



**group**NBT  
ANNUAL REPORT 2007  
[www.groupnbt.com](http://www.groupnbt.com)

## About Group NBT

Group NBT plc is a leading provider of domain name, hosting, brand protection and internet services. Established in 1995, it provides a range of services to a broad customer base that includes large companies, such as British Airways, Unilever and Centrica, together with smaller businesses and consumers.

Group NBT has 270 employees and is based in London with offices in Copenhagen, Nice, Munich, Zurich, Oslo, Madrid, Cambridge and New York. The operating brands which serve the different markets are:

### Corporate domain name management and brand protection

**NetNames**<sup>NN</sup>

[www.netnames.com](http://www.netnames.com)

**SPEEDnames**  
:: Business

[www.business.speednames.com](http://www.business.speednames.com)

 **envisional**

[www.envisional.com](http://www.envisional.com)

### Managed hosting

 **NETBENEFIT**

[www.netbenefit.com](http://www.netbenefit.com)

### Online

**Easily**  
.co.uk

[www.easily.co.uk](http://www.easily.co.uk)

**SPEEDnames**

[www.speednames.com](http://www.speednames.com)

### Reseller and partner

**ascio**

[www.ascio.com](http://www.ascio.com)

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## Highlights

Revenue up

**+63%**

Underlying operating profit\* up

**+50%**

- A year of significant achievement in the delivery of Group NBT's strategic goals
- Revenue up 63% to £22.54 million and excluding acquisitions up 19% to £16.40 million
- Underlying operating profit\* up 50% to £4.07 million
- Underlying pre-tax profit (excluding restructuring costs and goodwill amortisation) up 33% to £3.78 million
- Adjusted diluted EPS (excluding restructuring costs and goodwill amortisation) increased by 12% to 12.54 pence
- Dividend proposed to increase by 50% to 1.8 pence for the year
- NetNames Platinum Service revenue up 44% to £7.22 million
- Managed hosting revenue, excluding Exalia, up 63% to £1.93 million
- Acquisition of Exalia in August 2006 boosted growth in managed hosting services
- Acquisition of Ascio in January 2007 created the leading European provider of domain name management services
- Integration of Ascio on track
- Acquisition of Envisional since year end expands service offering to include protection against brand infringement and internet fraud

\* Underlying operating profit, defined as operating profit before goodwill amortisation, restructuring costs and FRS 20 Share-based payments charge, is reconciled to statutory operating profit in note 3

## Chairman's statement

**"This was another year of excellent growth. We continue to build on our market leading position in managed services in a very exciting, high-growth market."**

### Growth

Group NBT continued its excellent record of sales and profit growth in the year to 30 June, while strengthening the product line and extending geographic reach through acquisitions.

Over the past five years, we have grown revenue at a compound annual rate of 38%. In our financial year 2007, revenue increased by 63%, from £13.83 million to £22.54 million. Organic growth was 19%, and acquisitions accounted for the remainder.

We use these four underlying measures – operating profit, operating margin, pre-tax profit, and earnings per share – as key performance indicators in running the business. We consider they provide a clearer picture of progress than statutory accounting measures, and that therefore they are useful to investors.

Underlying operating profit – that is, operating profit before goodwill amortisation, restructuring costs of acquired businesses and share options charge – rose by 50%, from £2.72 million to £4.07 million, and the organic growth rate excluding acquisitions was 26%.

Underlying operating margin improved in the ongoing base business from 19.7% to 20.9%, thanks mainly to scale efficiencies, but an anticipated breakeven position in one acquisition, Ascio, reduced the Group's overall margin to 18.0%.

Underlying pre-tax profit – that is, before charges for goodwill amortisation and for restructuring of acquired businesses – has grown at a compound annual rate of 78% since 2004, our first year of significant profit. Underlying pre-tax profit improved in 2007 by 33%, from £2.84 million to £3.78 million. That high growth rate was restrained by two factors, the swing from positive to negative interest and a new accounting charge for executive share options.

Underlying earnings per share – that is, before charges for goodwill amortisation and for restructuring costs – were 12.54 pence on a diluted basis, up 12% from 11.19 pence last year. Earnings per share grew more slowly than pre-tax profit because we increased the number of shares in issue in order to make the acquisitions, and because the tax charge rose, as anticipated, from last year which had benefited from a deduction arising from the exercise of a large number of share options.

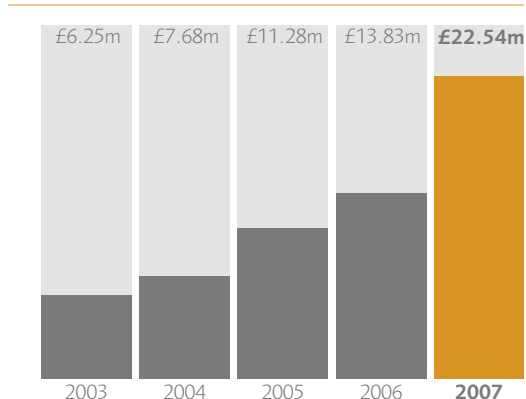
On a GAAP basis earnings per share were 6.49 pence on a diluted basis, down from 9.34 pence last year.

### Services

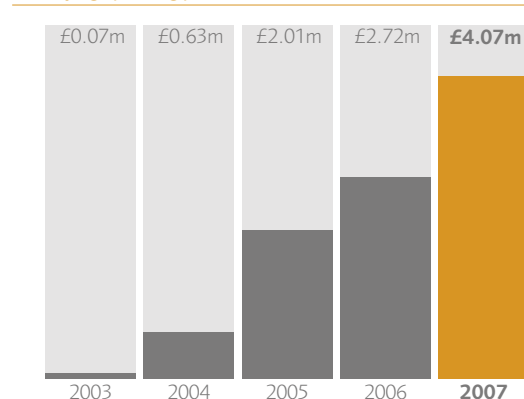
Our main focus is on providing high added-value services to the corporate sector in return for reliably recurring revenue. Our chief service is the management of portfolios of valuable domain names for companies in the UK, Europe, and the US. This is complex, important, and specialised work carried out across more than 200 regulatory jurisdictions. Service revenue grew by 86% overall in 2007, and organic growth was 44%. Another important service is the provision of high-quality managed hosting for companies' web sites, mainly in the UK. Revenue of these services grew by 168% overall, and organic growth was 63%.

These services together represented 55% of Group revenue in the year, up from 45% in 2006. They remain attractive markets, with rapid overall growth rates as companies come to understand the benefits of outsourcing this work to experts. At the same time customer loyalty is high provided service quality is good, and the rate of switching among suppliers is low. We believe we are the largest supplier of corporate domain name management services in the UK and in the rest of Europe.

#### Revenue



#### Underlying operating profit\*



\* Underlying operating profit is reconciled to statutory operating profit in note 3

The remaining 45% of revenue came from sales of simpler domain name and hosting services, either on-line directly to small businesses and individuals or via third-party resellers. The overall growth rate for our direct online business was 3% – all by acquisition as the organic rate was slightly negative. In this market, we seek to provide higher than average service levels at a premium price. As this business shares infrastructure with our corporate services, it provides us with an additional profit stream despite its low growth rate.

The reseller business, which we acquired with Ascio, is showing good growth and also has advanced technology, automating the connection to domain name registries, which we plan to deploy across all our operations.

#### Acquisitions

We made two acquisitions in the year and another just after the year end, which together expanded our product line and extended our reach. In August 2006 we bought Exalia Limited, a specialist UK provider of managed hosting, for £2.99 million in cash. This useful bolt-on achieved £0.56 million of operating profit in just over ten months. It is now fully integrated into our own managed hosting business, and will not be reported separately in future.

In January we bought Ascio Technologies Holding A/S, a privately owned Danish company specialising in domain names and with a significant corporate customer base. We paid £18.06 million in cash, shares, and options on a debt free and working capital neutral basis. Ascio's sales footprint fits ours very well, and strategically the acquisition established our lead in European corporate domain name management. The integration process is on track, and we expect worthwhile savings this year from eliminating duplicated production costs and overheads, and from scale economies, with the full benefits coming on stream in the second half. Ascio has also brought the Group additional strength in software development.

Finally, in July 2007 we acquired Envisional Solutions Limited for up to £4.00 million in cash and shares. Envisional, based in Cambridge, UK, brings us new products based on artificial intelligence to assist protection against brand infringement and internet fraud, which we can cross-sell to corporations. I am pleased to say the Board believes that our acquisitions have been well-chosen, sensibly priced, and that integration has been well executed so far.

#### Conclusion and outlook

Our management team is striking the right balance between aggression and prudence, and I want to thank them for a fine year. As the business continues to grow, the Board is aware of the need to expand the team by recruitment as well as through the acquisition process. My thanks go too to our staff of over 250 people for their skill, energy, and perseverance.

I am also pleased to announce that Claus Andersen has joined our Board as a non-executive director. Claus is a Danish investment banker and a partner in Nordic Venture Partners which became a shareholder in Group NBT through the Ascio transaction.

These factors together – a strong competitive position, decent economics, a strengthening product line, and sound management – have created our strong financial position. We enjoyed excellent growth over the year both organically and by acquisition. We have good cash flow and a strong balance sheet, with net debt down to £1.95 million at year-end. In the light of our strong financials and our confidence in our long-term growth prospects, we propose to increase the final dividend by 50% to 1.2 pence, making 1.8 pence for the full year, which is also 50% higher than 2006.

We expect good organic growth this year and the first profits from Ascio. We remain alert for other useful acquisitions.

