared under the historical cost convention.

The company has consistently applied all relevant accounting standards.

**1.2. Income**

Income 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 in creditors as deferred income.

**1.3. Tangible fixed assets and depreciation**

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Freehold land	-	Nil
Freehold buildings	-	2% straight line
Equipment	-	20% straight line
Fittings	-	20% straight line
Fit-out	-	10% straight line
Computers	-	33 1/3% straight line
(hardware and software)		

During the year the fit out costs of buildings were transferred from Land & Buildings to Fit-out. Due to the anticipated disposal of the buildings in the next two years, this is now being depreciated over this shorter period.

**1.4. Investments**

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

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

**1.5. 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 surpluses 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.

**2. Income**

The total income of the company for the year has been derived from its principal activity wholly undertaken in the UK.

**3. Operating surplus**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Operating surplus is stated after charging:		
Depreciation and other amounts written off tangible assets	1,041	834
Loss on disposal of tangible fixed assets	1	3
Operating lease rentals		
- Plant and machinery	2	2
Auditors' remuneration	5	5
Auditors' remuneration from non-audit work	3	3

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

<b>4. Income from investments</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Income from investments	147	48
Realised gain on investments	404	-
	<u>551</u>	<u>48</u>

<b>5. Interest receivable and similar income</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Bank interest	210	188
	<u>210</u>	<u>188</u>

**6. Employees**

**Number of employees**

The average monthly numbers of employees  
(including the directors) during the year were:

	<b>2005</b>	<b>2004</b>
	<b>Number</b>	<b>Number</b>
Operations	99	102
Office and management	28	29
	<u>127</u>	<u>131</u>

**Employment costs**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	3,863	3,841
Compensation for loss of office	-	56
Social security costs	452	394
Other pension costs	48	45
	<u>4,363</u>	<u>4,336</u>

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

**6.1. Directors' emoluments**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Remuneration and other emoluments	274	395
Compensation for loss of office	-	56
	<u>274</u>	<u>451</u>

	<b>Number</b>	<b>Number</b>
Number of directors to whom retirement benefits are accruing under a money purchase scheme	-	1

<b>Highest paid director</b>	<b>£000</b>	<b>£000</b>
Amounts included above:		
Emoluments and other benefits	<u>170</u>	<u>257</u>

**7. Pension costs**

The company makes contributions to group personal pension schemes that are classified as defined contribution schemes. The pension cost charge represents contributions payable to the schemes and amounted to £48,000 (2004: £45,000). At the year end £1,000 was outstanding to the schemes (2004: £1,000).

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

**8. Tax on surplus on ordinary activities**

<b>Analysis of charge in period</b>	<b>2005 £000</b>	<b>2004 £000</b>
<b>Current tax</b>		
UK corporation tax	1,125	369
Adjustments in respect of previous periods	-	5
	<u>1,125</u>	<u>374</u>
Total current tax charge	<u>1,125</u>	<u>374</u>
<b>Deferred tax</b>		
Timing differences, origination and reversal	(70)	20
Total deferred tax	<u>(70)</u>	<u>20</u>
Tax on surplus on ordinary activities	<u>1,055</u>	<u>394</u>

**Factors affecting tax charge for period**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<b>2005 £000</b>	<b>2004 £000</b>
Surplus on ordinary activities before taxation	<u>3,479</u>	<u>1,411</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2004 : 30%)	1,044	423
<b>Effects of:</b>		
Expenses not deductible for tax purposes	92	(74)
Depreciation for period in excess of capital allowances	26	27
Adjustments to tax charge in respect of previous periods	-	5
Marginal Relief	-	(7)
Offshore income not yet taxable	(11)	-
Research and Development enhancement	(26)	-
Current tax charge for period	<u>1,125</u>	<u>374</u>

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

9.	Tangible fixed assets	Land and buildings Computers Fittings Fit-out Equipment					Total
		freehold					
		£000	£000	£000	£000	£000	£000
<b>Cost</b>							
<b>Cost or valuation</b>							
	At 1 October 2004	5,378	2,536	827	-	390	9,131
	Additions	37	582	65	5	31	720
	Transfers	(614)	-	-	614	-	-
	Disposals	-	(64)	-	-	-	(64)
	At 30 September 2005	4,801	3,054	892	619	421	9,787
<b>Depreciation</b>							
	At 1 October 2004	306	1,580	595	-	257	2,738
	Transfers	(30)	-	-	30	-	-
	On disposals	-	(63)	-	-	-	(63)
	Charge for the year	71	592	108	219	51	1,041
	At 30 September 2005	347	2,109	703	249	308	3,716
<b>Net book values</b>							
	At 30 September 2005	4,454	945	189	370	113	6,071
	At 30 September 2004	5,072	956	232	-	133	6,393

Included within freehold land and buildings is freehold land valued at £1,400,000 which is not subject to a charge for depreciation.



