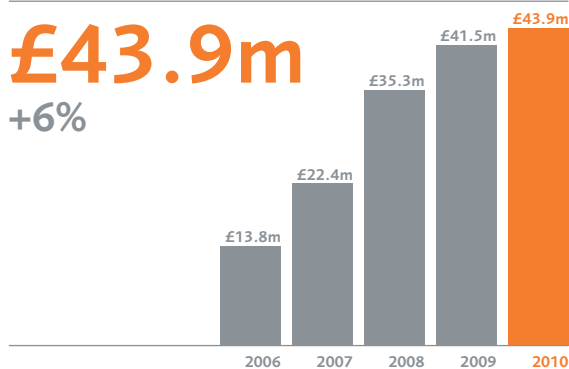




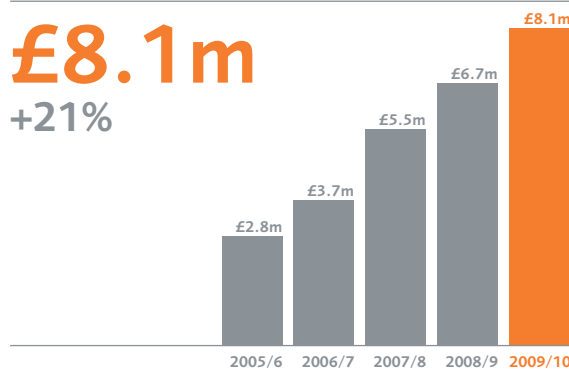
ABOUT *group*NBT

- Group NBT is a leading provider of domain names, hosting and brand protection services.
- It provides the essential building blocks to create, maintain and protect online brands.
- Customers include British Airways, The New Statesman, Centrica, Unilever and Thomas Cook.
- Group NBT has 287 employees and is based in London with offices in Cambridge, Copenhagen, Munich, New York, Nice, Oslo, Stockholm and Zurich.

Revenue

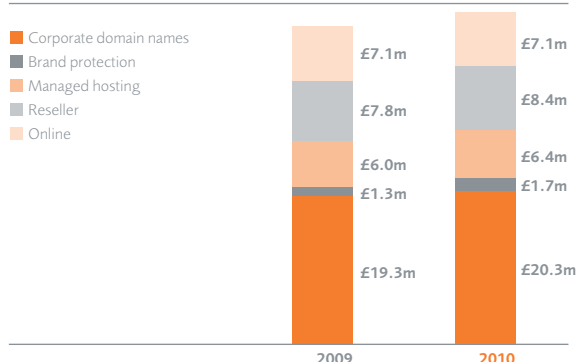


Underlying pre-tax profit*

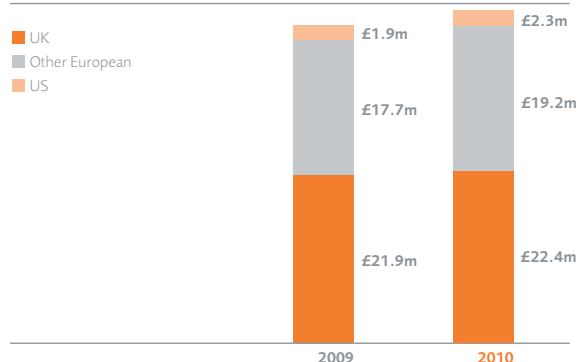


*excluding restructuring costs and amortisation

Revenue by service



Revenue by region



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Officers and Advisers **IBC**

Group NBT Offices **IBC**

FINANCIAL HIGHLIGHTS 2009/10

- Strong performance in challenging markets
- Revenue up 6% to £43.9 million
 - NetNames Platinum Service revenue up 7% to £13.8 million
 - Managed hosting revenue up 7% to £6.4 million
 - Brand protection revenue up by 26% to £1.7 million
- Underlying pre-tax profit* up 21% to £8.1 million
- Underlying diluted EPS* increased by 18% to 23.71 pence
- Proposed total dividend increased by 40% to 4.2 pence
- Net cash at year end of £11.4 million up from £5.2 million

Organic revenue growth

+6%

Underlying pre-tax profit

+21%

Underlying diluted EPS

+18%

Total dividend

+40%

*excluding amortisation and in previous year, restructuring costs

GROUP NBT AT A GLANCE

Our business consists of five market leading services...

NetNames^{NW}

www.netnames.com

Domain name management

NetNames Platinum Service allows organisations and Intellectual Property professionals to implement and maintain an effective domain name management and online brand protection strategy. Customers come from a wide variety of industries and include Unilever, Barclays and ladbrokes.com.

NetNames is an Internet Company for Assigned Names and Numbers (ICANN) accredited registrar with the ability to register domain names in all available suffixes worldwide. NetNames provides comprehensive coverage of country code Top Level Domains (ccTLDs) such as .de and .es. Following the acquisition of Ascio Technologies in January 2007 NetNames became Europe's largest domain name management specialist.

NetNames guarantees renewal of domain names and provides a secure, high performance Domain Name Server (DNS) infrastructure. Platinum Service clients also have access to SSL certificates from VeriSign to further secure their online presence. NetNames provides a domain name acquisition service to assist customers in purchasing domain names that have been registered by other organisations and supports customers during domain name disputes.

NetNames Platinum Service includes a suite of online brand monitoring products. Using Envisional's technology to monitor the Internet, brand violations from suspect domain name registrations to brand abuse such as auction sites carrying fake consumer goods can be identified and action taken.

envisional 

www.envisional.com

Brand protection

Envisional provides automated internet search and monitoring services to identify and deal with internet based brand abuse, counterfeiting, piracy and fraud. Its Discovery Engine can identify, filter and prioritise information on websites, blogs, forums, newsgroups and Internet Relay Chat. The technology applies advanced artificial intelligence techniques to the task of classifying information and pinpointing the most important findings for clients.

Customers include banks and insurers, major film studios, copyright holders and their trade bodies, luxury goods firms, multi-brand corporations and the legal firms and marketing agencies that work with them.

Envisional's brand protection services include: the ImageFlare image matching software, providing accurate identification of logos and images even where a logo has been modified; an eBay monitoring service; and a service for companies with large networks of affiliates or resellers to enable them to ensure compliance.

Envisional has started to exploit the cross-selling opportunities for brand protection services within the large NetNames customer base. These products – Domain Alert, Domain Monitor, Brand Monitor and eBay Auction Monitor – are standard packages of services, based on Envisional's intelligent search technology.



www.ascio.com

Reseller services

Ascio provides a white-label domain name registration service for partners such as Internet Service Providers (ISPs), Telcos, domain name resellers and Intellectual Property law firms. Ascio works exclusively through partners with a clear focus on providing the premium quality and exceptional service that domain name professionals need.

Ascio's is an automated service with a broad range of ccTLDs. It provides a registration engine that offers access to 250 top level domains (TLDs) through one standard interface. It is easily integrated into any existing order provisioning system using an XML-based API or standard email template.

Ascio has over 300 partners throughout the world with particular emphasis on Continental Europe and has more than 1,000,000 domains under management. Partners include Cable and Wireless, Hostpoint and Telenor.

Partners are able to offer their customers a wide selection of TLDs without needing to invest in the infrastructure required to register names globally.

Ascio also provides powerful, packaged marketing campaigns to help its partners stimulate new business. These may be topical, themed or geographically targeted campaigns in a variety of different forms and media.




www.easily.co.uk
www.speednames.com

Online

The Online Business operates in both the consumer and the SME marketplace under four brands offering a full range of domain name, shared hosting and email services through fully transactional websites.

Easily.co.uk has more than 120,000 customers with a focus on offering low cost, good quality products backed up by exceptional support. The brand targets a number of niche markets, including the small business start up market, and has strategic partnerships with, amongst others, Virgin Media and Orange.co.uk, to provide services to their customers. More recently it has launched an ecommerce package that is targeted at businesses making their first steps in trading online.

The Speednames.com brand operates throughout Scandinavia, having provided domain name services since 2000. Speednames.com offers a wide range of domain name suffixes, coupled with excellent service. The main focus of Speednames.com is the business customer who wishes to secure a number of domain names in a variety of overseas markets.

NetNames and NetBenefit both provide services online. Although these brands are targeted at customers for managed services they retain unique or specialist services for which there is continued demand from customers who buy online.



www.netbenefit.com

Managed hosting

NetBenefit provides managed hosting services in the UK and France. It is focused on providing reliable and flexible managed hosting solutions designed to meet customers' business requirements. Customers range from small start-ups looking for scalable solutions that will grow with their business requirements to financial services companies and major UK retailers for whom just minutes of downtime would translate into thousands of pounds in lost revenue.

NetBenefit works with customers directly and through an indirect channel model comprising digital agencies and IT consultancies. NetBenefit partners with a number of the UK's top 100 digital agencies providing the hosting for online advertising campaigns for some of the world's most recognisable brands.

Services range from single server solutions to complex database clusters, they include high availability or disaster recovery solutions through multiple data centres allowing the provision of resilient web hosting deployed over dual sites. NetBenefit also provides Content Delivery Network services; backup and recovery services with EVault; and virtualisation services which are based upon either VMware or Microsoft's Hyper-V.

NetBenefit's newest data centre is entirely powered by renewable energy. This combined with the adoption of virtualisation, where a physical server is split up into a number of virtual machines, will allow NetBenefit to be more efficient in the way that it uses power in its data centres.

CHAIRMAN'S STATEMENT

"Given our large base of recurring revenue and forward visibility, we are confident of further good growth in this financial year, which has started well."

Group NBT continued to achieve solid revenue growth and good profit growth throughout the year to 30 June 2010, in market conditions which remained challenging. Revenue increased by 6% and underlying pre-tax profit increased by 21% thanks to good control of cost growth, even as we continued to enhance our IT infrastructure, lifting underlying operating margin by 230 basis points to 18.5%. (The effect of currency movements was insignificant.)

Underlying diluted EPS increased by 18% to 23.71 pence. All these underlying figures exclude amortisation as well as minor restructuring costs last year at previous acquisitions. In view of our performance and our strong balance sheet, we are confident in increasing our final dividend by 40% to 2.8 pence, making 4.2 pence for the full year – also up 40% from the previous year.

Progress was good in our chief business activity, managing and protecting portfolios of domain names, which represents just over half our revenue. In particular we achieved very strong growth in our anti-piracy services under the brand name Envisional, the high-intellect business based in Cambridge which we acquired three years ago.

We seized the initiative in saving our domain name clients money – for example, by helping large clients rationalise their large worldwide portfolios of names, and by helping transfer some smaller companies to our lower-cost services. Net revenue in domain names and brand protection grew by just 6% over the year, but we have reinforced customer loyalty, and are now excellently positioned to profit from the continuing structural shift to online commerce.

The domain name market continues to be very attractive with growth set to continue. Changes, likely to be agreed later this year, will mean that many more domain name extensions will become available. This will help to fuel growth in the coming years.

Our other businesses also performed well. We achieved 7% revenue growth in our managed hosting business providing web-hosting to corporate clients and 9% growth in our reseller business.

Given our large base of recurring revenue and forward visibility, we are confident of further good growth in this financial year, which has started well.

I want to thank Tim Ashley, who left the Board this year, for his unfailing encouragement and his technological insight over a whole decade. I am delighted to welcome to the Board Martin Bellamy, whose formidable record in the private and public sectors includes success at some of the UK's toughest IT projects.

Above all, I thank all our management and staff for a fine performance this year.

John Parcell
Chairman

CHIEF EXECUTIVE'S REVIEW

"We are pleased with this strong result that once again demonstrates our robust business model. We have been affected by the economic downturn but we are confident that we are in a strong position to take advantage of better market conditions."

I am pleased to report that Group NBT continued to grow its business and improve margins in what was a challenging year. Although revenue growth was lower than in previous years, this was in part driven by our strategy of taking a longer term view and working with our customers to ensure they were able to achieve best value wherever possible. The business environment across all our markets was difficult as our customers were generally feeling the effects of the global recession. However, the underlying markets in which we operate remained strong with new developments during the year. This is especially so in the domain name market, providing good growth opportunities for the future. We are particularly pleased with our brand protection products which made excellent progress as companies become increasingly aware of the need to protect their brands in the online market.