#### John Parcell

Chairman

## Chief Executive's review

**"This has been an excellent year for the Group. We continued to achieve high levels of organic growth in the market segments we target and at the same time we have been able to acquire businesses in strategically important areas. During the year Group NBT has become a significant global player in the domain name management market and has extended its product range significantly."**

Group NBT made significant progress during the period under review both as a result of successful acquisitions and good organic growth. Notable achievements during the year were the establishment of NetNames Platinum Service as the European market leader for the provision of domain name management services; major improvements to the Group's managed hosting and domain name management products; and good progress in our European and American operations.

In the year to 30 June 2007 revenue was £22.54 million, up 63% from £13.83 million in the previous year. This includes initial contributions from the acquisitions made in the year, Exalia Limited in August 2006 and Ascio Technologies Holding A/S in January 2007. On an underlying basis, excluding the impact of these two acquisitions, revenue was £16.40 million, an increase of 19% on the previous year. Exalia contributed £1.27 million of revenue for the year and Ascio contributed £4.87 million.

Profit before tax (PBT) was slightly down at £2.36 million as amortisation of goodwill rose by 204% to £1.18 million as a result of the acquisitions completed. Profit before tax and amortisation was £3.54 million, up 24%, from £2.84 million last year. On an underlying basis, excluding restructuring costs and share option charges, earnings before interest, tax and amortisation of goodwill (EBITA) were £4.07 million, up 50%, from £2.72 million last year.

Cash balances at the financial year end were £3.05 million, after a £9.34 million outflow associated with acquisitions offset by a new £5 million term debt facility negotiated during the period.

Earnings per share (EPS) for the year to 30 June 2007 were affected by a number of factors including the significant increase in our tax rate and the inclusion of a charge for share options due to a change in accounting rules. The acquisition of Ascio has also had an impact as it increased the number of shares in issue and both acquisitions made during the year added restructuring costs. As a result basic EPS was 6.73 pence, down 33% on the previous year and EPS on a diluted basis was 6.49 pence, down 31%.

Group NBT had almost a full year's benefit from the acquisition of Exalia, a small managed hosting company specialising in the provision of services to marketing agencies and technical intermediaries. Exalia has been fully integrated within the NetBenefit managed hosting business and has been discontinued as a separate brand. Ascio was acquired in the middle of January this year, it is a major provider of domain name services in Europe and will be integrated into Group NBT over the next eighteen months. Considerable progress has already been made with initial synergy savings being made and restructuring costs lower than expected.

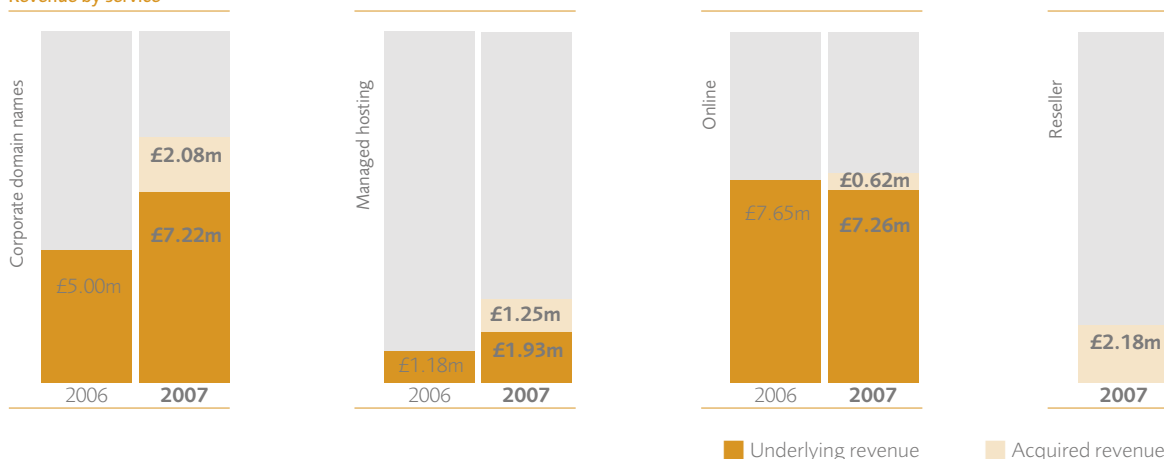
Both acquisitions build upon Group NBT's core strategy of focusing on providing managed or outsourced services to companies in the domain name and web hosting markets. These markets are growing strongly as internet usage builds and as ecommerce becomes an increasingly important area of business. They also provide a high level of recurring revenue, which in turn provides the Group with high visibility of future trends in underlying revenues and cashflows when planning forward.

Since the end of the last financial year Group NBT has announced a further acquisition, Envisional Solutions Limited. The acquisition of Envisional is of strategic importance as it adds additional services to our corporate product portfolio in the form of protection against brand infringement and internet fraud.

### Corporate domain name services

The acquisition of Ascio has added the Speednames Business service to our existing NetNames Platinum Service. Total revenue for corporate domain name services for the year ended 30 June 2007 was £9.30 million. Within this, revenue for NetNames Platinum Service was £7.22 million, up 44% from £5.0 million in the previous year.

#### Revenue by service



NetNames Platinum Service has once again attracted a significant number of new customers with a steady stream of well-known brands turning to NetNames to manage their valuable online intellectual property. Speednames adds a further dimension to the Company's European position, with offices in the Nordic countries, Switzerland and Germany. Speednames staff are already selling NetNames products and the project to migrate Speednames Business customers to NetNames Platinum Service has started.

We are particularly pleased with the progress made in France, Germany and the US. France and Germany are major European markets where a local presence is essential. Our main competitors in these markets are smaller local companies operating only within their national market. The international dimension to our products has given us a valuable competitive advantage. In the US we face our principal international competitors. While our strategic focus has been on building market leadership in Europe we have been able to create a good base of customers throughout the US especially where businesses are operating in multiple territories and need to register domain names globally.

Speednames has also added a new area of business to our corporate domain name services. There is a growing market for the recovery of domain names which requires a specialist approach. Speednames has a dedicated team buying and selling valuable domain names for customers. They had some real success prior to the acquisition in January this year and we expect this to continue as we now offer these services to all Group NBT customers.

#### Managed hosting services

Group NBT's position in the managed hosting market improved considerably during the year in part due to the acquisition of Exalia in August 2006. Revenue for the year was £3.18 million, of which £1.93 million was from NetBenefit managed hosting, up 63% on £1.18 million in the previous year. Exalia accounted for revenue of £1.24 million.

Exalia has been fully integrated into NetBenefit, with all managed hosting products now sold under the NetBenefit brand.

The market for managed hosting is growing strongly and companies have increasingly complex requirements as their use of the Internet becomes more sophisticated. As a result the average value of installations is increasing and the average size and complexity of installations is growing. During the year we have seen a significant increase in orders for load balancing and dual site redundancy and a focus on 24 hour support.

#### Reseller and partner business

The acquisition of Ascio also brought with it an additional business segment which Group NBT had not previously addressed. The Ascio Partner business acts as a reseller of domain name services to Internet service providers (ISPs), telcos and other intermediaries that provide domain name services to their customers on a 'white label' basis. Ascio's reseller business is predominantly within western mainland Europe.

Group revenue from the reseller business for the year was £2.18 million. During Group NBT's financial year, 1 July 2006 to 30 June 2007, Ascio Partner's revenue was £4.48 million, up 15% on the previous year after adjusting for revenue at the launch of .eu in the previous year.

Growth in the reseller market reflects both underlying growth in the number of domain names in issue and also the growth in the number of companies offering domain name services. Following the acquisition Ascio has started to market its services more widely throughout Europe including the UK and Eastern Europe.

## Chief Executive's review continued

**"We believe the markets we serve will continue to grow strongly. The Group is now stronger, more competitive and better able to take advantage of the opportunities presented."**

### Online services

Online services include domain names, email and shared hosting services sold primarily via the Group's websites. The primary online brand for Group NBT is Easily which offers services in the UK. Speednames Online provides similar services in the Nordic countries and we retain some online business through both NetNames and NetBenefit. During the year we closed the DomainsNet business and transferred its customers to Easily.

Revenue for the year was £7.88 million of which £7.26 million was from the original Group NBT brands, this represents a reduction of 5% year-on-year. The NetBenefit brand accounted for much of this reduction. We have focused this brand on managed hosting for some time and have planned for a decline in online revenue as some shared hosting customers upgrade to managed hosting and as domain name customers transfer to other brands.

We have continued to improve our online product range and our customer support. However this market is characterised by low priced products backed by high levels of marketing spend. We do not compete at this end of the market and our target market for online services is SME's where higher levels of support are important and where customers have the potential to upgrade to our managed services.

### Integration of Ascio

The acquisition of Ascio in January 2007 represented a particular challenge. It was a major acquisition for the Group in terms of scale and geographic spread, with offices in several European countries. While some products are similar to existing Group NBT products, others are different and the technologies used by the two companies are substantially different.

While we expect full integration to take up to eighteen months we have already made significant progress. Within the first week following acquisition new heads for all key functions were appointed by Group NBT. Since then we have successfully undertaken a programme of rationalisation primarily within the sales and fulfilment teams. This has reduced the number of staff at Ascio by around 25 (approximately 20%).

Our plan to integrate the two sets of technology is also progressing in line with expectations. Front end technology will be based on Group NBT's technical platform and fulfilment will be based on Ascio's technology, thus using the best of breed from both organisations. We are confident that the end result will be market leading systems and fulfilment technology which will further enhance our reputation with our core customer base.

