



**group**NBT

INTERIM 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

**+98%**

- Excellent performance across the Group
- Revenue up 98% overall to £16.47 million
- Strong organic growth, excluding revenue from the Ascio and Envisional acquisitions, continues at 17%

Underlying operating profit\* up

**+43%**

- Underlying operating profit\* up 43% to £2.68 million
- Underlying pre-tax profit (excluding restructuring costs and amortisation) up 25% to £2.48 million

Interim dividend up

**+33%**

- Diluted EPS excluding restructuring costs and amortisation up 5% to 7.04 pence held back by an increased number of shares in issue due to acquisitions
- Interim dividend up 33% to 0.8 pence
- NetNames Platinum Service revenues up 39% to £4.67 million
- Managed hosting revenues up 58% to £2.37 million
- Ascio, acquired January 2007, now profitable; integration on target
- Directors confident of further progress in the second half of the year

\*Underlying operating profit is shown on the face of the income statement and defined as pre-tax profit excluding amortisation, restructuring costs, share-based payments and net interest

## Chairman's statement

**"The second half of the year has started well and we are confident that we will continue to see good growth through the rest of this financial year."**

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Group NBT extended its fine record of sales and profit growth in the half year to 31 December, and made good progress in integrating and exploiting recent acquisitions.

Revenue for the first half of this financial year was nearly double that of the first half of last year and we achieved strong growth in both corporate domain name management and managed hosting.

Underlying PBT before amortisation and restructuring costs was up 25% to £2.48 million. Underlying earnings per share – that is, before charges for amortisation and restructuring costs – were 7.04 pence on a fully diluted basis, up 5% from the first half of last year. On a GAAP basis EPS were 5.50 pence on a diluted basis, down from 6.56 pence last year. In the light of our good performance and our confidence in our prospects now and in the longer term, we are increasing the interim dividend by 33% to 0.8 pence.

As we grow, I am pleased to report that we have continued to strengthen the management team below Board level with the appointment of a Chief Technical Officer and a senior manager for our Nordic operations. I would like to take this opportunity to thank all our staff for their efforts in achieving such a good result.

Business remains strong. We are benefiting from the continuing structural shift from traditional business models towards ecommerce where our services are increasingly recognised as an essential business service. We are confident of further good growth in the second half, which has started well.

**John Parcell**

Chairman  
13 March 2008

## Chief Executive's review

**"Group NBT had a very good start to the financial year with strong performances from its key products. The acquisitions made in the last financial year have performed above expectations and are significant contributors to the Group's increasing profit. Exalia has been completely integrated into our managed hosting business and the first benefits from the integration of Ascio have been achieved. Envisional, which was acquired during the first half of this financial year, is showing great promise."**

In the first half of this financial year the Company has seen revenues increase to almost twice that reported for the same period last year. At the same time profits have increased significantly with all but the most recent acquisition, Envisional, contributing. This demonstrates the strength of the Company's strategy, focusing on high value added products for the corporate market and we have also benefited from the acquisitions made in the last two years. As we achieve the benefits we expect from these acquisitions over the next two years there are further opportunities for growth and improving margins.

Revenue for the half year to 31 December 2007 was £16.47 million, up 98% on the same period last year. This figure includes revenue from Ascio and Envisional both of which became part of Group NBT in 2007. Underlying revenue growth, before the inclusion of revenue from Ascio and Envisional was 17%. Growth for both NetNames Platinum Service and NetBenefit managed hosting continues to be excellent and these two services, with high levels of recurring revenue, continue to drive the overall growth of the Company.

Underlying operating profit was £2.68 million, up 43% on the same period last year. Underlying operating profit is defined as pre-tax profit excluding amortisation, restructuring costs, share-based payments and interest. Underlying pre-tax profit before amortisation and restructuring costs was £2.48 million, up 25% on last year. Ascio's contribution was better than anticipated as we have been able to make initial improvements without increasing costs.

At the end of December the Company had net debt of £1 million compared to net debt of £1.95 million at the end of June 2007.

### Corporate domain name services

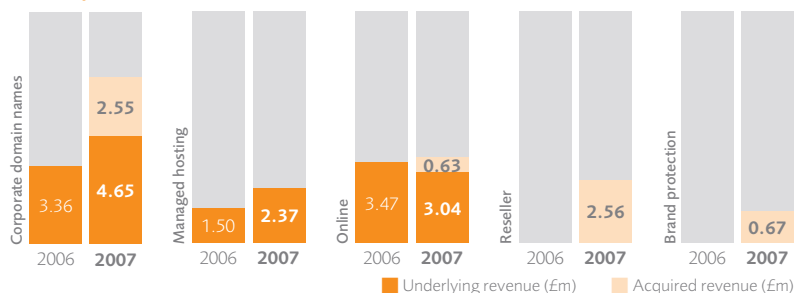
Revenue from Corporate domain name services was £7.20 million for the half year, up 114% on last year due to the inclusion of corporate domain name revenue from Ascio's Speednames Business service. Within this, revenue from NetNames Platinum Service was £4.67 million, up 39% on the same period last year. The integration of NetNames Platinum Service with Speednames Business service is now well underway, all new customers take NetNames Platinum Service and the migration of existing customers will commence later this year.