Strategy

We continue with our strategy to build recurring revenue by delivering excellent products and high levels of service to our customers. The quality and the resilience of this high value revenue has proved itself over the last two years. It has helped to ensure that we have a stable revenue base in our core markets and provides a platform for growth. We have built on our market leading position in Europe and we will continue to develop our market position geographically and through service improvement and product enhancement.

Market conditions

The year under review was particularly difficult as customers and prospective customers were generally restrained by tighter cost controls. As a result we acquired new customers at a slower rate than normal and some of our customers took this opportunity to rationalise their portfolios of domain names. More positively sales of additional products including NetNames Brand Protection products improved.

Towards the end of the last financial year changes within the market meant that we had a number of new domain name extensions to offer customers. These changes made little difference to revenue in the year under review but will provide opportunities for additional revenue in the current year and more importantly in subsequent years.

Financial overview

Revenue for the Group was £43.9 million for the year to 30 June 2010, up 6% on the previous year and up 5% on a constant currency basis. This reduced rate of growth reflects market conditions and our strategy to maintain our customer base by helping our customers manage costs in these difficult markets.

Profit before tax and amortisation was £8.1 million, up 21% on the previous year and up 20% on a constant currency basis.

Cash generation remained strong and at the end of the financial year the Group had £11.4 million net cash, up from £5.2 million at the end of the previous year.

Corporate brand services

Group NBT provides a range of services to companies to manage and protect their online presence. The core service is the management of domain names. Companies often register large numbers of domain names in order to protect their intellectual property and managing these can be time consuming and complex as domain names are registered in over 250 jurisdictions worldwide. Additionally Group NBT helps its customers to protect against online fraud, digital piracy, counterfeiting and other online infringements of their brands through a range of products provided through the NetNames and Envisional brands.

Revenue for Corporate Brand Services for the year under review was £22.0 million, up 6% on last year. Within these numbers, revenue for domain name management was £20.3 million and revenue for brand protection services was £1.7 million. NetNames Platinum Service revenue grew 7% during the year. This was impacted by lower one-off revenue from project work however the recurring domain name management element grew by 9%.

Growth for domain name management was slower than previous years as we continued to experience longer lead times to close new business and as we worked with our customers to help them optimise their portfolios of domain names. We believe this responsible practice will help us to maintain our customer base for the longer term. Our Domain Acquisition service, where we act for our customers to buy names for them in the secondary market, grew 21% on the previous year but with the first half recording most of this revenue.

Envisional's brand protection services did particularly well with revenue for the year to 30 June 2010 of £1.7 million, up 26% on the previous year. This market remains in its infancy and we believe that over time companies will need to spend more on protecting their brands. Typically new sales are to companies which do not have a budget for this activity and so this result is particularly pleasing in these more difficult markets.

Managed hosting

Managed hosting services are provided to companies in the UK and France. Revenue for the year under review was £6.4 million, up 7% on the previous year. We are attracting new customers at a good rate as our product range is continually updated to keep pace with new technologies. However growth has been affected, partly by a higher level of cancellations, as some small companies have been unable to continue with their services and also by projects requiring hosting being delayed.

Partner and reseller services

Ascio is our partner and reseller brand offering other ISPs the ability to register a wide range of domain names using our technology and systems. Revenue for the year was £8.5 million, up 9% on last year. Revenue has grown well even though our partners have experienced lower growth. We are encouraged that we have been able to build our base of partners at a faster rate than previously which has helped during the year.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Partner and reseller services continued

New customers take time to link their systems to ours so the sales made to new partners during the year under review will have greater impact during this current year. We are particularly pleased that we have acquired several larger ISPs as partners during the year. Europe continues to be our most important market for these services where we focus on higher margin business from ISPs based more on country code domain names which are more complex to manage.

Online services

Group NBT's online services register and renew domain names and provide hosting and email services through the websites of several of our brands, primarily the Easily brand in the UK and Speednames in Europe. Revenue for these services for the year under review was £7.1 million, 1% down on last year. This improvement on the previous year's rate of decline is in part caused by the movement of some hitherto domain name management customers to our online business. Without this transfer of business, revenue would have reduced by 6%.

We expect this part of our business to continue to decline as customers for our legacy brands move, however the performance of the Easily and Speednames brands was significantly better than the other brands.

Profit

The overall gross margin of 73.6% was slightly ahead of last year's 73.2% with the revenue mix remaining largely unchanged.

Underlying operating profit, excluding amortisation and in the previous year, restructuring costs, at £8.1 million, increased 20% year-on-year and 19% on a constant currency basis with the margin increasing to 18.5% from 16.2% last year. The year-on-year change arose from a combination of revenue growth with largely unchanged gross margins and a relatively modest increase in overheads. This was achieved through careful cost management and continuing efficiency gains through process improvements. Domain acquisitions continued to contribute to operating profits with an increase over the previous year which itself was a record year. While we believe that the market for valuable domain names will continue to be increasingly active this revenue is one-off in nature and for larger transactions, driven by specific customer activity.

Underlying profit before tax, excluding amortisation and restructuring costs, at £8.1 million, increased 21% year-on-year and 20% on a constant currency basis with the margin increasing to 18.6% from 16.2% last year.

On a statutory basis: operating profit was £7.1 million, up 42% from £5.0 million last year; profit before tax was £7.2 million, up 43% from £5.0 million last year; basic EPS was 21.48 pence, up 37% from 15.68 pence last year; and diluted EPS was 20.99 pence, up 37% from 15.30 pence last year.

Taxation

A tax charge of £1.7 million (2009: £1.1 million) arose in the year representing an effective tax rate of 23.2% (2009: 21.1%). The effective tax rate on profit excluding amortisation, restructuring costs and related tax credits was 23.5% (2009: 22.3%).

The effective rate of tax is currently below the UK statutory rate of corporation tax of 28% as a result of utilisation and recognition of trading losses and other timing differences previously unrecognised given the uncertainty relating to their recoverability.

Cash flow

Strong cash generation resulted in net cash balances of £11.4 million at year end, up from £5.2 million at 30 June 2009.

Net cash inflow from operations for the year was £9.4 million compared to £7.2 million last year. Cash conversion was ahead of last year and the net cash position at year end reflects the results of our increased efforts to reduce receivables.

During the year expenditure on tangible fixed assets decreased to £1.2 million from £1.5 million last year, £0.1 million (2009: £0.2 million) was paid in respect of the final tranche of deferred consideration relating to the acquisition of Envisional and £0.3 million (2009: £0.1 million) was received from share option exercises.

At 30 June 2010, the Group had cash balances of £13.4 million (2009: £8.2 million) and debt of £2.0 million (2009: £3.0 million) before unamortised facility fees.

Dividend

An interim dividend of 1.4 pence was paid on 1 April 2010. A final dividend of 2.8 pence is proposed bringing the total for the year to 4.2 pence (2009: 3.0 pence). Subject to its approval at the Annual General Meeting on 25 November 2010, the final dividend will be payable on 14 January 2011 to shareholders on the register on 3 December 2010.

Geoff Wicks
Chief Executive Officer

REPORT ON CORPORATE GOVERNANCE

The Company is listed on AIM and is not required to comply with the provisions of the 2008 FRC Combined Code (the Code) and therefore this is not a statement of compliance as required by the Code. Nevertheless the Board is committed to ensuring that proper standards of corporate governance operate throughout the Group and has followed the principles of the Code so far as is practicable and appropriate for the nature and size of the Group.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 13. Below is a brief description of the role of the Board and its Committees, followed by a statement regarding the Group's system of internal controls. The Directors recognise the value of, and are committed to, high standards of corporate governance.

Board of Directors

The Board currently comprises the Non-executive Chairman, the Chief Executive Officer, a further Executive and four Non-executive Directors. The Directors' biographies, set out on page 8, demonstrate the broad range of experience and knowledge they bring to the Company enabling them to offer sound judgment on the proper management of the Group.

The Board meets at least ten times per year and has a schedule of matters specifically reserved for it for decision. It is responsible for approving the overall Group strategy, acquisitions, major capital expenditure projects, reviewing the trading performance, ensuring adequate funding and reporting to shareholders. To enable the Board to discharge its duties, management provides appropriate and timely information in advance of each meeting. All Directors have access to advice from the Company Secretary and are able to take independent professional advice as required.

The longest serving Directors, since their last appointment or reappointment, are Geoff Wicks and Claus Anderson who offer themselves for re-election at the next Annual General Meeting. Martin Bellamy, who was appointed on 1 August 2010, also offers himself for re-election.

The Board of Directors considers all the Non-executive Directors to be independent of management and, in making this decision, have had regard to guidance issued by several of the Group's largest institutional investors. Richard Madden is the Senior Independent Director.

The following Committees deal with specific aspects of the Group's affairs:

Remuneration Committee

The Remuneration Committee is chaired by Keith Young. Its other members are John Parcell and Richard Madden. The Committee meets at least twice a year. The Committee's report to shareholders on Directors' remuneration is set out on pages 9 to 10.

Audit Committee

The Audit Committee is chaired by Richard Madden. Its other members are Keith Young and John Parcell. Meetings may also be attended, by invitation, by the Chief Executive Officer and the Finance Director. The Committee meets at least twice a year and provides a forum for reporting by the Group's external auditors.

Relationship with shareholders

Communication with shareholders is given high priority. The Chairman's Statement and the Chief Executive's Review on pages 4 to 6 include a detailed review of the business and future developments. There is regular dialogue with institutional shareholders including presentations after the Group's announcements of the interim and annual results. The Company's website carries reproductions of the Group's financial reports and announcements. The Annual General Meeting provides a further forum for private and institutional shareholders to communicate with the Board and their active participation is welcomed. Details of resolutions to be proposed at the Annual General Meeting are set out in the Notice of Annual General Meeting.

Internal control

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board believes that the Group has internal control systems in place appropriate to the size and nature of its business.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been in place throughout the year. That process is regularly reviewed by the Board and accords with the Internal Control: Guidance for Directors, in the Combined Code.

The Board intends to keep its risk control procedures under constant review particularly as regards the need to embed internal control and risk management procedures further into the operations of business, both in the UK and overseas, and to deal with areas of improvement which come to management and the Board's attention.

Financial reporting

There is a comprehensive budgeting system with an annual budget approved by the Board. Monthly trading results, balance sheets and cash flow statements are reported against the budget and prior year. Updated forecasts are presented in light of the reported trading performance.

Operating control

Each Executive Director has defined responsibility for specific aspects of the Group's operations. The Executive Directors, together with key senior executives, meet regularly to discuss day-to-day operational matters.

Investment appraisal

Capital expenditure is controlled via the budgetary process and set levels of authorisation. For expenditure beyond a specified level, a written proposal is submitted to the Board for approval.

Risk management

The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage such risks. All potential acquisitions are subject to appropriate due diligence.

BOARD OF DIRECTORS

John Parcell

Non-executive Chairman

John Parcell spent thirty years at Reuters Group plc, joining the main board in 1996, and was chief executive officer of Reuters Information, the group's major division, in charge of all news reporting and financial data services. Since leaving Reuters in 2000, he has taken several non-executive appointments with smaller listed companies, development-stage businesses, and not-for-profit organisations.

Geoff Wicks

Chief Executive Officer

Geoff Wicks joined the Board in September 2001. He had spent the previous twenty years with Reuters Group in a variety of roles, including heading various UK divisions and time in France and the Nordic region. Latterly he was director of corporate relations. Prior to Reuters, Geoff worked in the City within the banking and insurance industries.

Raj Nagevadia

Finance Director

Raj Nagevadia joined Group NBT as Financial Controller in October 2003. He became Finance Director in February 2004 and joined the Board in November 2005. Prior to this Raj was financial controller at Tempo plc, a national electrical retailer, for six years and he has held various roles in an offshore oil and gas construction business and at a leading firm of accountants.

Keith Young MBE

Non-executive Director

Keith Young is an entrepreneur with considerable experience in the Internet, communications and publishing industries. He co-founded the Group NBT business in 1995 and was also a significant shareholder in Easynet Group plc prior to its flotation. In addition, he has significant interests in several other companies spanning a diverse range of sectors.