### Gross margin

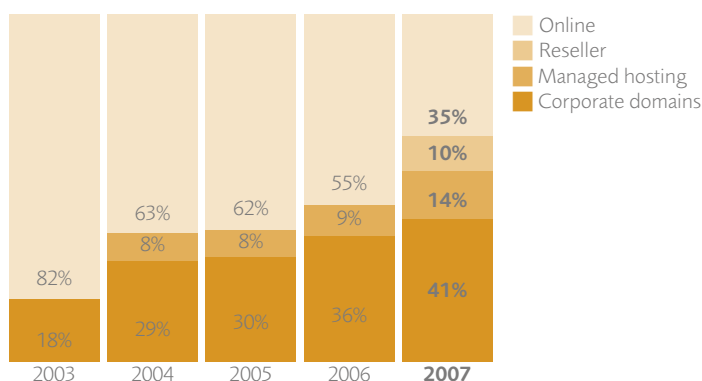
The gross margin rate declined from 78.6% to 77.4% in the current financial year due to the dilutive effect of the inclusion of Ascio part-way through the year. Ascio's overall margin is lower than the Group's underlying margin, excluding acquisitions, as its reseller business, comprising 45% of total revenue, operates on a relatively low margin and its overall margin post acquisition in the period to 30 June 2007 was 68.4%.

The Group's underlying margin increased slightly from 78.6% to 79.4% year-on-year and within the cost of sales, data centre costs increased towards the end of the financial year as additional capacity was added.

### Administrative expenses

Total expenses increased from £8.54 million to £15.06 million in the year. The acquisitions made during the year added £3.80 million to the operating costs and £0.79 million to the amortisation of goodwill. Costs relating to restructuring of the acquired businesses, comprising largely of termination payments, were £0.24 million in the current financial year.

### Revenue mix



As noted above goodwill amortised in the year increased from £0.39 million to £1.18 million as £2.76 million of goodwill arose on the acquisition of Exalia, which is being amortised over ten years, and £18.35 million on the acquisition of Ascio, which is being amortised over fifteen years.

A charge of £0.26 million arose in respect of executive share options granted in the year as FRS 20 Share-based payment became effective this financial year. While executive and employee options were granted in the previous financial years, a charge did not arise in respect of these options in either this or prior financial years as they had vested and therefore fell outside the scope of the new accounting standard.

The Group's underlying operating costs increased by 17%, from £8.16 million to £9.59 million, in line with increased activity.

### Net interest

As the cash consideration elements of the acquisitions made during the year were financed from the Group's existing reserves and a five year debt facility of £5 million, a net interest charge of £0.03 million arose in the year compared to net interest receivable of £0.13 million in the previous year.

### Taxation

There was a tax charge of £0.85 million for the year (2006: £0.50 million) which represents an effective tax rate of 24.1%, up from 17.6% in the previous year, on profit before amortisation of goodwill. This increase in tax rate was anticipated as the previous year had benefited from a deduction against profits of £1.03 million, compared to £0.08 million in the current year, in relation to exercises of share options.

Furthermore a deferred tax asset of £0.15 million in respect of trading losses available at year end was recognised in the year as the Group's US and French operations continued to be profitable. A deferred tax asset in respect of Ascio's tax losses of £8.9 million has not been recognised as the timing of its utilisation and availability cannot be assessed with sufficient certainty at this time.

### Cashflow

At year end the Group had cash balances of £3.05 million (2006: £6.09 million) and debt of £5 million before facility fees resulting in a net debt position of £1.95 million at the year end (2006: net cash of £6.09 million).

During the year £9.34 million was expended on the cash consideration elements of acquisitions and the repayment of pre-acquisition debt in Ascio. This was funded by a five year loan of £5 million and from the Group's own cash resources.

Net cash inflow from operating activities was £3.99 million up from £3.23 million in the previous year. The level of cash generation was slightly lower than expected as cash collection was slower due to the transition to an automated billing system for NetNames Platinum Service. Outflows of note are: expenditure on tangible fixed assets, which increased from £0.59 million to £1.40 million, due largely to the growth in the managed hosting business; taxation, which increased from £0.01 million to £0.84 million as tax losses within the UK business have now been fully utilised; and dividend payments, which increased from £0.08 million to £0.31 million.

### Geoff Wicks

Chief Executive

# Board of Directors

## **John Parcell**

### **Non-executive Chairman**

John Parcell spent thirty years at Reuters Group plc. He joined 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 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.

## **Jonathan Robinson**

### **Chief Operating Officer**

Jonathan Robinson is a co-founder of Group NBT. He has a PhD in Materials Engineering and a BSc (Physics) from the University of Cape Town. He previously held research posts at Imperial College, London and the Rolls-Royce Technology Centre at the University of Cambridge. Jonathan is a current non-executive director of info domain registry Afilius Limited and has been a member of the board at the UK domain registry Nominet (UK) Limited.

## **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 has held various roles in an offshore oil and gas construction business and at a leading firm of accountants.

## **Keith Young**

### **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.

## **Tim Ashley**

### **Non-executive Director**

Tim Ashley was responsible for Group NBT's branding and marketing strategy from March 1999 to September 2000. He was appointed to the Board during 1999, having previously founded Wicked Web Limited in 1995. Prior to that he spent ten years as an investment banker, most recently with Lehman Brothers. Tim holds degrees from both Oxford and Cambridge Universities.

## **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 Andersen**

### **Non-executive Director**

Claus is a partner in Nordic Venture Partners, a venture capital firm and a significant shareholder of Group NBT. Claus has been with Nordic Venture Partners 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.

# Report on corporate governance

The Company is listed on the Alternative Investment Market ((AIM)) and is not required to comply with the provisions of the 2003 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 16. 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 two 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 judgement 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 provide 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 re-appointment, are Geoff Wicks and Keith Young, who offer themselves for re-election at the next Annual General Meeting. Claus Andersen, who was appointed during the year, 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 Company'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 Tim Ashley, Richard Madden and John Parcell. The Committee meets at least once a year. The Board's report to shareholders on Directors' remuneration is set out on pages 11 to 13.

## 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 2 to 7 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 year-end results. The Company's website carries reproductions of the Group's Annual 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 meeting on page 39.

## 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 that are 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.

## Report on corporate governance continued

### Financial reporting

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

### Directors' and officers' liability insurance

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.

### Going concern

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.

# Directors' remuneration report

The Company is listed on the Alternative Investment Market (AIM) and is therefore not required to prepare a report on Directors' remuneration. The following information is voluntarily disclosed:

## Remuneration Committee

The Committee consists of four Non-executive Directors: John Parcell, Tim Ashley and Richard Madden, under the chairmanship of Keith Young. None of the Committee members has 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 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;
- share option incentives; and
- pension arrangements.

## Basic salary

An Executive Director's basic salary is determined by the Remuneration 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, which gives up-to-date information on a comparator group of companies, comprising the top ten companies by capitalisation within the sector. 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. In setting appropriate bonus parameters the Committee refers to the objective research on comparator groups of companies as mentioned above. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is total shareholder return. 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.

## Share options

Share option allocations are designed to attract, motivate and retain employees.

## Directors' pension

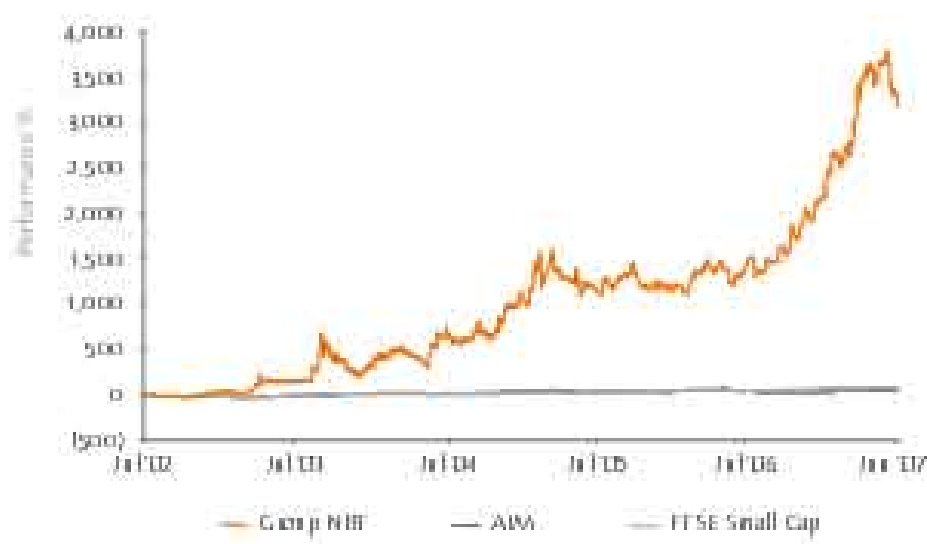
Up to 10% of salary is paid by the Company into Directors' personal pension schemes, although they may also sacrifice basic annual salary to supplement pension contributions.

## Directors' remuneration report continued

### Performance graph

The following graph shows the Company's share price performance, compared with the performance of the FTSE AIM Index and the FTSE Small Cap. 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.

July 2002 to June 2007



### 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. No other payments are made for compensation.

### 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 £16,500 with the exception of Claus Andersen, who did not receive a fee. John Parcell received £22,500 for his services as Non-executive Chairman.

### Directors' remuneration

Directors' remuneration for the year was as follows:

	Fees £'000	Annual bonuses £'000	Pensions £'000	Compensation for loss of office £'000	Other benefits £'000	2007 Total £'000	2006 Total £'000
J Parcell	23	—	—	—	—	23	—
G Wicks	154	68	—	—	11	233	218
J Robinson	113	67	23	—	9	212	193
R Nagevadia	96	47	9	—	7	159	90
T Ashley	17	—	—	—	—	17	15
K Young	17	—	—	—	—	17	15
R Madden	17	—	—	—	—	17	15
C Andersen – appointed 16 Jan 2007	—	—	—	—	—	—	—
R Armstrong – resigned 16 Apr 2006	—	—	—	—	—	—	221
<b>Year ended 30 June 2007</b>	<b>437</b>	<b>182</b>	<b>32</b>	<b>—</b>	<b>27</b>	<b>678</b>	<b>767</b>
Year ended 30 June 2006	460	196	56	30	25		

Other benefits consist of car allowances and private health insurance.