We have seen continuing high levels of demand in the UK, Continental Europe and the US for these products with the market continuing to grow. Growth within existing accounts is strong and continues at the same levels seen in recent years. We also continue to add new accounts at a steady pace, during the half year under review new accounts included P&O Ferries and Barbour.

With the number of domain names registered now over 150 million the secondary market for resale of domain names has become more important. We advise and help customers to acquire domain names in this market and we believe this will be a growth part of our business as companies become more focused on protecting their brands.

## Chief Executive's review continued

### Revenue by service



### Managed hosting

Revenue from managed hosting was £2.37 million, up 58% on the same period last year. This result includes revenue from Exalia which has now been completely integrated.

Managed hosting is sold in the UK and France. Growth has been excellent in both areas with size and complexity of installations growing as we move our product range up market. The market continues to grow strongly. A consequence of this is that the cost of data centre space in London is rising, this will increase our costs in the short term as it will take time to adjust our portfolio of data centre space.

### Reseller and Partner business

The Ascio Partner service provides a white-labelled domain name registration service for ISPs. In the first half of this year it had revenue of £2.56 million, up 19% on the same period last year. This shows growth increasing as we develop the product and get the benefits of the acquisition, for the full year last year we reported 15% growth. We are now starting to see growth outside the main European centres and in the US.

### Online services

Online revenue was £3.67 million for the first half of the year, up 6% on last year. This includes £0.6 million of online revenue from Speednames Online, part of Ascio. Revenue, excluding Speednames Online reduced by 12%. We have revenue from online customers in four of our brands however we concentrate our sales efforts on Easily and Speednames Online. As the other brands are focused on domain name management and managed hosting, the online revenue within these brands is expected to continue to decline. Easily, our main online brand, saw revenues increase slightly driven by good performance from its shared hosting products which grew by 15%.

### Envisional

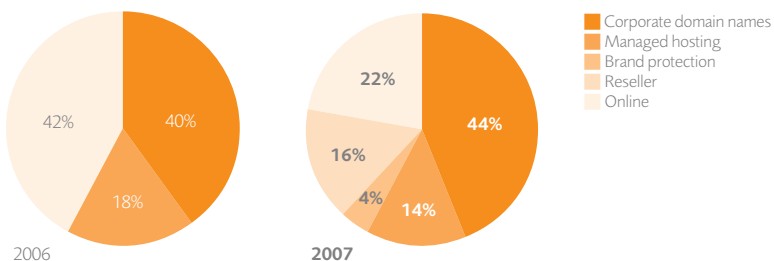
We acquired Envisional Solutions Limited on 10 July last year. Envisional is a leading provider of brand protection services monitoring the Internet for brand abuse, fraud, piracy and counterfeiting. This is a relatively new market with growing interest from brand owners who are increasingly aware of the problems they face. Revenue since acquisition was £0.67 million with an operating loss of £0.12 million excluding restructuring costs.

We have started to invest in product development in order to repackage Envisional's services to enable them to be sold together with the Group's other products.

### Gross margin

The gross margin rate declined from 79.6% in the previous year to 78.1% in this half year. This was largely due to the inclusion of Ascio which has a lower total margin on its product mix and the increase in data centre costs in the managed hosting business.

### Revenue mix



### Operating expenses and finance costs

Operating expenses excluding amortisation, restructuring costs and share-based payments increased from £4.75 million to £10.18 million. This was due to the inclusion of companies acquired in 2007 together with underlying overheads increasing in line with activity coupled with support and management functions being enhanced as the Group grew in size.

We are investing in improving our network and building our technical capability as the Company is now able to attract customers with larger and more complex requirements. This coupled with rising data centre costs has added to our costs in this half year and this will continue in the second half of the year.

As a result of the acquisitions of Ascio and Envisional, amortisation of intangible assets increased from £0.04 million to £0.39 million and restructuring costs of £0.15 million (2006: nil) were incurred in respect of termination payments and integration activity. A net interest charge of £0.12 million arose compared to net interest income of £0.10 million due to the Group financing the acquisitions noted above from existing cash reserves and debt.