Richard Madden

Non-executive Director

Richard Madden is an investment banker and has experience in equity and M&A transactions throughout Europe and the USA. He qualified as a chartered accountant with Arthur Andersen and holds a degree in Classics from the University of Cambridge.

Claus Anderson

Non-executive Director

Claus Anderson is a partner in Nordic Venture Partners K/S, a venture capital firm and a significant shareholder of Group NBT. Claus has been with Nordic Venture Partners K/S since its inception in early 2000 and has focused primarily on enterprise software and internet-related investments. Prior to this he worked for a number of Nordic financial institutions as an investment banker in various European countries and holds a degree in Credit and Finance from Copenhagen Business School.

Martin Bellamy

Non-executive Director

Martin Bellamy is Director of Information and Communications Technology for the National Offender Management Service (NOMS). Prior to working for NOMS, Martin worked at the Cabinet Office, the Department of Work and Pensions, Reuters, BT and KPMG. Martin is a Visiting Fellow at the Ashridge Business School.

DIRECTORS' REMUNERATION REPORT

The Company is listed on AIM. Below is a Directors' Remuneration Report that is not required but is given voluntarily to provide enhanced disclosure on Directors' remuneration and to satisfy the AIM requirements.

Remuneration Committee

The Committee consists of three Non-executive Directors: John Parcell and Richard Madden, under the chairmanship of Keith Young. None of the Committee members have any personal financial interests (other than as shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The Committee consults the Chief Executive Officer about its proposals and has access to professional advice from inside and outside the Company. The Committee makes recommendations to the Board. No Director plays a part in any discussions about their own remuneration.

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Company's position as a market leader. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-executive Directors is determined by the Board within the limits set out in the Articles of Association.

There are four main elements of the remuneration package for Executive Directors and senior management:

- basic annual salary (including Directors' fees) and benefits;
- annual bonus payments;
- long term incentive awards; and
- pension arrangements.

Basic salary

An Executive Director's basic salary is determined by the Committee at the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels the Committee considers the Group as a whole and relies on objective research and independent surveys. Executive Directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting. The Executive Directors are entitled to accept appointments outside the Company providing the Chairman's permission is sought in advance.

Annual bonus payments

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid and these objectives target both revenue and profit growth. Account is also taken of the relative success of the different parts of the business for which the Executive Directors are responsible and the extent to which the strategic objectives set by the Board are being met.

Long term incentives

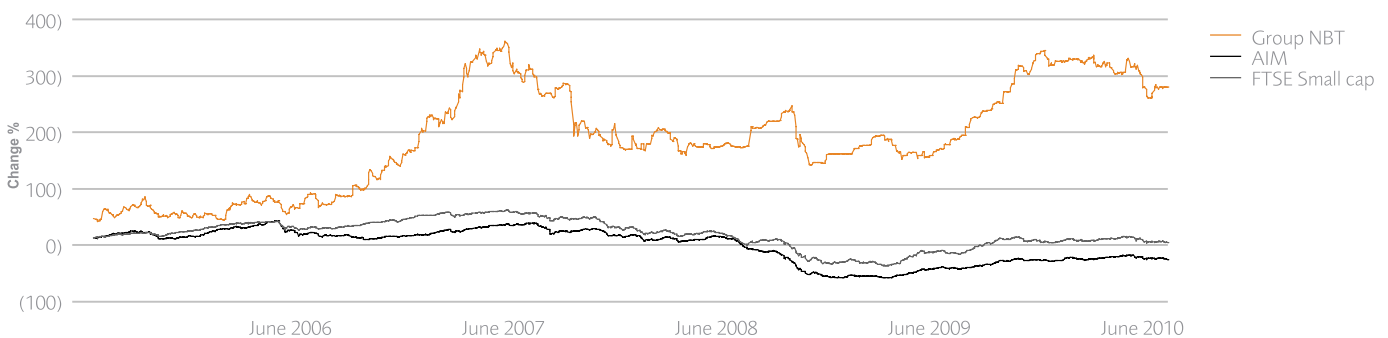
The Board believes that long term incentive schemes are important in retaining and recruiting high-calibre individuals and ensuring that the performance of executives is focused on creating long term shareholder value. Awards of shares and options will be considered by the Committee on an ongoing basis. The current Long Term Incentive Plan has performance targets related to the growth in the Company's earnings per share.

Directors' pensions

Up to 10% of salary is paid by the Company into Directors' personal pension schemes, although they may also sacrifice basic annual salary to supplement pension contributions.

Performance graph

The following graph shows the Company's share price performance, compared with the performance of the FTSE AIM and the FTSE Small Cap Indices. The FTSE AIM Index was selected as the Company is a constituent of that index. The FTSE Small Cap Index was selected, as this is believed to be the most appropriate and broad comparator of the Company's performance.



Directors' contracts

Executive Directors currently have up to six-month rolling service contracts. The Company may have a contractual obligation to pay compensation for the unexpired portion of a Director's contract if it is terminated early together with related payments, if any, at the discretion of the Committee.

Non-executive Directors

All Non-executive Directors have between six-month and twelve-month rolling contracts. Remuneration is determined by the Board based within the limits set out in the Articles of Association and based upon independent surveys of fees paid to non-executive directors of similar companies. The fee paid to each Non-executive Director in the year was £20,000 (2009: £20,000) with the exception of Claus Anderson, who did not receive a fee. John Parcell received £27,500 (2009: £27,500) for his services as Non-executive Chairman.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' remuneration

Directors' remuneration for the year was as follows:

	Fees £'000	Annual bonuses £'000	Pensions £'000	Share-based ¹ payments £'000	Compensation for loss of office £'000	Other benefits ² £'000	2010 Total £'000	2009 Total £'000
J Parcell	28	—	—	—	—	—	28	28
G Wicks	168	77	—	27	—	12	284	279
R Nagevadia	125	62	13	22	—	8	230	248
K Young	20	—	—	—	—	—	20	20
R Madden	20	—	—	—	—	—	20	20
C Anderson	—	—	—	—	—	—	—	—
M Bellamy (appointed 1 August 2010)	—	—	—	—	—	—	—	—
T Ashley (resigned 12 October 2009)	6	—	—	—	—	—	6	20
J Robinson (resigned 5 June 2009)	—	—	—	—	—	—	—	436
YEAR ENDED 30 JUNE 2010	367	139	13	49	—	20	588	1,051
Year ended 30 June 2009	507	216	36	91	175	26		

1. Directors' share of the year's accounting charge.

2. Other benefits consist of car allowances and private health insurance.

Long Term Incentive Plans

Details of current Directors' interests in long term incentive plans of the Company are set out below:

	Scheme	At 1 July 2009	Granted during the year	Exercised during the year	At 30 June 2010	Exercise price £	Date of grant	Exercisable from	Expiry date
G Wicks	EMI	450,000	—	450,000	—	0.25	30/06/03	30/06/04	28/06/14
	Unapproved	105,000	—	—	105,000	0.25	30/06/03	30/06/04	27/06/13
	Unapproved	70,000	—	—	70,000	3.14	26/03/07	01/07/07	23/03/17
	Unapproved	50,000	—	—	50,000	3.03	18/07/07	30/06/08	15/07/17
	Unapproved	50,000	—	—	50,000	2.29	22/07/08	30/06/09	22/07/18
	LTIP	—	41,826	—	41,826	0.00	06/11/09	06/11/12	06/11/19
		725,000	41,826	450,000	316,826				
R Nagevadia	EMI	4,000	—	—	4,000	0.01	07/04/04	30/06/04	05/04/14
	EMI	38,610	—	—	38,610	1.30	10/04/06	10/04/06	07/04/16
	EMI	14,000	—	—	14,000	3.14	26/03/07	01/07/07	23/03/17
	Unapproved	56,000	—	—	56,000	3.14	26/03/07	01/07/07	23/03/17
	Unapproved	50,000	—	—	50,000	3.03	18/07/07	30/06/08	15/07/17
	Unapproved	50,000	—	—	50,000	2.29	22/07/08	30/06/09	22/07/18
	Unapproved	25,000	—	—	25,000	2.29	22/07/08	22/07/08	22/07/18
	LTIP	—	34,088	—	34,088	0.00	06/11/09	06/11/12	06/11/19
		237,610	34,088	—	271,698				
R Madden	Unapproved	100,000	—	—	100,000	1.30	10/04/06	10/04/06	07/04/16
Total options		1,062,610	75,914	450,000	688,524				

The ordinary share price ranged from £2.16 to £3.36 during the year and stood at £2.88 at the year end. The gains made on the exercise of share options by Directors were £1,305,000 (2009: £295,000).

On behalf of the Board

Keith Young

Chairman of the Remuneration Committee

22 September 2010

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts for the year ended 30 June 2010.

Principal activities

The principal activities of the Group during the year were the provision of domain name, web hosting, brand protection and other internet related services.

Business review

A review of the business and future developments together with the key performance indicators of business performance is set out in the Chairman's Statement and the Chief Executive's Review on pages 4 to 6.

Results and dividends

The results of the Group for the year are shown in the Consolidated Income Statement on page 15.

An interim dividend of 1.4 pence (2009: 1.0 pence) per ordinary share was paid on 1 April 2010. The Directors recommend the payment of a final dividend of 2.8 pence per ordinary share making the total for the year of 4.2 pence per share (2009: 3.0 pence).

Principal risks and future developments

The Directors believe that the principal risks faced by the Group arise in the areas of its products and services sold to customers, its technology platforms and its staff.

The Group's services are primarily delivered over the Internet via a complex technical infrastructure. We operate in an environment where there may be rapid changes in the market, technology and operational methodologies. The Group therefore has an ongoing programme of market and competitive review, product and services development and infrastructure enhancement.

The Group operates in growing markets with varying degrees of competition in the different sectors it serves. In the domain name management market, where the Group has operations in both Europe and the US, it has a leading position in Europe primarily through its high market share in the UK. While its position in the US is steadily improving, this market is home to the Group's major domain name management competitors. The managed hosting market, where the Group operates largely in the UK, has fragmented competition and the Group has positioned itself as a mid-market specialist provider. The online market is large with substantial competition and the Group differentiates its offering through cost effective solutions with after sales service.

The Group's products, services and infrastructure are supported by skilled staff; from account management and fulfilment through to technical support. The Group is therefore reliant upon its ability to attract, train and retain the right mix of staff.

The Directors monitor the risks facing the Group on a regular basis.

Financial risks

Details of the Group's financial risks together with exposures to interest rate, credit, liquidity and currency risks are contained in note 19 Financial instruments, in the Notes to the Consolidated financial statements.

Directors

The Directors of the Company who served during the year to 30 June 2010 are shown below together with their interests in the shares of the Company at the year end:

	At 30 June 2010	At 30 June 2009
J Parcell	575,877	1,575,877
G Wicks	500,000	50,000
R Nagevadia	2,500	2,500
K Young	887,432	1,187,432
R Madden	—	—
M Bellamy (appointed 1 August 2010)	—	—
C Anderson*	—	—
T Ashley (resigned 12 October 2009)	—	1,912,500

* Claus Anderson is a partner in Nordic Venture Partners K/S, a venture capital firm, which also had a substantial shareholding in the ordinary share capital of the Company.

The Directors' interests in the long term incentive plans of the Company are detailed on page 10.

In accordance with the Company's Articles of Association, Geoff Wicks and Claus Anderson offer themselves for re-election at the next Annual General Meeting. Martin Bellamy, who was appointed on 1 August 2010, also offers himself for re-election.

Directors' and officers' liability insurance and indemnities

The Company has purchased insurance to cover its Directors and officers against any costs arising from defending themselves in legal proceedings taken against them as a direct result of duties carried out on behalf of the Company.

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and by the Company's Articles of Association, in respect of losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries.