### Share options

Details of Directors' interests in share options of the Company are set out below:

Scheme	At 1 July 2006	Granted during the year	Exercised during the year	At 30 June 2007	Exercise price £	Date of grant	Exercisable from	Expiry date
G Wicks								
EMI	450,000	—	—	<b>450,000</b>	0.25	30/06/03	30/06/04	27/06/13
Unapproved	105,000	—	—	<b>105,000</b>	0.25	30/06/03	30/06/04	27/06/13
Unapproved		70,000	—	<b>70,000</b>	3.14	26/03/07	01/07/07	23/03/17
J Robinson								
EMI	180,000	—	—	<b>180,000</b>	0.25	30/06/03	30/06/04	27/06/13
EMI		18,000	—	<b>18,000</b>	3.14	26/03/07	01/07/07	23/03/17
Unapproved		52,000	—	<b>52,000</b>	3.14	26/03/07	01/07/07	23/03/17
R Nagevadia								
EMI	4,000	—	—	<b>4,000</b>	0.01	07/04/04	30/06/04	05/04/14
EMI	38,610	—	—	<b>38,610</b>	1.30	10/04/06	10/04/06	07/04/16
EMI		14,000	—	<b>14,000</b>	3.14	26/03/07	01/07/07	23/03/17
Unapproved		56,000	—	<b>56,000</b>	3.14	26/03/07	01/07/07	23/03/17
R Madden								
Unapproved	100,000	—	—	<b>100,000</b>	1.30	10/04/06	10/04/06	07/04/16

EMI – Enterprise Management Incentive Plan

On 18 July 2007, Geoff Wicks, Jonathan Robinson and Raj Nagevadia were each granted 50,000 options at an exercise price of £3.025 vesting on 30 June 2008 and expiring on 15 July 2017.

The ordinary share price ranged from £1.26 to £3.49 during the year and stood at £2.94 at the year-end.

On behalf of the Board

### Keith Young

Chairman of the Remuneration Committee

# Directors' report

The Directors present their Annual Report and Accounts for the year ended 30 June 2007.

## Principal activities

The principal activities of the Group during the year were the provision of domain name management services, web hosting and related services.

## Business review

The Companies Act requires disclosure of certain areas as part of the Enhanced Business Review, including a review of the business and future developments together with the key performance indicators. These requirements are met in the Chairman's Statement on pages 2 to 3. Additional discussion of these points is contained in the Chief Executive's Review on pages 4 to 7.

## Results and dividends

The results of the Group for the year are shown in the profit and loss account on page 18.

An interim dividend of 0.6 pence (2006: 0.4 pence) per ordinary share was paid on 17 April 2007. The Directors recommend the payment of a final dividend of 1.2 pence per ordinary share, making the total for the year of 1.8 pence per share (2006: 1.2 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. 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 foreign exchange risks are contained in note 20 – Financial instruments of the financial statements.

## Directors

The Directors of the Company who served during the year to 30 June 2007 are shown below together with their interests in the shares of the Company.

	At 30 June 2007	At 1 July 2006
J Parcell	1,575,877	1,575,877
G Wicks	50,000	50,000
J Robinson	1,570,322	1,820,322
R Nagevadia	2,500	2,500
K Young	1,837,902	1,993,374
T Ashley	1,907,500	2,012,500
R Madden	—	—
C Andersen – appointed 16 Jan 2007*	—	—

\* Claus Andersen 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 share options of the Company are detailed on page 13.

In accordance with the Company's Articles of Association, Geoff Wicks and Keith Young, retire by rotation and offer themselves for re-election at the next Annual General Meeting. Claus Andersen, who was appointed during the year, also offers himself for re-election.

### Directors' and officers' liability insurance

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.

### Substantial shareholdings

At 24 October 2007, the Company had been notified of the following holdings of 3% or more in the ordinary share capital of the Company:

	Shares	%
BlackRock, Inc	3,535,045	14.1%
Herald Investment Trust plc & Herald GP Limited	2,016,000	8.0%
Nordic Venture Partners K/S	1,807,268	7.2%
William Currie	1,525,000	6.1%
Internet Ventures Scandinavia (IVS)	1,319,704	5.2%
Hargreave Hale Limited	1,260,625	5.0%

### 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 Company's creditor days at 30 June 2007, calculated in accordance with the requirements of the Companies Act 1985, were 33 (2006: 29). The Group's creditor days on the same basis were 19 days (2006: 14).

### 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 have been written off to the consolidated profit and loss account as they are incurred and not carried forward as assets in the Group's balance sheet.

### Post balance sheet event

On 10 July 2007 the Company announced the acquisition of the entire share capital of Envisional Solutions Limited for a maximum consideration of £4 million. The consideration will be satisfied in three tranches, an initial payment of up to £2.4 million and deferred payments up to a maximum of £1.6 million in aggregate. The initial payment will be settled 50% in cash, payable after the close of the calendar year 2007 and adjusted according to revenue performance against target for that year, and 50% by the issue of Group NBT shares to the vendors. The deferred payments will be payable in cash, if certain revenue targets are achieved in the twelve month periods ending 31 December 2008 and 31 December 2009.

### International Financial Reporting Standards (IFRS)

The Group is required to adopt IFRS to report its results for accounting periods beginning after 1 January 2007 and therefore the next financial year ending 30 June 2008 will be reported under IFRS beginning with the interim accounts for the six months ending 31 December 2007.

### Going concern

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.

## Directors' report continued

### Annual General Meeting

The notice of the Annual General Meeting of the Company, which will be held on 29 November 2007, and the resolutions proposed are set out on pages 39 and 40. 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 re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next Annual General Meeting.

By order of the Board

### Raj Nagevadia

Company Secretary

24 October 2007

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Group's web site 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 Group's web site 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

to the shareholders of Group NBT plc

We have audited the Group and parent company financial statements (the financial statements) of Group NBT plc for the year ended 30 June 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cashflow statement, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Report on Corporate Governance and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Basis of audit opinion

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

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

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 30 June 2007 and of its profit for the year then ended;
- the Parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent company's affairs as at 30 June 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

## BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors, London  
24 October 2007

## Consolidated profit and loss account

for the year ended 30 June 2007

	Note	Continuing operations		2007	2006
		Existing £'000	Acquisitions £'000	£'000	£'000
<b>Turnover</b>	2	16,395	6,141	22,536	13,826
Cost of sales		3,376	1,707	5,083	2,952
<b>Gross profit</b>		13,019	4,434	17,453	10,874
<b>Administrative expenses</b>					
Amortisation of goodwill		387	791	1,178	387
FRS 20 Share-based payments	22	255	—	255	—
Group restructuring	4	78	164	242	—
Other administrative expenses		9,586	3,801	13,387	8,157
Total administrative expenses		10,306	4,756	15,062	8,544
<b>Operating profit/(loss)</b>	4	2,713	(322)	2,391	2,330
Interest receivable and similar income	7			147	153
Interest payable and similar charges	8			(179)	(26)
<b>Profit on ordinary activities before taxation</b>				2,359	2,457
Taxation on profit on ordinary activities	9			(853)	(501)
<b>Profit for the financial year</b>	23, 24			1,506	1,956
<b>Earnings per share</b>					
– basic	11			6.73p	9.98p
– diluted	11			6.49p	9.34p

All amounts relate to continuing activities.

## Consolidated statement of total recognised gains and losses

for the year ended 30 June 2007

	Note	Continuing operations		2007	2006
		Existing £'000	Acquisitions £'000	£'000	£'000
Retained profit for the year		—	—	1,506	1,956
Unrealised exchange gain	23	71	—	71	2
		71	—	1,577	1,958

The notes on pages 23 to 38 form part of these financial statements.

# Consolidated balance sheet

as at 30 June 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Intangible assets	12	23,673	3,708
Tangible assets	13	1,909	818
		25,582	4,526
<b>Current assets</b>			
Debtors	15	4,919	1,895
Cash at bank and in hand		3,051	6,088
		7,970	7,983
<b>Creditors: amounts falling due within one year</b>	17	(10,359)	(4,996)
<b>Net current (liabilities)/assets</b>		(2,389)	2,987
<b>Total assets less current liabilities</b>		23,193	7,513
<b>Creditors: amounts falling due after more than one year</b>	18	(3,940)	—
<b>Provisions</b>	19	(19)	—
<b>Net assets</b>		19,234	7,513
<b>Capital and reserves</b>			
Called up share capital	21	248	204
Share premium account	23	3,487	3,462
Merger reserve	23	10,751	1,044
Other reserve	23	678	—
Profit and loss account	23	4,070	2,803
<b>Shareholders' funds</b>		19,234	7,513

These financial statements were approved by the Board of Directors and authorised for issue on 24 October 2007.

Signed on behalf of the Board of Directors

**Geoff Wicks**

Chief Executive Officer  
24 October 2007

The notes on pages 23 to 38 form part of these financial statements.

# Company balance sheet

as at 30 June 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible assets	13	460	390
Investments	14	23,995	5,198
		24,455	5,588
<b>Current assets</b>			
Debtors	15	2,050	142
Cash at bank and in hand		2,484	5,859
		4,534	6,001
<b>Creditors: amounts falling due within one year</b>	17	(5,864)	(2,611)
<b>Net current (liabilities)/assets</b>		(1,330)	3,390
<b>Total assets less current liabilities</b>		23,125	8,978
<b>Creditors: amounts falling due after more than one year</b>	18	(3,940)	—
<b>Net assets</b>		19,185	8,978
<b>Capital and reserves</b>			
Called up share capital	21	248	204
Share premium account	23	3,487	3,462
Merger reserve	23	10,841	1,134
Other reserve	23	678	—
Profit and loss account	23	3,931	4,178
<b>Shareholders' funds</b>		19,185	8,978

These financial statements were approved by the Board of Directors and authorised for issue on 24 October 2007.