### Taxation

A tax charge of £0.51 million (2006: £0.55 million) arose in the half year representing an effective tax rate of 26.4% (2006: 28.5%) which now includes deferred tax adjustments in respect of amortisation and other adjustments under International Financial Reporting Standards (IFRS). The effective tax rate on profit excluding amortisation and restructuring costs and related tax credits was 26.4% (2006: 29.1%) compared to 27.3% for the full year to 30 June 2007.

In addition to the deferred tax adjustments arising from the transition to IFRS, Ascio's net assets at acquisition were revised to include a deferred tax asset of £0.9 million in respect tax losses estimated to be recoverable and a corresponding adjustment was made to reduce the goodwill arising on acquisition.

### IFRS

The Group is required to adopt IFRS for reporting purposes for accounting periods beginning after 1 July 2007 and therefore the Group's consolidated financial statements have been prepared under these standards. A reconciliation of the UK GAAP results previously reported to the restated results under IFRS is set out in note 6 of this report.

One of the main changes has been the accounting treatment for goodwill arising from acquisitions which has resulted in a decrease in the annual amortisation charge under UK GAAP from circa £2.2 million to circa £0.8 million.

### Geoff Wicks

Chief Executive Officer  
13 March 2008

## Consolidated income statement

		Unaudited Six months ended 31 Dec 2007 £'000	Unaudited (restated) Six months ended 31 Dec 2006 £'000	Audited (restated) Year ended 30 June 2007 £'000
	Note			
<b>Revenue</b>	2	16,467	8,333	22,356
Cost of sales		3,600	1,703	4,903
<b>Gross profit</b>		12,867	6,630	17,453
Operating expenses		10,810	4,794	14,326
<b>Operating profit</b>		2,057	1,836	3,127
Operating profit		2,057	1,836	3,127
Share-based payments		83	—	255
Amortisation		393	40	359
Restructuring costs		149	—	242
<b>Underlying operating profit</b>		2,682	1,876	3,983
Finance income		14	107	147
Finance expense		(135)	(4)	(179)
<b>Profit before taxation</b>		1,936	1,939	3,095
Taxation		(512)	(553)	(733)
<b>Profit for the period attributable to equity holders of the parent</b>		1,424	1,386	2,362
Earnings per share				
– basic	3	5.67p	6.78p	10.55p
– diluted	3	5.50p	6.56p	10.18p

## Consolidated balance sheet

	Unaudited as at 31 Dec 2007 £'000	Unaudited as at 31 Dec 2006 £'000	Audited as at 30 June 2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	24,696	6,402	22,361
Other intangible assets	3,368	473	2,984
Property, plant and equipment	1,879	1,252	1,909
Deferred tax asset	836	626	275
	<b>30,779</b>	<b>8,753</b>	<b>27,529</b>
<b>Current assets</b>			
Trade and other receivables	5,387	2,402	4,609
Cash and cash equivalents	3,498	4,690	3,051
	<b>8,885</b>	<b>7,092</b>	<b>7,660</b>
<b>Total assets</b>	<b>39,664</b>	<b>15,845</b>	<b>35,189</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank loan	(3,448)	—	(3,940)
Provision	(907)	—	—
Deferred tax	—	(23)	(19)
	<b>(4,355)</b>	<b>(23)</b>	<b>(3,959)</b>
<b>Current liabilities</b>			
Bank overdrafts and loan	(983)	—	(983)
Trade and other payables	(10,571)	(5,648)	(9,031)
Taxation	(500)	(1,018)	(498)
	<b>(12,054)</b>	<b>(6,666)</b>	<b>(10,512)</b>
<b>Total liabilities</b>	<b>(16,409)</b>	<b>(6,689)</b>	<b>(14,471)</b>
<b>Net assets</b>	<b>23,255</b>	<b>9,156</b>	<b>20,718</b>
<b>Capital and reserves</b>			
Called up share capital	251	205	248
Share premium account	3,487	3,476	3,487
Merger reserve	12,008	1,044	10,751
Other reserve	1,327	443	1,355
Cumulative translation reserve	(48)	12	71
Retained profit	6,230	3,976	4,806
<b>Equity shareholders' funds</b>	<b>23,255</b>	<b>9,156</b>	<b>20,718</b>