DIRECTORS' REPORT CONTINUED

Substantial shareholdings

At 31 August 2010, the Company had or had been notified of the following holdings of 3% or more in the ordinary share capital of the Company excluding Directors' interests shown on page 11:

	Number	%
BlackRock Investment Management	3,688,668	14.3
Artemis Investment Management	2,890,000	11.2
Herald Investment Management	2,533,250	9.8
Nordic Venture Partners K/S	1,807,268	7.0
Brewin Dolphin, stockbrokers	1,331,147	5.1
Octopus Investments	931,360	3.6
Rensburg Sheppards Investment Management	894,519	3.5
Ignis Asset Management	838,699	3.2

Part or all of the holdings arise as a result of discretionary investment management arrangements.

Employees

Group NBT offers a wide range of services to companies and relies on the knowledge and expertise of its staff. The Company endeavours to ensure that it consistently improves the Group's performance by attracting and retaining the right people and by developing the skills of its staff through training and development programmes.

Performance is rewarded on merit without regard to gender, age, race, colour, religion, sexual orientation or marital status. The Company encourages the involvement and participation of staff in building a successful business. Communication plays a key part in creating an environment in which all staff can contribute and develop to their full potential.

Environment

The Group acknowledges the importance of environmental matters and where possible utilises environment friendly policies in its offices such as recycling and energy efficient practices.

Supplier payment policy

The Group agrees terms and conditions with individual suppliers at the time orders for the services are placed. It is the Group's policy to make payment in accordance with those terms and conditions providing they have been fully complied with by the supplier.

The Group's creditor days at 30 June 2010, calculated in accordance with the requirements of the Companies Act 2006, were 27 (2009: 29).

Research and development

The Group operates within the rapidly developing internet environment. There are few, if any, proprietary systems available to meet its product requirements and as a result the Group has developed, in-house, the systems required to meet its customers' needs. These costs of research and development have been written-off to the Consolidated Income Statement as they are incurred where permitted by IAS 38 Intangible Assets and not carried forward as assets in the Consolidated Statement of Financial Position.

Going concern

A review of the Group's activities, market conditions, performance in the year under review, details of its cash flows and financial position are set out in the Chairman's Statement and the Chief Executive's Review on pages 4 to 6.

After making appropriate enquiries, the Directors have formed a judgement at the time of approving the Annual Accounts that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Annual Accounts.

Annual General Meeting

The Notice of the Annual General Meeting of the Company, which will be held on 25 November 2010, and the resolutions proposed are set out in the Notice of Annual General Meeting. The Board of Directors believes that the resolutions proposed are in the best interests of the shareholders and therefore recommend that the shareholders vote in favour of those resolutions.

Auditors

All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be proposed at the next Annual General Meeting.

By order of the Board

Raj Nagevadia
Company Secretary
22 September 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

REPORT OF THE INDEPENDENT AUDITORS

Independent auditors' report to the shareholders of Group NBT plc

We have audited the financial statements of Group NBT plc for the year ended 30 June 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent company financial statements 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 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

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 June 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Scott McNaughton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

22 September 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 £'000	2009 £'000
REVENUE	3	43,921	41,525
Cost of sales		11,590	11,119
GROSS PROFIT	3	32,331	30,406
Operating expenses		25,184	25,368
OPERATING PROFIT	4	7,147	5,038
Finance income	6	81	128
Finance expense	7	(41)	(141)
PROFIT BEFORE TAXATION	3	7,187	5,025
Taxation	8	(1,666)	(1,061)
PROFIT FOR THE YEAR		5,521	3,964
EARNINGS PER SHARE			
Basic	10	21.48p	15.68p
Diluted	10	20.99p	15.30p

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	2010 £'000	2009 £'000
PROFIT FOR THE YEAR	5,521	3,964
OTHER COMPREHENSIVE INCOME		
Exchange translation differences	(1,503)	1,005
Deferred tax recognised directly in equity	229	27
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,247	4,996

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	2010 £'000	2009 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	27,523	28,598
Other intangible assets	11	1,619	2,610
Property, plant and equipment	12	2,213	2,532
Deferred tax asset	15	1,084	1,011
		32,439	34,751
CURRENT ASSETS			
Trade and other receivables	14	5,960	6,879
Cash and cash equivalents	24	13,443	8,157
		19,403	15,036
TOTAL ASSETS		51,842	49,787
LIABILITIES			
CURRENT LIABILITIES			
Bank loan	17	(983)	(983)
Trade and other payables	16	(12,348)	(13,255)
Taxation		(1,530)	(1,060)
Provision	18	—	(284)
		(14,861)	(15,582)
NON-CURRENT LIABILITIES			
Bank loan	17	(991)	(1,974)
		(991)	(1,974)
TOTAL LIABILITIES		(15,852)	(17,556)
NET ASSETS		35,990	32,231
CAPITAL AND RESERVES			
Called up share capital	20	259	254
Share premium account		3,824	3,536
Merger reserve		12,008	12,008
Other reserve		1,794	1,467
Cumulative translation reserve		2,583	4,086
Profit and loss account		15,522	10,880
TOTAL EQUITY		35,990	32,231

These financial statements were approved by the Board of Directors and authorised for issue on 22 September 2010.

Signed on behalf of the Board of Directors

Geoff Wicks
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Cumulative translation reserve £'000	Retained profit £'000	Total £'000
YEAR ENDED 30 JUNE 2010								
Balance at 1 July 2009		254	3,536	12,008	1,467	4,086	10,880	32,231
Comprehensive income for the year		—	—	—	229	(1,503)	5,521	4,247
Dividends	9	—	—	—	—	—	(879)	(879)
Share-based payment credit		—	—	—	98	—	—	98
Issue of share capital		5	288	—	—	—	—	293
BALANCE AT 30 JUNE 2010		259	3,824	12,008	1,794	2,583	15,522	35,990
Year ended 30 June 2009								
Balance at 1 July 2008		251	3,487	12,008	1,269	3,081	7,575	27,671
Comprehensive income for the year		—	—	—	27	1,005	3,964	4,996
Dividends	9	—	—	—	—	—	(659)	(659)
Share-based payment credit		—	—	—	171	—	—	171
Issue of share capital		3	49	—	—	—	—	52
Balance at 30 June 2009		254	3,536	12,008	1,467	4,086	10,880	32,231

The nature and purpose of each reserve is disclosed in note 20.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 £'000	2009 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,187	5,025
Finance (income)/expense (net)		(40)	13
Depreciation and amortisation		2,487	2,574
Share-based payments		98	171
Exchange differences		(324)	(646)
Decrease/(increase) in trade and other receivables		919	(1,884)
(Decrease)/increase in trade and other payables		(907)	1,966
Cash generated from operations		9,420	7,219
Taxation paid		(1,125)	(622)
NET CASH INFLOW FROM OPERATING ACTIVITIES		8,295	6,597
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received	6	81	128
Purchase of property, plant and equipment	12	(1,211)	(1,452)
Purchase of subsidiary undertakings	18	(147)	(155)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,277)	(1,479)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid	7	(41)	(141)
Dividends paid	9	(879)	(659)
Long term loan repayments		(983)	(983)
Proceeds from issue of share capital		293	52
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(1,610)	(1,731)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,408	3,387
CASH AND CASH EQUIVALENTS AT START OF YEAR		8,157	4,658
Effects of exchange rate changes		(122)	112
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	13,443	8,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 Accounting policies

General information

Group NBT plc (the Company) and its subsidiaries (together the Group) is a leading provider of domain names and internet-related services. Operating in eight countries, it has 287 employees.

The Company is a public limited company incorporated and domiciled in the UK. The address of the registered office is 3rd Floor, Prospero House, 241 Borough High Street, London SE1 1GA.

The Company is listed on AIM.

a) Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and the IFRIC interpretations issued by the IASB and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements are prepared under the historic cost convention as modified by share-based payments measured at fair value through the income statement.

The principal accounting policies of the Group are set out below:

b) Basis of consolidation

The Consolidated Financial Statements of the Group comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) at the balance sheet date. Control is achieved where the Company has the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

The results of subsidiaries acquired (or disposed of) in the year are included (or excluded) in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured as the aggregate of the fair values of the underlying assets, liabilities and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at fair value at acquisition date.

d) Revenue recognition

Revenue is derived from the Group's principal activity of the provision of internet-related services covering domain name management, web hosting and brand protection services. Revenue is measured as the fair value of the consideration received or receivable; and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Where services are invoiced in advance, revenue is deferred in the balance sheet until the services are provided.

e) Goodwill

Goodwill represents the excess of the fair value of consideration over the fair value of the identifiable net assets at the date of their acquisition. Goodwill is recognised as an asset and reviewed annually for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal. Goodwill is denominated in the functional currency in which the acquired entity operates.

f) Impairment of assets

Goodwill is allocated to cash generating units for the purposes of impairment testing. The recoverable amount of the cash generating unit to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of property, plant and equipment and intangible assets other than goodwill are reviewed for impairment only when events indicate that the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell, and the value-in-use to the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining a cash generating unit's or asset's value-in-use, estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash generating unit or asset, that have not already been included in the estimate of future cash flows.

g) Other intangible assets

Intangible assets purchased separately, such as domain names, are capitalised at cost and amortised over their useful economic life. Intangible assets acquired through a business combination such as customer lists and intellectual property are initially measured at fair value and amortised over their useful economic life.

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

- domain names – 20 years
- technology-based assets – 5 to 7 years
- non-compete agreements – 1 year
- customer lists – 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1 Accounting policies continued

General information continued

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use. Depreciation is calculated to write down the cost of all property, plant and equipment to their estimated residual value over their expected useful economic life as follows:

- computer equipment – 2 to 4 years
- fixtures, fittings and equipment – 3 years
- leasehold improvements – over the period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

i) Taxation

The tax expense represents the aggregate of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

However, deferred tax is not provided for temporary differences that arise: from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or loss; and on the initial recognition of goodwill.

j) Financial instruments

Financial assets and liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual terms of the financial instrument.

Financial assets – loans and receivables

→ Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity period of less than three months.

→ Trade and other receivables

Trade receivables do not carry any interest and are stated at their fair value on initial recognition, and then subsequently at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable.

Financial liabilities – held at amortised cost

→ Trade payables

Trade payables are not interest bearing and are stated at their fair value on initial recognition, and then subsequently at amortised cost.

→ Loans and borrowings

Bank borrowings represent interest bearing loans which are recorded at fair value on initial recognition, being proceeds received net of direct issue costs. Finance charges are accounted for on an accruals basis and are recognised in the income statement over the term of the borrowing using the effective interest rate method.

→ Capital

Financial instruments issued by the Group are treated as equity if the holders have only a residual interest in the assets of the Group after the deduction of all liabilities. The Group's ordinary shares are classified as equity instruments. For the purposes of the disclosures given in note 20 the Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings.

k) Foreign currencies

Transactions in foreign currencies are translated into the functional currency, Sterling, at the rate ruling on the date of the transaction. Exchange differences arising from the movement in rates between the date of transaction and the date of settlement are taken to the income statement as they arise.

Assets and liabilities (including goodwill and intangible assets which are allocated to overseas income generating units) of overseas subsidiaries are translated into Sterling at the rate ruling on the balance sheet date. The results of these subsidiaries are translated at an average rate of exchange for the year.

Exchange gains or losses arising on the translation of the opening net assets of an overseas subsidiary, together with exchange differences arising on the use of the average rate of exchange, are taken directly to shareholders' equity and recognised in the cumulative translation reserve. On disposal of a foreign subsidiary, the cumulative translation differences are recycled to the income statement and recognised as part of the gain or loss on disposal.

1 Accounting policies continued

General information continued

k) Foreign currencies continued

The main foreign currency exchange rates used in the financial statements to consolidate the overseas subsidiaries are as follows:

	Closing rate		Average rate	
	2010	2009	2010	2009
US Dollar	1.51	1.65	1.58	1.61
Euro	1.23	1.18	1.14	1.17
Danish Krone	9.20	8.76	8.47	8.75

l) Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic life of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the income statement. Operating lease rentals are charged to the income statement in equal amounts over the lease term.

m) Retirement benefit costs

The Company makes contributions to a defined contribution plan for Directors and employees. The amount charged to the income statement in respect of pension costs is the contributions payable in the year.

n) Share-based payments

The Group operates an equity-settled, share-based compensation plan together with a Long Term Incentive Plan (LTIP). The fair value of the services received is determined by the fair value of the options and shares granted which in turn is recognised as an employee expense with a corresponding increase in equity. The fair value of options and shares are measured at the grant date using the Black-Scholes valuation model taking into account the terms and conditions of grant and the resulting fair value spread over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options and shares that eventually vest.

o) Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the Company's shareholders at the Annual General Meeting.

p) Segment reporting

A business segment is a group of assets and operations whose operating results are regularly reviewed by the Group's Board, and for which discrete financial information is available. A geographical business segment is engaged in providing services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

q) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

r) Research and development

An internally generated intangible asset arising from the Group's development is recognised only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. The amortisation charge is within total net operating expenses on the face of the income statement.