Signed on behalf of the Board of Directors

**Geoff Wicks**

Chief Executive Officer  
24 October 2007

The notes on pages 23 to 38 form part of these financial statements.

# Consolidated cashflow statement

for the year ended 30 June 2007

	Note	2007 £'000	2006 £'000
<b>Net cash inflow from operating activities</b>	27	3,993	3,230
<b>Returns on investments and servicing of finance</b>			
Interest received		147	153
Interest paid		(179)	(26)
		(32)	127
<b>Taxation paid</b>		(841)	(13)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,406)	(588)
Purchase of intangible fixed assets		(31)	—
		(1,437)	(588)
<b>Acquisitions</b>			
Purchase of subsidiary undertakings		(8,625)	—
Cash acquired with subsidiary undertakings		485	—
Repayment of bank loan as part of acquisition		(1,202)	—
		(9,342)	—
<b>Equity dividends paid</b>		(310)	(78)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		(7,969)	2,678
<b>Management of liquid resources</b>			
Decrease/(Increase) in treasury deposits		3,369	(2,715)
<b>Financing</b>			
Issue of share capital		25	191
Long term loan		4,923	—
Capital element of finance lease repayments		(16)	—
		4,932	191
<b>Increase in cash</b>		332	154

The notes on pages 23 to 38 form part of these financial statements.

## Reconciliation of net cashflow to movement in net funds

for the year ended 30 June 2007

	2007 £'000	2006 £'000
Increase in cash in year	332	154
Cash outflow from decrease in debt and lease financing	16	—
(Decrease)/increase from liquid resources	(3,369)	2,715
Change in net funds resulting from cash flows	(3,021)	2,869
Finance leases and hire purchase contracts acquired with subsidiary	(16)	—
Net funds at start of year	6,088	3,219
<b>Net funds at end of year</b>	<b>3,051</b>	<b>6,088</b>

The notes on pages 23 to 38 form part of these financial statements.

# Notes to the accounts

for the year ended 30 June 2007

## 1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards.

### Changes in accounting policies

The particular United Kingdom Accounting Policies adopted are described below and remain unchanged from the previous year apart from the adoption of the following Financial Reporting Standard (FRS):

**FRS 20 Share-based payments:** Where share options are awarded to employees, the fair value of the services received will be determined by the fair value of the options granted, which in turn will be recognised as an employee expense with a corresponding increase in equity. The fair value of an option will be 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. The amounts expensed in prior years will be adjusted to reflect the actual number of options that subsequently vest and the cumulative adjustment will be recognised in the year in which it arises and therefore will not result in a prior-period adjustment. This accounting standard will apply to all options granted after 7 November 2002 which had not vested at 1 July 2006 together with awards after 30 June 2007.

### Accounting convention

The financial statements are prepared under the historical cost convention.

### Basis of consolidation

The financial statements consolidate the financial statements of the Company and all subsidiary undertakings for the year ended 30 June 2007 using the acquisition method of accounting. Under this method the results of subsidiary undertakings acquired in the year are included in the Group profit and loss account from the date of acquisition. All intra-group transactions and balances are eliminated on consolidation. In accordance with the provisions of merger relief under section 131 of the Companies Act 1985, where the Company issues shares as part of an acquisition the Company records the cost of investment at the nominal value of the shares issued. On consolidation the excess of the fair value over the nominal value of the shares issued is recorded as a merger reserve.

### Turnover

Turnover represents amounts derived from the provision of services which fall within the Group's ordinary activities after deduction of value added tax. Income is recognised when services are provided and where services are invoiced in advance, income is deferred in the balance sheet until services are provided.

### Intangible fixed assets – Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking represents the excess of fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is capitalised in the year in which it arises and amortised, on a straight-line basis, over its estimated useful life, unless impairment has occurred at which point the cost is expensed to the profit and loss account. Goodwill is amortised over its estimated useful economic life, subject to impairment review, as follows:

NetNames International Limited, Eurl Group NBT France, Exalia Limited	10 years
Ascio Technologies Holding A/S	15 years
Easily Limited	20 years

Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following the acquisition and in other periods if changes in circumstances indicate that the carrying value may not be recoverable.

### 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	33.3% – 50% straight line
Fixtures, fittings and equipment	33.3% straight line

# Notes to the accounts continued

for the year ended 30 June 2007

## 1 Accounting policies continued

### Cash and cash equivalents

Cash and cash equivalents for the cashflow statement include both cash and treasury deposits included in current assets.

### Software research and development expenditure

Software research and development expenditure is written off as incurred.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. However the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of underlying timing differences. Deferred tax liabilities and assets are not discounted.

### Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

### Financial instruments

Financial instruments are measured initially and subsequently at cost.

In relation to the disclosures made in note 20, short-term debtors and creditors are not treated as financial assets or liabilities except for currency disclosures.

The Group does not hold or issue derivative financial instruments for trading purposes.

### Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when paid.

Final dividends are recognised when approved by the shareholders at an Annual General Meeting.

### Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

### Foreign exchange

Transactions denominated in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account. The financial statements of foreign subsidiaries are translated into Sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate is taken direct to reserves. All other exchange differences are dealt with through the profit and loss account.

### 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 profit and loss account.

Operating lease rentals are charged to profit and loss in equal amounts over the lease term.

### Pensions

The Group makes contributions to the individual pension schemes of certain key employees. Contributions are charged to the profit and loss account as they became payable in accordance with the rules of the scheme.

## 2 Segmental analysis

In the opinion of the Directors, the Group's activities constitute one class of business. Turnover, profit/(loss) before tax and net assets/(liabilities) by origin of geographical segment are as follows:

	Turnover		Profit before tax		Net assets/(liabilities)	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
UK	15,597	12,305	2,223	2,253	24,061	9,904
Other European countries	6,031	704	(201)	(58)	(3,314)	(435)
USA	908	817	337	262	(1,513)	(1,956)
	<b>22,536</b>	<b>13,826</b>	<b>2,359</b>	<b>2,457</b>	<b>19,234</b>	<b>7,513</b>

Included within other European countries are the following amounts relating to Ascio Technologies Holding A/S, which was acquired during the year, turnover – £4,875,000, loss before tax – £139,000 and net liabilities – £2,670,000.

## 3 Reconciliation of statutory operating profit to underlying operating profit

An adjusted measure of profit, underlying operating profit, is used to measure ongoing trading performance. This is based on statutory operating profit and excludes goodwill amortisation, group restructuring costs and share option charges. Management believe that it gives a clearer measure of the ongoing trading performance of the Group and a reconciliation of the statutory operating profit to the underlying operating profit is set out below:

	2007 £'000	2006 £'000
Operating profit	2,391	2,330
Goodwill amortisation	1,178	387
Group restructuring costs	242	—
FRS 20 Share-based payments charge	255	—
Underlying operating profit	<b>4,066</b>	<b>2,717</b>

## 4 Operating profit

Operating profit is stated after charging:

	2007 £'000	2006 £'000
Research and development	417	394
Depreciation of owned assets	942	551
Goodwill amortisation	1,178	387
Operating lease rentals	444	179
Auditors' remuneration	80	52
	33	26
	33	39
	—	54
FRS 20 Share-based payments	255	—
Foreign exchange gain	58	24
Group restructuring	140	—
	91	—
	11	—

The group restructuring costs have arisen as a direct result of the acquisitions of Exalia Limited and Ascio Technologies Holding A/S. In addition to the auditor's remuneration set out above, fees amounting to £238,000 were incurred and capitalised during the year for due diligence work carried out in connection with the acquisitions of Exalia Limited, Ascio Technologies Holding A/S and Envisional Solutions Limited.

# Notes to the accounts continued

for the year ended 30 June 2007

## 5 Information regarding employees

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

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Wages and salaries	8,050	4,839	2,537	2,255
Social security costs	562	457	264	250
Pension costs	127	82	59	73
	<b>8,739</b>	<b>5,378</b>	<b>2,860</b>	<b>2,578</b>

The average number of employees during the year was made up as follows:

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Administrative	34	22	22	19
Operational	154	101	28	26
	<b>188</b>	<b>123</b>	<b>50</b>	<b>45</b>

## 6 Directors

The remuneration of Directors is set out below:

	2007 £'000	2006 £'000
Directors' emoluments	646	681
Pension costs	32	56
Compensation for loss of office	—	30
	<b>678</b>	<b>767</b>
Gain made on exercise of share options	—	947
Emoluments of highest paid director:		
Emoluments	233	—
Gain made on exercise of share options	—	903
	<b>233</b>	<b>903</b>

Directors' emoluments are detailed, by Director, in the Directors' remuneration report on page 12 and this information includes the payments made to the personal pension scheme of the Directors.

## 7 Interest receivable and similar income

	2007 £'000	2006 £'000
Bank interest	147	153

## 8 Interest payable and similar charges

	2007 £'000	2006 £'000
Bank interest payable	178	6
Other interest payable	1	20
	<b>179</b>	<b>26</b>

## 9 Tax charge on profit on ordinary activities

### a) Analysis of tax charge

	2007 £'000	2006 £'000
<b>Current tax</b>		
UK corporation tax	991	337
Adjustment in respect of prior periods	(50)	(8)
Total current tax charge (note 9b)	941	329
<b>Deferred tax</b>		
Origination and reversal of timing differences	84	201
Adjustment in respect of prior period losses	(172)	(29)
	(88)	172
Tax charge on profit on ordinary activities	853	501

### b) Tax charge reconciliation

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	2,359	2,457
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	707	737
<b>Effects of:</b>		
Expenses not deductible for tax purposes	399	166
Short-term timing differences	81	—
Depreciation in excess of capital allowances	(20)	1
Utilisation of tax losses	(190)	(280)
Unrelieved losses carried forward	37	21
Statutory deductions on exercise of share options	(23)	(308)
Adjustment to prior year tax charge	(50)	(8)
Current tax charge (note 9a)	941	329

## 10 Dividends

	2007 £'000	2006 £'000
Dividends paid in the year	310	78
Dividends proposed after the year end	302	163

The Board of Directors has proposed the payment of a final dividend of 1.2 pence per share (2006: 0.8 pence) which is payable on 9 January 2008 to shareholders on the register at 7 December 2007, subject to approval by shareholders at the Annual General Meeting on 29 November 2007.