**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

**10. Fixed asset investments**

	<b>Investments</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
<b>Cost</b>		
At 1 October 2004	5,985	5,985
Additions	10,904	10,904
Re-invested income	108	108
Disposals	(6,000)	(6,000)
At 30 September 2005	<u>10,997</u>	<u>10,997</u>
<b>Net book values</b>		
At 30 September 2005	<u>10,997</u>	<u>10,997</u>
At 30 September 2004	<u>5,985</u>	<u>5,985</u>

**Fixed asset investments consist of:**

<b>Investment funds (market value: £6,524,000)</b>	6,228	6,228
<b>Cash deposits</b>	4,769	4,769
	<u>10,997</u>	<u>10,997</u>

**11. Debtors**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	738	725
Other debtors	28	-
Prepayments and accrued income	1,824	1,211
	<u>2,590</u>	<u>1,936</u>

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

<b>12. Creditors: amounts falling due within one year</b>	<b>2005 £000</b>	<b>2004 £000</b>
Trade creditors	352	271
Corporation tax	1,125	369
Other taxes and social security costs	586	502
Deferred income	9,022	8,760
Accruals	574	520
	<u>11,659</u>	<u>10,422</u>

Deferred income consists of those parts of membership subscription fees and registration fees that relate to future accounting periods. Registration fees are for a two year period, hence 1/24 of the income is deferred for each future month.

<b>13. Creditors: amounts falling due after more than one year</b>	<b>2005 £000</b>	<b>2004 £000</b>
Deferred income	<u>3,478</u>	<u>2,801</u>
See note 12.		

**14. Provisions for liabilities and charges**

	<b>Deferred taxation (Note 15) £000</b>	<b>Total £000</b>
At 1 October 2004	70	70
Movements in the year	70	70
At 30 September 2005	<u>-</u>	<u>-</u>

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

<b>15. Provision for deferred taxation</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	-	70
	<hr/>	<hr/>
Provision at 1 October 2004	70	
Deferred tax charge in income and expenditure account	(70)	
	<hr/>	
Provision at 30 September 2005	-	
	<hr/>	

The potential liability and provision are based on a corporation tax rate of 30% (2004: 30%).

<b>16. Reconciliation of movements in members' funds</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Surplus for the year	2,424	1,017
Opening members' funds	6,532	5,515
	<hr/>	<hr/>
Closing members' funds	8,956	6,532
	<hr/>	<hr/>

The Memorandum and Articles of Association of the company stipulate that, in the event that the company is wound up, these surpluses cannot be returned to the members.

**17. Transactions with directors and officers**

During the year Nominet UK purchased services with a value of £72,000 (2004: £63,000) from Taylor Smith Ltd. Mr Lucien Taylor, a director of Taylor Smith Ltd, is married to Mrs Emily Taylor who is company secretary of Nominet UK. The directors purchased domain names from Nominet in the year. The total amount invoiced per director was less than £200. These transactions were on an arms length basis, on normal business terms.

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

**18. Related party transactions**

<b>Transactions with companies in which directors of Nominet UK hold directorships</b>	<b>Owed by/(to) Nominet UK at 30 Sept 2005 £000</b>	<b>Income to Nominet UK 2005 £000</b>	<b>Purchases by Nominet UK 2005 £000</b>
A Bligh (Mailbox Internet Ltd)	-	6	-
J Robinson (NetBenefit UK Ltd)	(6)	64	-
J Robinson (NetNames Ltd)	(7)	78	-
J Robinson (Easily Ltd)	(34)	377	-
R Gilbert (Winchdown Ltd)	6	-	33

<b>Transactions with companies in which directors of Nominet UK hold directorships</b>	<b>Owed by/(to) Nominet UK at 30 Sept 2004 £000</b>	<b>Income to Nominet UK 2004 £000</b>	<b>Purchases by Nominet UK 2004 £000</b>
A Bligh (SILVERSCALE Associates Ltd)	-	-	2
A Bligh & S Dyer (Mailbox Internet Ltd)	-	7	-
S Dyer (Namegate Ltd)	-	1	-
J Robinson (NetBenefit UK Ltd)	(6)	79	-
J Robinson (NetNames Ltd)	(6)	65	-
J Robinson (Easily Ltd)	(39)	397	-

Alex Bligh's and Steven Dyer's involvement with Mailbox Internet Ltd has now ceased.

**19. 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 2005 was 2,814 (2004: 2,801).

**Nominet UK**  
**Company limited by guarantee**

**Notes to the financial statements**  
**for the year ended 30 September 2005**

**20. Gross cash flows**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	210	188
Investment income received	147	48
less: investment income re-invested	(108)	-
	<u>249</u>	<u>236</u>
<b>Taxation</b>		
Corporation tax paid	<u>(369)</u>	<u>(225)</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible assets	(720)	(723)
Payments to acquire investments	(10,904)	(5,985)
Receipts from sales of investments	6,404	-
	<u>(5,220)</u>	<u>(6,708)</u>

**21. Analysis of changes in net funds**

	<b>Opening balance</b>	<b>Cash flows</b>	<b>Closing balance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	5,511	(1,076)	4,435
<b>Net funds</b>	<u>5,511</u>	<u>(1,076)</u>	<u>4,435</u>

**22. Subsequent events**

Since the year-end Nominet UK has made financial commitments relating to a project to acquire a new office building. The estimated total cost will be around £10 million and this will be expended in the next two financial years. The project will be funded from the proceeds of the planned disposal of the company's two existing office buildings and reserves accumulated for this purpose.