Where no internally generated asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

s) Holiday pay accrual

Employee benefit accruals are made in respect of holiday entitlements that have accrued to employees but have not been taken at the balance sheet date.

t) Adoption of new and revised IFRSs

During the year the Group has adopted the following new standards:

- IAS 1 Presentation of Financial Statements (revised 2007). IAS 1, 'Presentation of Financial Statements (revised 2007)' introduces the possibility of either a single Consolidated Statement of Comprehensive Income (combining the Income Statement and a Statement of Comprehensive Income) or to retain the Income Statement with a supplementary Statement of Comprehensive Income. The second option has been adopted by Group NBT plc. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the Group.
- Revised IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2009). This revision was endorsed by the EU on 15 June 2009. This revision requires prospective application and may result in acquisition costs being recognised immediately in the Consolidated Statement of Comprehensive Income, intangible assets being recognised even when it cannot be reliably measured, and the option to gross up the balance sheet for goodwill attributable to minority interests. This will be applicable in the future if the Group were to make any further acquisitions.
- Amendment to IAS 27 Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009). This amendment was endorsed by the EU on 15 June 2009. This amendment requires prospective application and could result in a change in differences where acquisitions or disposals of subsidiaries are made in stages. This could be applicable if the Company made piecemeal acquisitions or disposals in the future, which is not currently anticipated.

None of the other new standards, interpretations and amendments, also effective for the first time from 1 July 2009, have had a material effect on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1 Accounting policies continued

General information continued

t) Adoption of new and revised IFRSs continued

Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 July 2010 and which the Group has decided not to adopt early.

- Improvements to IFRSs (2009) (effective for accounting periods beginning on or after 1 January 2010). This was endorsed by the EU on 23 March 2010. The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The Amendment changes IAS 38 to bring the guidance on the treatment of intangible assets acquired as part of a business combination in line with the requirements of IFRS 3(R) and to clarify the description of valuation techniques used in the absence of an active market. This will be applicable in the future if the Group were to make any further acquisitions, which is not currently anticipated.
- Improvements to IFRSs (2010) (effective for accounting periods beginning on or after 1 January 2011). The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The changes include amendments to IFRS 3 (Revised 2008) Business combinations, which will be applicable in the future if the Group were to make any further acquisitions, which is not currently anticipated.
- Classification of Rights Issues (Amendment to IAS 32) (effective for accounting periods beginning on or after 1 February 2010). This amendment was endorsed by the EU on 27 December 2009. This Amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the Amendment requires that, provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This will be applicable in the future if the Group were to undertake a rights issue, which is not currently anticipated.
- Revised IAS 24 Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011). This revision was endorsed by the EU on 19 July 2010. The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. This will be applicable in the future if the Company were to make any related party transactions, which is not currently anticipated.
- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2013). IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: classification and measurement; impairment; and hedge accounting. As each phase is completed, it will delete the relevant portions of IAS 39 and create new chapters in IFRS 9. This will be applicable in the future to the Group's measurement and classification of financial instruments.

None of the other changes are considered to have a material effect on the Group's financial statements.

2 Critical accounting estimates and judgements

In preparing the Consolidated Financial Statements, management has to make judgements on how to apply the Group's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the Consolidated Financial Statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

Acquisitions

When acquiring a business, the Directors have to make judgements and best estimates about the fair value allocation of the purchase price and seek appropriate competent and professional advice before making any such allocations.

Determination of fair values of intangible assets acquired in business combinations

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the Consolidated Income Statement. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Deferred tax on business combinations

The recognition of a deferred tax asset in respect of trading losses is based on the assessment of future profits around which there is always a degree of uncertainty.

Impairment reviews

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11). The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes (note 8). There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Useful lives of intangible assets and property, plant and equipment

Intangible assets are amortised and property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

2 Critical accounting estimates and judgements continued

Share-based payments

The Group has four equity-settled share-based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of shares and share options is estimated by using the valuation model, Black-Scholes, on the date of grant based on certain assumptions. Those assumptions are described in note 21 and include, among others, the dividend growth rate, expected volatility, expected continued employment, expected life of the options and number of options expected to vest. More details including carrying values are disclosed in note 21. The charge recognised in future periods in respect of these schemes will vary if changes are made in respect of the estimates for the rate of lapse of the options.

Deferred tax on share options

The deferred tax asset on shares and share option charges is affected by the difference between the grant price of the shares and share options and the market price of the Company's shares at the accounting year end. If the market value of the shares at the date of exercise were to be lower than the market value at the accounting year end, the amount of tax relief obtained would be less than anticipated in the deferred tax calculations.

3 Segmental analysis

At present the Group's activities are operated largely through a common infrastructure and support functions and therefore in the opinion of the Directors its activities constitute one operating segment through which it provides its services.

The Group reviews the operating performance of the business by revenue from each of its following services: domain name services – management of corporate domain name portfolios; managed hosting services – dedicated hosting solutions for SMEs; reseller services – white-labelled domain name registration services for ISPs and other intermediaries; online services – domain names, email and shared hosting; and brand protection services – monitoring the Internet for brand abuse, fraud, piracy and counterfeiting.

	2010 £'000	2009 £'000
REVENUE BY SERVICE		
Corporate domain names	20,300	19,341
Managed hosting	6,397	5,969
Reseller	8,468	7,763
Online	7,084	7,121
Brand protection	1,672	1,331
	43,921	41,525
Gross profit	32,331	30,406
Underlying operating profit*	8,109	6,740
Net finance income/(expense)	40	(13)
Underlying profit before tax**	8,149	6,727
Restructuring costs	—	(760)
Amortisation	(962)	(942)
Profit before taxation	7,187	5,025

* Underlying operating profit is defined as operating profit excluding amortisation and restructuring costs.

** Underlying profit before tax is defined as pre-tax profit excluding amortisation and restructuring costs.

The assets and liabilities of the Group cannot be allocated to the above segments. For internal reporting purposes balance sheets are not split into segments.

The Group operates in three main geographic areas: UK, other European countries and the USA. Revenue, profit before tax and non-current assets by origin of geographical segment are as follows:

	Revenue		Profit before tax		Non-current assets	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
UK	22,438	21,872	4,664	2,746	11,955	12,577
Other European countries	19,211	17,734	2,013	1,620	20,425	22,103
USA	2,272	1,919	510	659	59	71
	43,921	41,525	7,187	5,025	32,439	34,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4 Operating profit

Operating profit is stated after charging:

	2010 £'000	2009 £'000
Share-based payments	98	171
Research and development	713	848
Depreciation of owned assets	1,525	1,632
Other intangibles amortisation	962	942
Operating lease rentals		
– land and buildings	957	922
– other	39	68
Auditors' remuneration		
– subsidiaries audit fee	137	121
– Company audit fee	15	15
– taxation services	63	60
– other services	4	18
Foreign exchange gains	222	309
Group restructuring		
– redundancy costs	—	21
– software integration	—	655
– legal and professional	—	84

The Group restructuring costs have arisen as a direct result of acquisitions and integration of the Group's IT infrastructure.

5 Information regarding employees

Staff costs (including Directors' emoluments) incurred in the year were as follows:

	2010 £'000	2009 £'000
Wages and salaries	14,502	14,655
Social security costs	1,208	1,238
Share-based payments	98	171
Pension costs	400	318
	16,208	16,382

Average number of employees during the year:

	2010 Number	2009 Number
Administrative	48	50
Operational	239	234
	287	284

	2010 £'000	2009 £'000
Directors' emoluments	526	749
Compensation for loss of office	—	175
Share-based payments	49	91
Pension costs	13	36
	588	1,051

Emoluments of highest paid Director:

Emoluments	284	279
Gain made on exercise of share options	1,305	295

Directors' emoluments are detailed, by Director, in the Directors' Remuneration Report on page 9, and this information includes the payments made to the personal pension scheme of the Directors.

6 Finance income

	2010 £'000	2009 £'000
Bank interest	69	99
Other interest	12	29
	81	128

7 Finance expense

	2010 £'000	2009 £'000
Bank loan interest payable	37	136
Other interest payable	4	5
	41	141

8 Taxation**a) Analysis of tax expense**

	2010 £'000	2009 £'000
CURRENT TAX		
Current year tax	1,439	1,107
Adjustment in respect of prior periods	78	(126)
Total current tax expense	1,517	981
DEFERRED TAX		
Origination and reversal of temporary differences	297	158
Adjustment in respect of prior period losses	(148)	(78)
Total deferred tax expense	149	80
Total tax expense (note 8b)	1,666	1,061

b) Tax expense reconciliation

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2010 £'000	2009 £'000
Profit before taxation	7,187	5,025
Profit before taxation multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	2,012	1,406
EFFECTS OF:		
Expenses not deductible for tax purposes	(45)	(16)
Unrecognised losses created in the year	322	152
Losses recognised in the year	(5)	(38)
Overseas tax reliefs	(535)	(193)
Difference in overseas tax rates	(13)	(46)
Adjustment to prior year tax charge	(70)	(204)
Total tax expense (note 8a)	1,666	1,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9 Dividends

	2010 £'000	2009 £'000
Final paid of 2.0 pence (2009: 1.6 pence) per share – relating to previous year's results	517	406
Interim paid of 1.4 pence (2009: 1.0 pence) per share	362	253
Dividends paid in the year	879	659

The Board of Directors has proposed the payment of a final dividend of 2.8 pence (2009: 2.0 pence) per share which is payable on 14 January 2011 to shareholders on the register at 3 December 2010, subject to approval by shareholders at the Annual General Meeting on 25 November 2010.

10 Earnings per share

The basic and diluted earnings per share for the year ended 30 June 2010 are based on the profit for the year attributable to ordinary shareholders, of £5,521,000 (2009: £3,964,000) and on the weighted average number of shares of 25,705,000 (2009: 25,279,000).

An adjusted earnings per share has also been presented in addition to the earnings per share and is based on earnings adjusted to eliminate the effects of amortisation and restructuring costs. It has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the Group.

The basis of the calculation of the basic and diluted profit per share is set out below:

	2010 £'000	2009 £'000
Profit attributable to ordinary shareholders	5,521	3,964
Amortisation of intangible assets (net of tax)	716	701
Restructuring costs (net of tax)	—	560
Profit attributable to ordinary shareholders before amortisation and restructuring costs	6,237	5,225

Weighted average and adjusted weighted average number of ordinary shares:

	Number 000s	Number 000s
Shares used for basic earnings per share	25,705	25,279
Effect of dilutive share options	599	625
Shares used for diluted earnings per share	26,304	25,904

Earnings per share:

	Basic		Diluted	
	2010 pence	2009 pence	2010 pence	2009 pence
Earnings per share	21.48	15.68	20.99	15.30
Amortisation of intangible assets (net of tax)	2.79	2.77	2.72	2.71
Restructuring costs (net of tax)	—	2.22	—	2.16
Adjusted earnings per share	24.27	20.67	23.71	20.17

At 30 June 2010, there were 483,000 (2009: 1,751,000) potentially dilutive share options which have not been included above as they do not affect the earnings per share, on the basis that they are not currently dilutive.