# Notes to the accounts continued

for the year ended 30 June 2007

## 11 Earnings per share

The basic and diluted earnings per share for the year ended 30 June 2007 are based on the profit for the year on ordinary activities, after taxation, of £1,506,000 (2006: £1,956,000) and on the weighted average number of shares of 22,387,281 (2006: 19,608,921).

An adjusted earnings per share has also been calculated in addition to the basic earnings per share and is based on earnings adjusted to eliminate the effects of goodwill amortisation and group 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, before goodwill amortisation is set out below:

	2007 £'000	2006 £'000
Profit attributable to ordinary shareholders	1,506	1,956
Goodwill amortisation	1,178	387
Group restructuring costs (after tax relief)	224	—
Profit attributable to ordinary shareholders before goodwill amortisation and group restructuring	2,908	2,343

Weighted average and adjusted weighted average number of ordinary shares (000's):

	Number	Number
Shares used for basic earnings per share	22,387	19,609
Share options	804	1,326
Shares used for diluted earnings per share	23,191	20,935

## Earnings per share

	Basic		Diluted	
	2007 pence	2006 pence	2007 pence	2006 pence
Profit for the year	6.73	9.98	6.49	9.34
Goodwill amortisation	5.26	1.97	5.08	1.85
Group restructuring costs (after tax relief)	1.00	—	0.97	—
Profit before goodwill amortisation and group restructuring costs	12.99	11.95	12.54	11.19

## 12 Intangible fixed assets

Group	Goodwill £'000	Domain names £'000	Total £'000
<b>Cost</b>			
At 1 July 2006	27,428	—	27,428
Additions	21,113	31	21,144
<b>At 30 June 2007</b>	<b>48,541</b>	<b>31</b>	<b>48,572</b>
<b>Amortisation</b>			
At 1 July 2006	23,720	—	23,720
Provided in year	1,178	1	1,179
<b>At 30 June 2007</b>	<b>24,898</b>	<b>1</b>	<b>24,899</b>
<b>Net book value</b>			
<b>At 30 June 2007</b>	<b>23,643</b>	<b>30</b>	<b>23,673</b>
At 30 June 2006	3,708	—	3,708

### 13 Tangible fixed assets

Group	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 July 2006	3,271	496	3,767
Acquisition of subsidiaries	1,127	988	2,115
Additions	257	1,149	1,406
Disposals	(12)	(24)	(36)
<b>At 30 June 2007</b>	<b>4,643</b>	<b>2,609</b>	<b>7,252</b>
<b>Depreciation</b>			
At 1 July 2006	2,592	357	2,949
Acquisition of subsidiaries	1,009	477	1,486
Disposals	(12)	(22)	(34)
Provided in year	310	632	942
<b>At 30 June 2007</b>	<b>3,899</b>	<b>1,444</b>	<b>5,343</b>
<b>Net book value</b>			
<b>At 30 June 2007</b>	<b>744</b>	<b>1,165</b>	<b>1,909</b>
At 30 June 2006	679	139	818
<b>Company</b>			
<b>Cost</b>			
At 1 July 2006	436	129	565
Additions	112	211	323
<b>At 30 June 2007</b>	<b>548</b>	<b>340</b>	<b>888</b>
<b>Depreciation</b>			
At 1 July 2006	119	56	175
Provided in year	153	100	253
<b>At 30 June 2007</b>	<b>272</b>	<b>156</b>	<b>428</b>
<b>Net book value</b>			
<b>At 30 June 2007</b>	<b>276</b>	<b>184</b>	<b>460</b>
At 30 June 2006	317	73	390

### 14 Investments

Company	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 July 2006	25,742
Acquisitions in year	18,797
<b>At 30 June 2007</b>	<b>44,539</b>
<b>Provision</b>	
<b>At 1 July 2006 and 30 June 2007</b>	<b>20,544</b>
<b>Net book value</b>	
<b>At 30 June 2007</b>	<b>23,995</b>
At 30 June 2006	5,198

# Notes to the accounts continued

for the year ended 30 June 2007

## 14 Investments continued

All subsidiaries have been included in the consolidation. Details of the subsidiary companies at 30 June 2007 are as follows:

	Country of incorporation and operation	Proportion of voting equity held
NetBenefit (UK) Limited	UK	100%
NetNames Limited*	UK	100%
NetNames International Limited	UK	100%
Easily Limited	UK	100%
NetBenefit Limited	UK	100%
NetNames Inc*	USA	100%
Eurl Group NBT France	France	100%
Exalia Limited	UK	100%
Ascio Technologies Holding 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%
Domain Trustees GmbH*	Germany	100%
Speednames Hong Kong Ltd*	Hong Kong	100%

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

All of the above companies are involved in the provision of internet and related services except for NetBenefit Limited which is dormant.

## 15 Debtors: amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	3,167	1,023	—	—
Amounts owed by Group undertakings	—	—	1,762	—
Deferred tax asset (note 16)	310	222	34	51
Other debtors	473	373	7	—
Prepayments and accrued income	969	277	247	91
	<b>4,919</b>	<b>1,895</b>	<b>2,050</b>	<b>142</b>

### 16 Deferred tax asset

The Group and the Company have 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:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 July 2006	222	440	51	54
Origination and reversal of timing differences	88	(218)	(17)	(3)
<b>At 30 June 2007</b>	<b>310</b>	<b>222</b>	<b>34</b>	<b>51</b>
Excess depreciation over capital allowances	113	141	(12)	(30)
Short-term timing differences	4	—	4	—
Unrelieved trading losses	193	81	42	81
<b>At 30 June 2007</b>	<b>310</b>	<b>222</b>	<b>34</b>	<b>51</b>

The Group had potential deferred tax assets of £2,794,000 (2006: £569,000) that were not recognised at 30 June 2007 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:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Excess depreciation over capital allowances	(31)	15	—	—
Short-term timing differences	72	—	72	—
Unrelieved trading losses	2,753	554	6	30
	<b>2,794</b>	<b>569</b>	<b>78</b>	<b>30</b>

### 17 Creditors: amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank loan (note 18)	983	—	983	—
Trade creditors	772	219	206	102
Amounts owed to Group undertakings	—	—	3,726	1,985
Corporation tax	498	327	—	—
Other taxation and social security	869	614	42	57
Other creditors	2,041	512	65	1
Accruals and deferred income	5,196	3,324	842	466
	<b>10,359</b>	<b>4,996</b>	<b>5,864</b>	<b>2,611</b>

### 18 Creditors: amounts falling due after more than a year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank loan	3,940	—	3,940	—

On 16 January 2007, a five-term bank loan of £5,000,000 was arranged in connection with the acquisition of Ascio Technologies Holdings 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.

# Notes to the accounts continued

for the year ended 30 June 2007

## 19 Provisions

### Deferred tax liability

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 July 2006	—	47	—	31
Origination and reversal of timing differences	19	(47)	—	(31)
<b>At 30 June 2007</b>	<b>19</b>	<b>—</b>	<b>—</b>	<b>—</b>
Accelerated capital allowances	19	—	—	—
<b>At 30 June 2007</b>	<b>19</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 20 Financial instruments

The Group's financial instruments at 30 June 2007 comprised bank debt, cash balances and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The Group is exposed to interest rate, credit, liquidity and foreign exchange risks during its normal course of business.

### Interest rate risk

The Group finances its operations through shareholder equity, bank debt and working capital. Throughout the year, the Group's exposure to interest rate fluctuations was on its bank debt and cash deposits.

The interest rates on both the debt and cash deposits vary according to the prevailing market interest rates.

### Borrowing facilities

On 16 January 2007, a five-term bank loan of £5,000,000 was arranged and drawn down in connection with the acquisition of Ascio Technologies Holding 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. In addition to the loan an additional credit facility of £2,000,000 was arranged, none of which has been drawn down, and this facility will expire on 16 January 2008. The interest rate applicable to these facilities is based on LIBOR.

### Interest rate profile

Group	Floating rate financial liabilities	Floating rate financial assets
	£'000	£'000
<b>At 30 June 2007</b>		
Sterling	5,000	2,479
US Dollar	—	78
Euros	—	323
Other European Currencies	—	171
<b>Gross assets</b>	<b>5,000</b>	<b>3,051</b>
At 30 June 2006		
Sterling	—	5,848
US Dollar	—	70
Euros	—	170
Other European Currencies	—	—
Gross assets	—	6,088

## 20 Financial instruments continued

### Currency profile

The Group has overseas subsidiaries, which operate in Continental Europe and the United States of America. Their revenues and expenses are denominated substantially in the currencies in which they operate. The Group's principal exposure to exchange rate fluctuations arises on translation of the overseas net assets and results into Sterling for accounting purposes.