11 Goodwill and intangible assets

	Goodwill £'000	Domain names £'000	Technology £'000	Other intangibles £'000	Total £'000
COST					
At 1 July 2009	28,598	31	1,215	3,678	33,522
Adjustment to deferred consideration (note 18)	(137)	—	—	—	(137)
Foreign exchange movements	(938)	—	(27)	(145)	(1,110)
AT 30 JUNE 2010	27,523	31	1,188	3,533	32,275
AMORTISATION					
At 1 July 2009	—	5	466	1,843	2,314
Provided in year	—	2	211	749	962
Foreign exchange movements	—	—	(24)	(119)	(143)
AT 30 JUNE 2010	—	7	653	2,473	3,133
NET BOOK VALUE					
AT 30 JUNE 2010	27,523	24	535	1,060	29,142
Cost					
At 1 July 2008	27,430	31	1,149	3,331	31,941
Adjustment to deferred consideration (note 18)	(204)	—	—	—	(204)
Foreign exchange movements	1,372	—	66	347	1,785
At 30 June 2009	28,598	31	1,215	3,678	33,522
Amortisation					
At 1 July 2008	—	3	222	916	1,141
Provided in year	—	2	207	733	942
Foreign exchange movements	—	—	37	194	231
At 30 June 2009	—	5	466	1,843	2,314
Net book value					
At 30 June 2009	28,598	26	749	1,835	31,208

Other intangibles include customer lists and non-compete agreements.

Goodwill impairment tests

During the year, goodwill was reviewed for impairment in accordance with the Group's accounting policy. Goodwill was allocated to individual cash generating units based on the Group's operations and the carrying value of each unit is set out below:

	2010 £'000	2009 £'000
UK	8,753	8,889
Other European countries	18,770	19,709
	27,523	28,598

The recoverable amounts of the cash generating units were determined from value-in-use calculations. These calculations were based on cash flow projections from approved budgets and forecasts, past performance and management's expectations of future performance of the relevant cash generating units which cover a five-year period. Other key assumptions used in these calculations were the discount rate applied to future cash flows, 10% (2009: 10%) and a future perpetuity rate of 3% (2009: 1% to 3%). As a result of these tests, no impairment provisions are considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12 Property, plant and equipment

	Computer equipment £'000	Fixtures fittings and equipment £'000	Leasehold improvements £'000	Total £'000
COST				
At 1 July 2009	7,599	2,031	410	10,040
Additions	1,181	20	10	1,211
Re-allocation	1,255	(1,255)	—	—
Exchange differences	(52)	(4)	(2)	(58)
AT 30 JUNE 2010	9,983	792	418	11,193
DEPRECIATION				
At 1 July 2009	6,322	970	216	7,508
Provided in year	1,383	92	50	1,525
Re-allocation	351	(351)	—	—
Exchange differences	(47)	(4)	(2)	(53)
AT 30 JUNE 2010	8,009	707	264	8,980
NET BOOK VALUE				
AT 30 JUNE 2010	1,974	85	154	2,213
Cost				
At 1 July 2008	6,336	1,869	361	8,566
Additions	1,249	158	45	1,452
Disposals	(10)	(28)	—	(38)
Exchange differences	24	32	4	60
At 30 June 2009	7,599	2,031	410	10,040
Depreciation				
At 1 July 2008	4,955	800	150	5,905
Disposals	(10)	(28)	—	(38)
Provided in year	1,352	214	66	1,632
Exchange differences	25	(16)	—	9
At 30 June 2009	6,322	970	216	7,508
Net book value				
At 30 June 2009	1,277	1,061	194	2,532

The re-allocation of fixed assets was to re-align the type of fixed asset to the appropriate category.

13 Investments

All subsidiaries have been included in the consolidation. Details of the principal subsidiary undertakings at 30 June 2010 are as follows:

	Country of incorporation and operation	Proportion of voting equity held
NetBenefit (UK) Limited	UK	100%
NetNames Limited*	UK	100%
Easily Limited	UK	100%
NetNames Inc.*	USA	100%
Eurl Group NBT France	France	100%
Group NBT A/S	Denmark	100%
Ascio Technologies Inc.*	USA	100%
Ascio Technologies GmbH*	Germany	100%
Speednames AB*	Sweden	100%
Speednames GmbH*	Germany	100%
Speednames AS*	Norway	100%
Speednames GmbH*	Switzerland	100%
Speednames Technology Holding ApS*	Denmark	100%
Speednames A/S*	Denmark	100%
Envisional Limited*	UK	100%

* These investments are not held directly by the ultimate holding company.

All of the above companies are involved in the provision of domain name, hosting, brand protection or other internet related services.

14 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	3,170	4,752
Other receivables	299	285
Prepayments and accrued income	2,491	1,842
	5,960	6,879

All amounts shown under receivables fall due for payment within one year. The fair values of trade and other receivables are the same as the book values as credit risk has been addressed as part of impairment provisioning and due to the short nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates.

15 Deferred tax

Deferred tax has been calculated at 28% (2009: 28%) in respect of UK companies and at the appropriate rate for foreign companies.

The Group only recognises deferred tax assets to the extent that future taxable profits will be available to allow all or part of the asset to be recovered.

The movement in the deferred tax account is shown below:

	2010 £'000	2009 £'000
ASSETS		
At 1 July	1,011	1,050
Prior period adjustment	148	78
Movements taken to reserves	229	27
Foreign exchange movements	(7)	14
Origination and reversal of temporary differences	(297)	(158)
AT 30 JUNE	1,084	1,011
This amount is represented by:		
Excess depreciation over capital allowances	478	396
Short term temporary differences	234	337
Intangibles	(385)	(668)
Tax deductible goodwill	354	502
Unrelieved trading losses	212	102
Share option relief	191	342
AT 30 JUNE	1,084	1,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 Deferred tax continued

Deferred tax assets and liabilities have been netted off as the Directors believe the unwinding of the deferred tax liability to be at the same time and in the same jurisdiction as the deferred tax assets.

The Group had potential deferred tax assets that were not recognised at 30 June 2010 as the timing of the relief could not be assessed with sufficient certainty and a proportion of the tax losses have yet to be agreed with the appropriate revenue authority. The unrecognised amounts shown below are the gross temporary differences, not their value in tax terms.

	2010 £'000	2009 £'000
Excess depreciation over capital allowances	1,016	2,059
Short term timing differences	337	708
Unrelieved trading losses	9,329	11,258
	10,682	14,025

16 Trade and other payables

	2010 £'000	2009 £'000
Trade payables	1,384	1,409
Other taxation and social security taxes	1,423	1,993
Other payables	616	1,452
Accruals and deferred income	8,925	8,401
	12,348	13,255

Settlement of trade and other payables is in accordance with our terms of trade established with our suppliers. The fair values of trade and other payables are the same as the book values and due to the short-term nature of the amounts payable, they are not subject to ongoing fluctuations in market rates.

17 Loans and borrowings

	2010 £'000	2009 £'000
CURRENT: Secured bank loan	983	983
NON-CURRENT: Secured bank loan	991	1,974
	1,974	2,957

Bank loan

On 16 January 2007, a five-year term bank loan of £5,000,000 was arranged and drawn down in connection with the acquisition of Group NBT A/S. The loan bears interest based on LIBOR which for the year was at an average rate of 1.60% (2009: 3.90%); and is secured by a fixed and floating charge over the Group's assets and will be repaid by equal amounts over the loan term. The maturity of the bank loan is shown in note 19(iii).

In the above table, loans are stated net of unamortised issue costs of £26,208 (2009: £43,208). The Group has charged to the Consolidated Income Statement issue costs of £17,000 (2009: £17,000) in respect of these facilities. These costs are allocated to the income statement over the term of the facility at a constant rate on the carrying amount.

18 Provision

The provision relates to a deferred contingent consideration arising in connection with the acquisition of Envisional Solutions Limited on 10 July 2007.

	2010 £'000	2009 £'000
Balance 1 July 2009	284	643
Amounts paid	(147)	(155)
Adjustment to deferred consideration	(137)	(204)
BALANCE AT 30 JUNE 2010	—	284

Of the above amount which was based on achieving revenue targets, £147,000 has been earned and was paid in March 2010. This was determined to be the final settlement of deferred contingent consideration in relation to the acquisition of Envisional Solutions Limited, therefore the remaining provision relating to the deferred contingent consideration has been released during the year.

19 Financial instruments

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Group's financial instruments at 30 June 2010 comprised: trade and other receivables; cash and cash equivalents; loans and borrowings; trade and other payables.

Fair value of financial instruments

All the Group's financial instruments are carried at amortised cost.

The Group believes that there is no material difference between the book and fair value of its financial instruments, in the current or prior year, due to the instruments bearing interest at floating rates or being of short-term nature.

General objectives, policies and procedures

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies, to the Executive Directors and senior management.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible, without unduly affecting the Group's competitiveness and flexibility.

i) Credit risk

Credit risk refers to the possibility that a financial loss will occur as a result of a customers' inability to meet its financial obligations.

Credit risk arises principally from the Group's trade and other receivables. Potential customers are subjected to credit verification procedures before credit terms are granted. The quality of existing debt which has not been provided for is considered to be collectable and procedures are in place to monitor trade receivables on an ongoing basis to minimise exposure to bad debts. Trade receivables are only written-off once all methods of collection have been exhausted.

The maximum exposure to credit risk is the trade receivable balance at the year end. The Group has no significant exposure to large or key customers.

Loans and receivables are summarised as follows:

	Trade receivables		Cash and cash equivalents	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Up to 30 days	1,870	1,757	13,443	8,157
Past due but not impaired:				
30 to 90 days	1,179	2,056	—	—
More than 90 days	800	1,709	—	—
Gross	3,849	5,522	13,443	8,157
Less: allowance for impairment	(679)	(770)	—	—
Net	3,170	4,752	13,443	8,157
			2010 £'000	2009 £'000
Opening balance			770	1,216
Increase in provisions			39	107
Written-off amounts			(130)	(417)
Recovered amounts reversed			—	(136)
Closing balance			679	770

ii) Market risk

Market risk refers to fluctuations in interest rates and exchange rates.

a) Interest rate risk

The Group analyses the interest rate exposure on a quarterly basis and analyses the sensitivity of the net result for the year to a reasonable possible change in interest rates of +1% and -1%. The impact on the income and net assets of a 1% change would be £112,000 (2009: £7,000). The gain or loss potential is then compared to the limits determined by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19 Financial instruments continued

General objectives, policies and procedures continued

ii) Market risk continued

b) Currency risk

The Group has overseas subsidiaries, which operate in Continental Europe and the USA. Their activities and net assets are denominated in the functional currencies of the operating units. The Group's principal exposure to exchange rate fluctuations arises on translation of the overseas net assets and results into Sterling for accounting purposes. In addition the Group as a whole is exposed to transactions which give rise to foreign exchange risk. The Group reviews its exposure on an on-going basis. The foreign currency monetary assets and liabilities are as follows:

	Sterling £'000	US Dollar £'000	Euro £'000	Other European currencies £'000	Total £'000
AS AT 30 JUNE 2010					
Trade and other receivables	1,623	572	745	529	3,469
Cash and cash equivalents	5,940	240	1,799	5,464	13,443
Trade and other payables	(3,437)	(1,911)	(1,081)	(2,052)	(8,481)
Bank loans	(1,974)	—	—	—	(1,974)
	2,152	(1,099)	1,463	3,941	6,457
As at 30 June 2009					
Trade and other receivables	2,577	749	1,087	624	5,037
Cash and cash equivalents	4,788	269	804	2,296	8,157
Trade and other payables	(3,447)	(1,423)	(1,552)	(1,699)	(8,121)
Bank loans	(2,957)	—	—	—	(2,957)
Provision	(284)	—	—	—	(284)
	677	(405)	339	1,221	1,832

The Group's currency exposures are in part minimised as natural hedging occurs through costs and revenues incurred in the same currency. The exposures that arise give rise to net currency gains and losses which are recognised in the Consolidated Income Statement. Such exposures reflect the monetary assets and liabilities of the Group that are not denominated in the operating or functional currency of the operating unit involved. At 30 June 2010 and 30 June 2009, these exposures are immaterial to the Group.

If exchange rates had moved by +10% or -10% over and above the rates at the year end, the change in monetary assets and liabilities would be £430,000 (2009: £115,000).

iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn.

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably, by the use of medium-term and long-term facilities. At the balance sheet date all borrowing facilities were held with the Bank of Scotland. The Group believes that there is a low likelihood on there being an immediate call on its liabilities.

The table below analyses the Group's financial liabilities by remaining contractual maturities, at the balance sheet date, and financial assets which mitigate liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
AT 30 JUNE 2010					
Trade and other receivables	3,428	41	—	—	3,469
Cash and cash equivalents	13,443	—	—	—	13,443
Trade and other payables	(4,861)	(3,037)	(583)	—	(8,481)
Bank loans	(492)	(491)	(991)	—	(1,974)
	11,518	(3,487)	(1,574)	—	6,457
At 30 June 2009					
Trade and other receivables	4,888	149	—	—	5,037
Cash and cash equivalents	8,157	—	—	—	8,157
Trade and other payables	(4,260)	(3,326)	(415)	(120)	(8,121)
Bank loans	(491)	(492)	(1,974)	—	(2,957)
Provision	—	(284)	—	—	(284)
	8,294	(3,953)	(2,389)	(120)	1,832

19 Financial instruments continued

General objectives, policies and procedures continued

iv) Capital

As described in note 1j, the Group considers capital to comprise its ordinary share capital, share premium and accumulated retained earnings. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. The Group considers the appropriate type of funding according to its requirements.

20 Called up share capital

	2010 Number	2009 Number	2010 £'000	2009 £'000
AUTHORISED ORDINARY SHARES OF 1 PENCE EACH				
At 1 July 2009 and 30 June 2010	40,000,000	40,000,000	400	400
ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 1 PENCE EACH				
At 1 July 2009	25,350,860	25,144,360	254	251
Share options exercised	530,500	206,500	5	3
At 30 June 2010	25,881,360	25,350,860	259	254

During the year, 530,500 shares (2009: 206,500) were issued following the exercise of share options at exercise prices ranging from £0.01 to £2.75 (2009: £0.01 to £0.25), for a total consideration of £293,065 (2009: £51,025). All shares issued during the year have the same rights, preferences and restrictions as those relating to the ordinary shares still in issue.

Reserves

The following describes the nature and purpose of each reserve within capital and reserves:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	The premium on shares issued where the Company has taken advantage of the merger relief provisions on the acquisition of subsidiaries
Other reserve	Amounts arising from share-based payments charge on employee share options, and in respect of options issued in connection with acquisitions
Currency translation	Gains and losses arising on retranslating the net assets of overseas operations into Sterling
Retained profit	Cumulative net gains and losses recognised in the Consolidated Income Statement

21 Share-based payments

The Group has a number of employee schemes as shown below. As at the date of transition to IFRS all options granted after 7 November 2002 had vested and therefore were not required to be accounted for in accordance with IFRS 2 Share-based payments.

The Group operates an Enterprise Management Incentive Plan (EMI), an Inland Revenue Approved Scheme, an Unapproved Scheme, and a Long Term Incentive Plan (LTIP).

The EMI Plan is an HM Revenue and Customs approved discretionary director and employee share option scheme. All options under this scheme have vested and no grants have been made since March 2007.

The Unapproved Scheme exists for grants to Directors and key management where the value of the options granted is in excess of the EMI scheme limits or where options cannot be granted under the EMI scheme. There are no performance conditions attached to the grant of options save for the vesting periods.

The Group also has options outstanding under an HM Revenue and Customs Approved Scheme. No grants have been made under this scheme since September 2000.

The details of outstanding share options over ordinary shares of the Parent company are set out below. All option agreements are for a ten-year period. All of the options listed below had vested and were exercisable by 30 June 2010.

The LTIP has been issued to certain Directors and senior employees. The LTIP awards of ordinary shares of 1 pence each have a vesting period of three years from grant and will be released to the participants at the end of the vesting period for nil consideration, subject to their continued employment and to the achievement of performance targets related to growth in the Company's earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Share-based payments continued

Enterprise Management Incentive Plan

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
30 June 2003	0.25	450,000	—	450,000	—	—	—
22 August 2003	0.01	9,000	—	6,500	—	2,500	2,500
7 April 2004	0.01	6,500	—	—	—	6,500	6,500
10 April 2006	1.30	38,610	—	—	—	38,610	38,610
26 March 2007	3.14	62,000	—	—	—	62,000	62,000
		566,110	—	456,500	—	109,610	109,610

Weighted average exercise price (£)

2010:	0.63	—	0.25	—	2.23	2.23
2009:	0.54	—	0.25	—	0.63	0.63

The weighted average share price at the date of exercise for the options exercised was £3.14 (2009: £1.86). The total charge for the year relating to the scheme was nil (2009: nil).

Unapproved Scheme

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
30 June 2003	0.25	105,000	—	—	—	105,000	105,000
10 April 2006	1.30	100,000	—	—	—	100,000	100,000
26 March 2007	3.14	218,000	—	—	—	218,000	218,000
18 July 2007	3.03	200,000	—	—	—	200,000	200,000
22 July 2008	2.29	325,000	—	50,000	—	275,000	275,000
		948,000	—	50,000	—	898,000	898,000

Weighted average exercise price (£)

2010:	2.31	—	2.29	—	2.31	2.31
2009:	2.25	2.29	0.25	2.50	2.31	2.31

The weighted average share price at the date of exercise for the options exercised was £2.94 (2009: £2.38). The total charge for the year relating to the scheme was nil (2009: £171,000).

Approved Scheme

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
18 September 2000	4.55	2,708	—	—	—	2,708	2,708

Long Term Incentive Plan

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
6 November 2009	—	—	150,775	—	—	150,775	—

The total charge for the year relating to the plan was £98,000 (2009: nil).

21 Share-based payments continued

The fair value of the options granted under the unapproved scheme during the current and prior year was calculated using the Black-Scholes model as follows:

	Options issued in year	
	2010	2009
Share price	—	£2.29
Expected life (years)	—	3.00
Strike price	—	£2.29
Volatility	—	31.5%
Dividend yield	—	1.0%
Risk free interest rate	—	4.5%
Fair value of each option at measurement date	—	£0.57

The volatility assumption is based upon a statistical analysis of daily share prices over a period of between two and three years. The expected life of options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Directors' share options are set out in the Directors' Remuneration Report and total 612,610 (2009: 1,062,610).

The fair value of the LTIPs awarded during the current year was calculated using the Black-Scholes model as follows:

	LTIPs awarded in year	
	2010	2009
Share price	£3.04	—
Expected life (years)	3.00	—
Strike price	£0.00	—
Volatility	n/a	—
Dividend yield	1.2%	—
Risk free interest rate	n/a	—
Fair value of each option at measurement date	£2.93	—

Directors' shares are set out in the Directors' Remuneration Report and total 75,914 (2009: nil).

Other share-based payments

The Group committed to grant 1,000,000 options at an exercise price of £2.75 per share, vesting immediately and exercisable over a five-year term, on 16 January 2007 as part of the consideration in connection with the acquisition of Group NBT A/S. The total fair value of these options, £423,000 was calculated using the Black-Scholes model and was included as part of the cost of investment. At 30 June 2010, 918,000 (2009: 946,000) options were in existence. During the year 24,000 options were exercised at £2.75 with a total consideration of £66,000. A further 2,000 options lapsed during the year.

22 Operating lease commitments

At 30 June 2010 the Group had the following operating lease commitments:

	2010 £'000	2009 £'000
LAND AND BUILDINGS		
In one year or less	985	943
Between one and five years	1,654	2,163
In five years or more	—	102
	2,639	3,208
OTHER		
In one year or less	24	31
Between one and five years	11	38
In five years or more	—	—
	35	69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 Contingent liabilities

At 30 June 2010, the Group had contingent liabilities in respect of the following:

- standby letters of credit and credit guarantees to domain name registries of £46,000 (2009: £61,000);
- amounts held in lieu of rent deposits for premises of £171,000 (2009: £194,000); and
- bank guarantee covering deductions of tax for employees in Norway of £26,000 (2009: £23,000).

24 Cash and cash equivalents

	Cash available on demand £'000	Cash on treasury deposit £'000	Total £'000
At 1 July 2009	4,428	3,729	8,157
Cash flow	8,814	(3,528)	5,286
AT 30 JUNE 2010	13,242	201	13,443

Cash on treasury deposit is held for periods up to six weeks.

25 Related parties

All transactions with subsidiary undertakings have been eliminated on consolidation. There are no transactions with external related parties. Key management personnel remuneration is disclosed in note 5.

COMPANY BALANCE SHEET

AS AT 30 JUNE 2010

	Notes	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	6	1,072	1,224
Investments	7	26,779	26,916
		27,851	28,140
CURRENT ASSETS			
Debtors	8	2,184	6,038
Cash at bank and in hand		6,568	4,530
		8,752	10,568
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(13,070)	(13,665)
NET CURRENT LIABILITIES		(4,318)	(3,097)
TOTAL ASSETS LESS CURRENT LIABILITIES		23,533	25,043
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(991)	(1,974)
PROVISION FOR LIABILITIES	12	—	(284)
NET ASSETS		22,542	22,785
CAPITAL AND RESERVES			
Called up share capital	13	259	254
Share premium account	15	3,824	3,536
Merger reserve	15	12,098	12,098
Other reserve	15	1,124	1,026
Profit and loss account	15	5,237	5,871
SHAREHOLDERS' FUNDS	16	22,542	22,785

These financial statements were approved by the Board of Directors and authorised for issue on 22 September 2010.

Signed on behalf of the Board of Directors

Geoff Wicks
Chief Executive Officer

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 Accounting policies

Basis of preparation

These Financial Statements present financial information for Group NBT plc as a separate entity, and have been prepared in accordance with the historical cost convention, the Companies Act 2006 and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice). The Company's consolidated financial statements, prepared in accordance with IFRSs as adopted by the European Union, are separately presented. The principal accounting policies adopted in these Company Financial Statements are set out below and, unless otherwise indicated, have been consistently applied for all periods presented.

In accordance with FRS 18 Accounting Policies, the Directors have reviewed the accounting policies of the Company as set out below and consider them to be appropriate.

The principal accounting policies are:

Share-based payments

When shares and share options are granted to employees a charge is made to the profit and loss account and a reserve created in capital and reserves to record the fair value of the awards at the date of grant in accordance with FRS 20 Share-based payment. This charge is spread over the vesting period. When shares and share options are granted to employees of subsidiary companies, the fair value of the awards is treated as a capital contribution, increasing the cost of the investment and spread over the period of performance relating to the grant. The corresponding entry is made in reserves.

Revenue

Revenue is the total amount receivable by the Company for management and other services provided to other Group companies, excluding VAT, and is recognised on performance of these services.

Tangible fixed assets

Depreciation is provided on tangible fixed assets at the rates calculated to write-off the cost of each asset evenly over its expected useful life as follows:

- computer equipment – 2 to 4 years
- fixtures, fittings and equipment – 3 years
- leasehold improvements – over the period of the lease

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value. Where applicable, the Company takes advantage of merger relief, recording the investment in the Company's balance sheet at the fair value of the shares issued, with any premium included within the merger reserve.

Impairment of fixed assets

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of its net realisable value and value in use.

Pension costs

Contributions to the Company personal pension scheme are charged to the profit and loss account in the period in which they become payable. The Company does not operate any defined benefit pension plans.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Equity dividends

Final dividends are recognised in the Company's financial statements in the period in which the dividends are approved by shareholders. Interim equity dividends are recognised in the period they are paid.

2 Result for the financial year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements.

The Company profit for the year ended 30 June 2010 under UK GAAP was £181,000 (2009: profit £3,883,000).

Fees paid to BDO LLP and its associates for audit and other services to the Company itself are not disclosed in the individual accounts of Group NBT plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

3 Information regarding employees

Staff costs (including Directors' emoluments) incurred in the year were as follows:

	2010 £'000	2009 £'000
Wages and salaries	6,821	7,300
Social security costs	753	751
Share-based payments	98	171
Pension costs	113	113
	7,785	8,335

Staff costs for the UK based employees, except those for employed by Envisional Limited, are shown above. Appropriate recharges are made to the UK subsidiary undertakings to reflect staff costs incurred by those undertakings.