The net foreign currency monetary assets and liabilities by reference to the functional currencies of these operations are set out below:

	Sterling £'000	US Dollar £'000	Euro £'000	Other European currencies £'000	Total £'000
<b>As at 30 June 2007</b>					
Sterling	—	—	—	—	—
US Dollar	(1)	—	—	1	—
Euro	113	—	—	186	299
Other European currencies	—	—	—	144	144
<b>Net foreign currency monetary assets/liabilities</b>	<b>112</b>	<b>—</b>	<b>—</b>	<b>331</b>	<b>443</b>
<b>As at 30 June 2006</b>					
Sterling	—	—	—	—	—
US Dollar	46	—	—	—	46
Euro	111	—	—	—	111
Other European currencies	—	—	—	—	—
<b>Net foreign currency monetary assets/liabilities</b>	<b>157</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>157</b>

### Liquidity risk

The Group's risk policy throughout the year, as in prior years, has been to ensure continuity of funding by maintaining sufficient cash balances and flexibility through use of a mixture of term deposits and the arrangement of appropriate borrowing facilities.

### Credit risk

It is the Group's policy that, where appropriate, potential customers will be subject to credit verification procedures before credit terms are granted and trade debtors are monitored on an ongoing basis to minimise exposure to bad debts.

### Fair value of financial instruments

The Group believes that there is no material difference between the book and the fair value of its financial instruments in the current or prior year.

## 21 Called up share capital

	2007 Number	2006 Number	2007 £'000	2006 £'000
<b>Authorised ordinary shares of 1p each</b>				
<b>At 1 July 2006 and 30 June 2007</b>	<b>30,000,000</b>	<b>30,000,000</b>	<b>300</b>	<b>300</b>
<b>Allotted, called up and fully paid ordinary shares of 1p each</b>				
At 1 July 2006	20,394,897	19,466,520	204	195
Share options exercised	64,786	928,377	1	9
Shares issued on acquisition	4,285,714	—	43	—
<b>At 30 June 2007</b>	<b>24,745,397</b>	<b>20,394,897</b>	<b>248</b>	<b>204</b>

During the year, 64,786 shares were issued for share options exercised and 4,285,714 shares were issued as part of the consideration in connection with the acquisition of Ascio Technologies Holding A/S.

# Notes to the accounts continued

for the year ended 30 June 2007

## 21 Called up share capital continued

The details of outstanding share options over ordinary shares of the Company are set out below. All of the agreements are for a ten-year period with the exception of the options granted on 16 January 2007 and 12 March 2007 which are for a five-year period. All of the options listed below had vested by 30 June 2007.

	Date granted	Exercise price £	At 1 July 2006	Granted	Exercised	Lapsed	Market price at exercise £	At 30 June 2007
Enterprise Management Incentive Plan	30/06/2003	0.25	690,000	—	60,000	—	1.44	630,000
	22/08/2003	0.01	11,500	—	—	—		11,500
	07/04/2004	0.01	6,500	—	—	—		6,500
	10/04/2006	1.30	38,610	—	—	—		38,610
	26/03/2007	3.14	—	62,000	—	—		62,000
				746,610	62,000	60,000	—	
Approved Scheme	22/09/1999	2.34	9,572	—	4,786	4,786	3.37	—
	18/09/2000	4.55	2,708	—	—	—		2,708
			12,280	—	4,786	4,786		2,708
Unapproved Scheme	08/09/1998	0.25	24,000	—	—	—		24,000
	04/06/1999	2.50	75,000	—	—	50,000		25,000
	30/06/2003	0.25	105,000	—	—	—		105,000
	10/04/2006	1.30	100,000	—	—	—		100,000
	16/01/2007	2.75	—	740,902	—	—		740,902
	12/03/2007	2.75	—	69,098	—	—		69,098
	26/03/2007	3.14	—	218,000	—	—		218,000
			304,000	1,028,000	—	50,000		1,282,000

Directors' share options are set out on page 13, in the Directors' remuneration report and total 1,087,610 (2006: 877,610).

## 22 Share-based payments

The Group has a number of schemes as shown above 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 2006 all options granted after 7 November 2002 had vested and therefore were not required to be accounted for in accordance with FRS 20.

The following unapproved share options grants of 740,902 on 16 January 2007 and 69,098 on 12 March 2007 were issued in connection with the acquisition of Ascio Technologies Holding A/S and the fair value of these options, calculated using the Black-Scholes model, has been included in the consideration (note 28b).

There were 2,033,318 options outstanding at 30 June 2007 with a weighted average price of £1.75 and a weighted average contractual life of six years.

A charge of £255,000 (2006: nil) arose in the year in respect of employee share options granted during the year which vested over a three-month period to 30 June 2007. The fair value of services received in return for the grant of options was determined by the fair value of the options granted, which was calculated using the Black-Scholes model. The model inputs and its result are set out below:

	2007 Options issued in year	2006 Options issued in year
Expected life – years	3.25	n/a
Share price	£3.14	n/a
Strike price	£3.14	n/a
Volatility	35.6%	n/a
Dividend yield	1.0%	n/a
Risk-free interest rate	5.0%	n/a
Fair value of each option at measurement date	£0.91	n/a

The expected volatility has been calculated by looking at historic movements up to the date of grant in the Group's return index, which amounts to share price plus dividends, over a period equivalent to the expected life of the option.

### 23 Statement of movements on reserves

Group	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Profit and loss account £'000
At 1 July 2006	204	3,462	1,044	—	2,803
Issue of shares	44	25	9,707	—	—
FRS 20 Share-based payment charge	—	—	—	678	—
Dividends	—	—	—	—	(310)
Unrealised exchange gain	—	—	—	—	71
Retained profit for the financial year	—	—	—	—	1,506
<b>At 30 June 2007</b>	<b>248</b>	<b>3,487</b>	<b>10,751</b>	<b>678</b>	<b>4,070</b>
<b>Company</b>					
At 1 July 2006	204	3,462	1,134	—	4,178
Issue of shares	44	25	9,707	—	—
FRS 20 Share-based payment charge	—	—	—	678	—
Dividends	—	—	—	—	(310)
Unrealised exchange gain	—	—	—	—	60
Retained profit for the financial year	—	—	—	—	3
<b>At 30 June 2007</b>	<b>248</b>	<b>3,487</b>	<b>10,841</b>	<b>678</b>	<b>3,931</b>

Other reserve balance which arose in the year comprises £255,000 in respect of share-based payments charge relating to employee share options (note 22) and £423,000 in respect of share options issued in connection with the acquisition of Ascio Technologies Holding A/S (note 28b).

### 24 Reconciliation of movements in shareholders' funds

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Retained profit for the financial year	1,506	1,956	3	4,148
Dividends	(310)	(78)	(310)	(78)
	<b>1,196</b>	<b>1,878</b>	<b>(307)</b>	<b>4,070</b>
Unrealised exchange gain on consolidation	71	2	60	—
New share capital subscribed	69	191	69	191
Merger reserve – issue of shares	9,707	—	9,707	—
FRS 20 Share-based payment charge	678	—	678	—
Net addition to shareholders' funds	<b>11,721</b>	<b>2,071</b>	<b>10,207</b>	<b>4,261</b>
Opening shareholders' funds	<b>7,513</b>	<b>5,442</b>	<b>8,978</b>	<b>4,717</b>
<b>Closing shareholders' funds</b>	<b>19,234</b>	<b>7,513</b>	<b>19,185</b>	<b>8,978</b>

### 25 Operating lease commitments

At 30 June 2007 the Group and Company were committed to making the following payments during the financial year in respect of operating leases:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Land and buildings</b>				
Operating leases which expires:				
Within one year	14	11	—	—
In two to five years	570	150	196	124
Over five years	18	17	—	—
	<b>602</b>	<b>178</b>	<b>196</b>	<b>124</b>
<b>Other</b>				
Operating leases which expires:				
Within one year	5	—	—	—
In two to five years	29	—	—	—
Over five years	—	—	—	—
	<b>34</b>	<b>—</b>	<b>—</b>	<b>—</b>

# Notes to the accounts continued

for the year ended 30 June 2007

## 26 Contingent liabilities

At 30 June 2007, the Group had contingent liabilities in respect of the following:

- standby letters of credit and credit guarantees to domain name registries of £38,000 (2006: £12,000);
- amounts held in lieu of rent deposits for premises of £145,000 (2006: nil);
- bank guarantee covering deductions of tax for employees in Norway of £21,000 (2006: nil); and
- the Group and Company were subject to a cross-company guarantee in respect of all bank borrowings.

## 27 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £'000	2006 £'000
Operating profit	2,391	2,330
Depreciation	942	551
Amortisation of domain name	1	—
Amortisation of goodwill	1,178	387
Loss on disposal of assets	2	—
FRS 20 Share-based payment charge	255	—
Unrealised exchange gain	71	2
Increase in debtors	(1,418)	(649)
Increase in creditors	571	609
<b>Net cash inflow from operating activities</b>	<b>3,993</b>	<b>3,230</b>

## 28 Acquisitions

### (a) Exalia Limited (Exalia)

On 25 August 2006 the Group acquired Exalia for £2,994,000 including acquisition expenses. The consideration, excluding expenses, was settled in three tranches; an initial payment of £2,000,000 on completion, a payment of £600,000 in March 2007 on achieving revenue targets for year ended 31 January 2007 and a final payment of £300,000 in June 2007. The final tranche, which was originally due to be paid in early 2008 subject to achieving revenue target for year ended 31 January 2008, was renegotiated and paid early as an agreement was reached with the vendors to settle earnout earlier than set out in the acquisition agreement in order to facilitate the full integration of Exalia with the Group's managed hosting division. The goodwill arising on acquisition is £2,763,000 and is being amortised over ten years, the useful life based on internal estimates.

Details of the fair values of the assets and liabilities acquired are set out below:

	Book value of assets acquired £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	266	—	266
Debtors	143	(14)	129
Cash at bank	105	—	105
Creditors: falling due within one year	(200)	(69)	(269)
<b>Net assets/(liabilities)</b>	<b>314</b>	<b>(83)</b>	<b>231</b>
Goodwill			2,763
<b>Consideration</b>			<b>2,994</b>
Satisfied by:			
Cash consideration (including expenses of £94,000)			2,994
			<b>2,994</b>
Effects on Group cash flow:			
Cash consideration and costs			2,994
Cash balances on acquisition			(105)
<b>Net cash outflow</b>			<b>2,889</b>

The fair value adjustments relate to the reassessment of current and deferred tax provisions and the provision for bad debts.

## 28 Acquisitions continued

### (a) Exalia Limited (Exalia) continued

The results of Exalia prior to its acquisition were as follows:

	1 Feb to 25 Aug 06 £'000	Year ended Jan 06 £'000
Turnover	597	530
Operating profit	196	70
Net interest	(1)	(3)
Profit on ordinary activities before taxation	195	67
Taxation	(66)	(20)
Profit on ordinary activities after taxation	129	47

### (b) Ascio Technologies Holding A/S (Ascio)

On 16 January 2007 the Group acquired Ascio for an aggregate total consideration, comprising cash, Group NBT plc shares and share options over Group NBT plc shares and acquisition expenses, of £15,804,000. The aggregate consideration is stated after adjustments to the gross consideration for bank debt of £1,201,000 and working capital deficit of £1,053,000 at completion. The goodwill arising on acquisition is £18,349,000 and is being amortised over fifteen years, the useful life based on internal estimates.

Details of the provisional fair value of the assets acquired are set out below:

	Book value of assets acquired £'000	Accounting policy alignment £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	478	105	(226)	357
Intangible fixed assets	6,459	—	(6,459)	—
Debtors	1,034	—	356	1,390
Cash at bank	380	—	—	380
Creditors: falling due within one year	(4,422)	(120)	(130)	(4,672)
<b>Net assets/(liabilities)</b>	<b>3,929</b>	<b>(15)</b>	<b>(6,459)</b>	<b>(2,545)</b>
Goodwill				18,349
<b>Consideration</b>				<b>15,804</b>
Satisfied by:				
4,285,715 ordinary shares at 2.275 pence				9,750
1,000,000 share options at a fair value of £0.423				423
Cash consideration (including expenses of £384,000)				5,631
				<b>15,804</b>
Effects on Group cash flow:				
Cash consideration and costs				5,631
Cash balances on acquisition				(380)
<b>Net cash outflow</b>				<b>5,251</b>

The accounting policy realignment arises from changes in accounting policy in respect of a provision for dilapidations in respect of Ascio's head office premises where the lease provides for the tenant to return the premises in its original state. This treatment is in line with the Group's accounting policy and the appropriate accounting standards. The fair value adjustments are in respect of the intangible assets is the removal of purchased goodwill on consolidation with the remainder being presentation adjustments to restate Ascio's accounts on the same basis as the Group.

# Notes to the accounts continued

for the year ended 30 June 2007

## 28 Acquisitions continued

### (b) Ascio Technologies Holding A/S (Ascio) continued

The results of Ascio prior to its acquisition were as follows:

	1 Jan 2006 to 15 Jan 2007 £'000	Year ended 31 Dec 2005 £'000
Turnover	12,826	10,507
Operating loss after goodwill amortisation of £1,250,000 (2005: £1,200,000)	(1,458)	(3,905)
Net interest	(344)	17
Loss on ordinary activities before taxation	(1,802)	(3,888)
Taxation	—	—
Loss on ordinary activities after taxation	(1,802)	(3,888)

## 29 Analysis of net funds

	Cash available on demand £'000	Cash on treasury deposit £'000	Total £'000
At 1 July 2006	608	5,480	6,088
Cashflow	332	(3,369)	(3,037)
<b>At 30 June 2007</b>	<b>940</b>	<b>2,111</b>	<b>3,051</b>

## 30 Parent company's results

As permitted by Section 230 of the Companies Act, a separate profit and loss account is not presented in respect of the Company. During the year, the parent company made a loss of £307,000 (2006: profit £4,148,000).

## 31 Post balance sheet event

On 10 July 2007 the Company announced the acquisition of the entire share capital of Envisional Limited for a maximum consideration of £4,000,000. The consideration will be satisfied in three tranches, an initial payment of up to £2,400,000 and deferred payments up to a maximum of £1,600,000 in aggregate. The initial payment will be settled 50% in cash and 50% by the issue of Group NBT plc shares to the vendors. The cash element of this initial payment will be payable after the close of the calendar year 2007 and will be adjusted according to revenue performance against target for that year. The deferred payments will be payable in cash, if certain revenue targets are achieved in the twelve month periods ending 31 December 2008 and 31 December 2009.

## 32 Related parties

The Group has taken advantage of the exemption under FRS 8 not to disclose related party transactions with subsidiaries that are more than 90% owned by the Group.

Claus Andersen, a partner in Nordic Venture Partners, became a non-executive director of Group NBT plc on 16 January 2007. Nordic Venture Partners were the majority shareholder of Ascio Technologies Holding A/S which was acquired by the Group on 16 January 2007, and further information on this acquisition is set out in note 28(b).

# Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Group NBT plc (the "Company") will be held at the offices of Nabarro, Lacon House, 84 Theobald's Road, London WC1X 8RW on 29 November 2007 at 10.00 am for the following purposes:

## Ordinary business

1. To receive and adopt the Directors' Report and the Accounts for the year ended 30 June 2007 and the auditor's report thereon.
2. To declare and approve the payment of the proposed dividend of 1.2 pence per share for the year ended 30 June 2007 to be paid on 9 January 2008 to shareholders on the register at 7 December 2007.
3. To receive and approve the Directors' Remuneration Report for the year ended 30 June 2007.
4. To re-elect as Director Geoff Wicks who retires by rotation.
5. To re-elect as Director Keith Young who retires by rotation.
6. To re-elect as Director Claus Andersen, who was appointed after the last Annual General Meeting.
7. To re-appoint Messrs BDO Stoy Hayward LLP as auditors of the Company.
8. To authorise the Directors to agree the auditors' remuneration.

## Special business

As special business, to consider and, if thought fit, to pass the following Resolutions which will be proposed as Ordinary Resolutions in respect of Resolutions 9 and 10, and as a Special Resolution in respect of Resolution 11:

9. That the authorised share capital of the Company be increased from £300,000 to £400,000 by the creation of an additional 10,000,000 new ordinary shares of 1 pence each ranking *pari passu* in all respects with the existing ordinary shares in the Company.
10. That the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £83,814 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution (if earlier) unless renewed or extended prior to such time except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
11. That, subject to the passing of Resolution 10, the Directors be and are hereby empowered pursuant to Section 95 of the Act and for the purposes of Article 6 of the Articles of Association of the Company to allot equity securities (as defined in Section 94 of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:
  - (a) to the allotment of equity securities in connection with a rights issue or other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (or nearly as may be) to the respective numbers of equity securities held by them subject only to such exclusions or agreements as the Directors may deem necessary to deal with problems arising in any overseas territory, in connection with fractional entitlements or otherwise; and
  - (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal value of £12,572 (representing approximately 5% of the present issued share capital).

and that these authorities shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution (if earlier) unless renewed or extended prior to such time except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

**Raj Nagevadia**  
Company Secretary  
24 October 2007

**Registered office:**  
3rd Floor, Prospero House  
241 Borough High Street  
London SE1 1GA

# Notice of Annual General Meeting continued

## Notes

1. The following documents will be available for inspection fifteen minutes prior to and at the Annual General Meeting. They will also be available at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting:
  - (a) copies of the Directors' service contracts (or a memorandum of the terms of such contracts) with the Company or any of its subsidiaries;
  - (b) the Register of Directors' Interests in the share capital of the Company; and
  - (c) a copy of the Articles of Association of the Company.
2. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not also be a member of the Company. Appointment of a proxy will not preclude a member from attending the meeting and voting in person.
3. A form of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid an appointment of proxy must be returned by one of the following methods:

in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or

in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below;

and in each case must be received by the Company not less than 48 hours before the time of the meeting.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting services provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, the CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 10.00 am on 27 November 2007 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time and changes to the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

# Officers and advisers

## Directors

John Parcell (Non-executive Chairman)  
Geoff Wicks  
Jonathan Robinson  
Raj Nagevadia  
Keith Young (Non-executive)  
Tim Ashley (Non-executive)  
Richard Madden (Non-executive)  
Claus Andersen (Non-executive)

## Secretary

Raj Nagevadia

## Registered and head office

3rd Floor  
Prospero House  
241 Borough High Street  
London SE1 1GA

## Company number

3709856

## Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Bankers

Bank of Scotland  
Corporate  
Bishopsgate Exchange  
Level 7  
155 Bishopsgate Exchange  
London EC2M 3YB

## Solicitors

Nabarro  
Lacon House  
84 Theobald's Road  
London WC1X 8RW

## Financial advisers

Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT

## Stockbrokers

Numis Securities Limited,  
10 Paternoster Square  
London EC4M 7LT

## Auditors

BDO Stoy Hayward LLP  
8 Baker Street  
London W1U 3LL

# Group NBT offices

## United Kingdom

### London

Prospero House  
241 Borough High Street  
London SE1 1GA  
Tel: +44 (0)207 015 9200  
Fax +44 (0)870 458 9506

### Cambridge

Betjeman House  
104 Hills Road  
Cambridge CB2 1LQ

## US

13th Floor  
55 Broad Street  
New York NY 10004-3715

## France

Green Side BP 296  
400 Avenue Roumanille  
06906 Sophia Antipolis Cedex

## Germany

Leopoldstrasse 74  
D-80802 München

## Spain

C/ Capitan Haya, 1 planta 15  
Edificio Eurocentro Empresarial  
28020 Madrid

## Denmark

Islands Brygge 55  
2300 København S

## Norway

Niels Juels Gate 38A  
0257 Oslo

## Switzerland

Staffelstrasse 10  
CH-8045 Zürich



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