4 Directors

The remuneration of Directors is set out below:

	2010 £'000	2009 £'000
Directors' emoluments	526	749
Compensation for loss of office	—	175
Share-based payments	49	91
Pension costs	13	36
	588	1,051
Emoluments of highest paid Director:		
Emoluments	284	279
Gain made on exercise of share options	1,305	295

Directors' emoluments are detailed, by Director, in the Directors' Remuneration Report on page 9 and this information includes the payments made to the personal pension scheme of the Directors.

5 Dividends

	2010 £'000	2009 £'000
Final paid of 2.0 pence (2009: 1.6 pence) per share – relating to previous year's results	517	406
Interim paid of 1.4 pence (2009: 1.0 pence) per share	362	253
Dividends paid in the year	879	659

The Board of Directors has proposed the payment of a final dividend of 2.8 pence (2009: 2.0 pence) per share which is payable on 14 January 2011 to shareholders on the register at 3 December 2010, subject to approval by shareholders at the Annual General Meeting on 25 November 2010.

6 Tangible fixed assets

	Computer equipment £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Total £'000
COST				
At 1 July 2009	1,989	295	152	2,436
Additions	337	5	—	342
AT 30 JUNE 2010	2,326	300	152	2,778
DEPRECIATION				
At 1 July 2009	897	240	75	1,212
Provided during year	444	35	15	494
AT 30 JUNE 2010	1,341	275	90	1,706
NET BOOK VALUE				
AT 30 JUNE 2010	985	25	62	1,072
At 30 June 2009	1,092	55	77	1,224

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

7 Investments

	Shares in subsidiary undertakings £'000
COST	
At 1 July 2009	47,460
Adjustment to deferred consideration	(137)
AT 30 JUNE 2010	47,323
PROVISION	
AT 1 JULY 2009 AND 30 JUNE 2010	20,544
NET BOOK VALUE	
AT 30 JUNE 2010	26,779
At 30 June 2009	26,916

Details of the principal subsidiary undertakings at 30 June 2010 are as follows:

	Country of incorporation and operation	Proportion of voting equity held
NetBenefit (UK) Limited	UK	100%
NetNames Limited*	UK	100%
Easily Limited	UK	100%
NetNames Inc.*	USA	100%
Eurl Group NBT France	France	100%
Group NBT A/S	Denmark	100%
Ascio Technologies Inc.*	USA	100%
Ascio Technologies GmbH*	Germany	100%
Speednames AB*	Sweden	100%
Speednames GmbH*	Germany	100%
Speednames AS*	Norway	100%
Speednames GmbH*	Switzerland	100%
Speednames Technology Holding ApS*	Denmark	100%
Speednames A/S*	Denmark	100%
Envisional Limited*	UK	100%

* These investments are not held directly by the ultimate holding company.

All of the above companies are involved in the provision of domain name, hosting, brand protection or other internet related services.

8 Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	1,418	5,617
Deferred tax asset (note 9)	63	52
Other receivables	409	136
Prepayments and accrued income	294	233
	2,184	6,038

The carrying amount of trade and other receivables approximates to their fair value. All amounts shown under receivables fall due for payment within one year.

9 Deferred tax asset

The Company has recognised deferred tax assets to the extent that they are expected to be relieved by future taxable profits. The assessment of the recognised deferred tax assets has been made with reference to all available evidence including budgets and forecasts. The recognised deferred tax assets are as follows:

	2010 £'000	2009 £'000
At 1 July 2009	52	1
Prior period adjustment	18	25
(Credit)/charge to profit and loss account	(7)	26
AT 30 JUNE 2010	63	52
This amount is represented by:		
Excess depreciation over capital allowances	55	46
Short-term timing differences	8	6
AT 30 JUNE 2010	63	52

The Company had potential deferred tax assets of £206,000 (2009: £178,000) that were not recognised at 30 June 2010 as the timing of the relief could not be assessed with sufficient certainty and a proportion of the tax losses has yet to be agreed with the UK revenue authority:

	2010 £'000	2009 £'000
Short-term timing differences	197	169
Unrelieved trading losses	9	9
	206	178

10 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank loan	983	983
Trade payables	328	300
Amounts owed to Group undertakings	10,435	10,814
Other taxation and social security	300	338
Other creditors	255	237
Accruals and deferred income	769	993
	13,070	13,665

The carrying amount of trade and other payables approximates to their fair value. Settlement of trade and other payables is in accordance with our terms of trade established with our suppliers.

11 Creditors: amounts falling due after more than a year

	2010 £'000	2009 £'000
Bank loan	991	1,974

On 16 January 2007, a five-year term bank loan of £5,000,000 was arranged for the acquisition of Group NBT A/S. The loan is secured by a fixed and floating charge over the Group's assets and will be repaid by equal amounts over the loan term.

12 Provisions

Deferred contingent consideration:

	2010 £'000	2009 £'000
At 1 July 2009	284	643
Amounts paid on acquisition of subsidiary	(147)	(155)
Adjustment to deferred consideration	(137)	(204)
AT 30 JUNE 2010	—	284

Of the above amount which was based on achieving revenue targets, £147,000 has been earned and was paid in March 2010. This was determined to be the final settlement of deferred contingent consideration in relation to the acquisition of Envisional Solutions Limited, therefore the remaining provision relating to the deferred contingent consideration has been released during the year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

13 Called up share capital

	2010 Number	2009 Number	2010 £'000	2009 £'000
AUTHORISED ORDINARY SHARES OF 1 PENCE EACH				
At 1 July 2009 and 30 June 2010	40,000,000	40,000,000	400	400
ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 1 PENCE EACH				
At 1 July 2009	25,350,860	25,144,360	254	251
Share options exercised	530,500	206,500	5	3
AT 30 JUNE 2010	25,881,360	25,350,860	259	254

During the year, 530,500 shares (2009: 206,500) were issued following the exercise of share options at exercise prices ranging from £0.01 to £2.75 (2009: £0.01 to £0.25), for a total consideration of £293,065 (2009: £51,025).

14 Share-based payments

The Company has a number of employee schemes as shown below and options were granted both before and after 7 November 2002, the applicable date from which FRS 20 Share-based payments became effective. As at 30 June 2005 all options granted after 7 November 2002 had vested and therefore were not required to be accounted for in accordance with FRS 20.

The Company operates an EMI Plan, an Inland Revenue Approved Scheme and an Unapproved Scheme.

The EMI Plan is an HM Revenue and Customs approved discretionary director and employee share option scheme. All options under this scheme have vested and no grants have been made since March 2007.

The Unapproved Scheme exists for grants to Directors and key management where the value of the options granted is in excess of the EMI scheme limits or where options cannot be granted under the EMI scheme. There are no performance conditions attached to the grant of options save for the vesting periods.

The Company also has options outstanding under an HM Revenue and Customs Approved Scheme. No grants have been made under this scheme since September 2000.

The details of outstanding share options over ordinary shares of the Parent company are set out below. All option agreements are for a ten-year period. All of the options listed below had vested and were exercisable by 30 June 2010.

The LTIP has been issued to certain Directors and senior employees. The LTIP awards of ordinary shares of 1 pence each have a vesting period of three years from grant and will be released to the participants at the end of the vesting period for nil consideration, subject to their continued employment and to the achievement of performance targets related to growth in the Company's earnings per share.

Enterprise Management Incentive Plan

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
30 June 2003	0.25	450,000	—	450,000	—	—	—
22 August 2003	0.01	9,000	—	6,500	—	2,500	2,500
7 April 2004	0.01	6,500	—	—	—	6,500	6,500
10 April 2006	1.30	38,610	—	—	—	38,610	38,610
26 March 2007	3.14	62,000	—	—	—	62,000	62,000
		566,110	—	456,500	—	109,610	109,610
Weighted average exercise price (£)							
2010:		0.63	—	0.25	—	2.23	2.23
2009:		0.54	—	0.25	—	0.63	0.63

The weighted average share price at the date of exercise for the options exercised was £3.14 (2009: £1.86). The total charge for the year relating to the scheme was nil (2009: nil).

14 Share-based payments continued**Unapproved Scheme**

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
30 June 2003	0.25	105,000	—	—	—	105,000	105,000
10 April 2006	1.30	100,000	—	—	—	100,000	100,000
26 March 2007	3.14	218,000	—	—	—	218,000	218,000
18 July 2007	3.03	200,000	—	—	—	200,000	200,000
22 July 2009	2.29	325,000	—	50,000	—	275,000	275,000
		948,000	—	50,000	—	898,000	898,000
Weighted average exercise price (£)							
2010:		2.31	—	2.29	—	2.31	2.31
2009:		2.25	2.29	0.25	2.50	2.31	2.31

The weighted average share price at the date of exercise for the options exercised was £2.94 (2009: £2.38). The total charge for the year relating to the scheme was nil (2009: £171,000).

Approved Scheme

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
18 September 2000	4.55	2,708	—	—	—	2,708	2,708

Long Term Incentive Plan

Date granted	Exercise price £	At 1 July 2009 outstanding	Granted	Exercised	Lapsed	At 30 June 2010 outstanding	At 30 June 2010 exercisable
6 November 2009	—	—	150,775	—	—	150,775	—

The total charge for the year relating to the plan was £98,000 (2009: nil).

The fair value of the options granted under the unapproved scheme during the current and prior year was calculated using the Black-Scholes model as follows:

	Options issued in year	
	2010	2009
Share price	—	£2.29
Expected life (years)	—	3.00
Strike price	—	£2.29
Volatility	—	31.5%
Dividend yield	—	1.0%
Risk free interest rate	—	4.5%
Fair value of each option at measurement date	—	£0.57

The volatility assumption is based upon a statistical analysis of daily share prices over a period of between two and three years. The expected life of options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Directors' share options are set out in the Directors' Remuneration Report and total 612,610 (2009: 1,062,610).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

14 Share-based payments continued

Long Term Incentive Plan continued

The fair value of the LTIPs awarded in the current year was calculated using the Black-Scholes model as follows:

	LTIPs awarded in year	
	2010	2009
Share price	£3.04	—
Expected life (years)	3.00	—
Strike price	£0.00	—
Volatility	n/a	—
Dividend yield	1.2%	—
Risk free interest rate	n/a	—
Fair value of each option at measurement date	£2.93	—

Directors' shares are set out in the Directors' Remuneration Report and total 75,914 (2009: nil).

Other share-based payments

The Company committed to grant 1,000,000 options at an exercise price of £2.75 per share, vesting immediately and exercisable over a five-year term, on 16 January 2007 as part of the consideration in connection with the acquisition of Group NBT A/S. The total fair value of these options, £423,000 was calculated using the Black-Scholes model and was included as part of the cost of investment. At 30 June 2010, 918,000 (2009: 946,000) options were in existence.

15 Statement of movements on reserves

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Profit and loss account £'000
At 1 July 2009	254	3,536	12,098	1,026	5,871
Issue of shares	5	288	—	—	—
FRS 20 Share-based payment charge	—	—	—	98	—
Dividends	—	—	—	—	(815)
Retained profit for the financial year	—	—	—	—	181
AT 30 JUNE 2010	259	3,824	12,098	1,124	5,237

16 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Retained profit for the financial year	181	3,883
Dividends	(815)	(659)
	(634)	3,224
New share capital subscribed	5	3
Share premium on issued shares	288	49
FRS 20 Share-based payment charge	98	171
Net (decrease)/increase to shareholders' funds	(243)	3,447
Opening shareholders' funds	22,785	19,338
Closing shareholders' funds	22,542	22,785

17 Operating lease commitments

At 30 June 2010 the Company was committed to making the following minimum payments during the next financial year in respect of operating leases:

Land and buildings

Operating leases which expire:

	2010 £'000	2009 £'000
In two to five years	376	—
Over five years	—	376

18 Related parties

The Company has taken advantage of FRS 8 Related Party Disclosures in not disclosing transactions with Group undertakings as 100% of its shares are controlled within the Group which is headed by Group NBT plc. There are no transactions with external related parties.

OFFICERS AND ADVISERS

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John Parcell

Non-executive Chairman

Geoff Wicks

Chief Executive Officer

Raj Nagevadia

Finance Director

Keith Young

Non-executive

Richard Madden

Non-executive

Claus Andersen

Non-executive

Martin Bellamy

Non-executive

Secretary

Raj Nagevadia

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