## Consolidated statement of changes in equity (unaudited)

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Cumulative translation reserve £'000	Retained profit £'000	Total £'000
<b>Six months ended</b>							
<b>31 December 2007</b>							
Balance at 1 July 2007	248	3,487	10,751	1,355	71	4,806	20,718
Exchange translation differences	—	—	—	—	(119)	—	(119)
Deferred tax recognised directly in equity	—	—	—	(111)	—	—	(111)
Net expense recognised directly in equity	—	—	—	(111)	(119)	—	(230)
Profit for the period	—	—	—	—	—	1,424	1,424
Total recognised income and expense	—	—	—	(111)	(119)	1,424	1,194
Share-based payments	—	—	—	83	—	—	83
Issue of share capital	3	—	1,257	—	—	—	1,260
<b>Balance at 31 December 2007</b>	<b>251</b>	<b>3,487</b>	<b>12,008</b>	<b>1,327</b>	<b>(48)</b>	<b>6,230</b>	<b>23,255</b>
<b>Six months ended</b>							
<b>31 December 2006</b>							
Balance at 1 July 2006	204	3,462	1,044	295	—	2,754	7,759
Exchange translation differences	—	—	—	—	12	—	12
Deferred tax recognised directly in equity	—	—	—	148	—	—	148
Net income recognised directly in equity	—	—	—	148	12	—	160
Profit for the period	—	—	—	—	—	1,386	1,386
Total recognised income and expense	—	—	—	148	12	1,386	1,546
Dividends	—	—	—	—	—	(164)	(164)
Issue of share capital	1	14	—	—	—	—	15
Balance at 31 December 2006	205	3,476	1,044	443	12	3,976	9,156
<b>Year ended 30 June 2007</b>							
Balance at 1 July 2006	204	3,462	1,044	295	—	2,754	7,759
Exchange translation differences	—	—	—	—	71	—	71
Deferred tax recognised directly in equity	—	—	—	382	—	—	382
Net income recognised directly in equity	—	—	—	382	71	—	453
Profit for the period	—	—	—	—	—	2,362	2,362
Total recognised income and expense	—	—	—	382	71	2,362	2,815
Dividends	—	—	—	—	—	(310)	(310)
Share-based payments	—	—	—	678	—	—	678
Issue of share capital	44	25	9,707	—	—	—	9,776
Balance at 30 June 2007	248	3,487	10,751	1,355	71	4,806	20,718

## Consolidated cash flow statement

	Unaudited Six months ended 31 Dec 2007 £'000	Unaudited Six months ended 31 Dec 2006 £'000	Audited Year ended 30 June 2007 £'000
<b>Cash flow from operating activities</b>			
Profit before tax	1,936	1,939	3,095
Finance (income)/expense (net)	121	(103)	32
Depreciation and amortisation	1,125	395	1,302
Loss on disposal of assets	—	—	2
Share-based payments	83	—	255
Exchange differences	(119)	12	71
(Increase) in trade and other receivables	(446)	(600)	(1,418)
(Decrease)/increase in trade and other payables	(314)	(457)	654
Cash generated from operations	2,386	1,186	3,993
Taxation	(504)	(12)	(841)
<b>Net cash inflow from operating activities</b>	<b>1,882</b>	<b>1,174</b>	<b>3,152</b>
<b>Cash flow from investing activities</b>			
Interest received	14	107	147
Purchase of property, plant and equipment	(644)	(522)	(1,406)
Purchase of intangible assets	—	(31)	(31)
Purchase of subsidiary undertakings	(212)	(2,062)	(8,625)
Net cash acquired with subsidiary undertaking	34	105	485
Repayment of bank loan as part of acquisition	—	—	(1,202)
<b>Net cash outflow from investing activities</b>	<b>(808)</b>	<b>(2,403)</b>	<b>(10,632)</b>
<b>Cash flow from financing activities</b>			
Interest paid	(135)	(4)	(179)
Dividends paid	—	(164)	(310)
Long term loan	(492)	—	4,923
Proceeds from the issue of share capital	—	15	25
Capital element of lease repayments	—	(16)	(16)
<b>Net cash (used in)/generated from financing activities</b>	<b>(627)</b>	<b>(169)</b>	<b>4,443</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>447</b>	<b>(1,398)</b>	<b>(3,037)</b>
<b>Cash and cash equivalents at start of period</b>	<b>3,051</b>	<b>6,088</b>	<b>6,088</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,498</b>	<b>4,690</b>	<b>3,051</b>

# Notes to the unaudited interim accounts

six months ended 31 December 2007

## 1 Accounting policies

### Basis of preparation

This report was approved by the Directors on 12 March 2008.

The interim financial information for all periods has been prepared on the basis of the accounting policies to be applied in the Group statutory accounts for the period ended 30 June 2008. For the period beginning 1 July 2007, the Group has adopted International Financial Reporting Standards (IFRS) and the IFRIC interpretation in the preparation of its consolidated financial statements. Accordingly, this is the first year when the financial statements will be prepared under IFRS and the comparatives for 2006 will be restated from UK GAAP to comply with IFRS. The transition date to IFRS was 1 July 2006. The disclosures required by IFRS concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 6.

The accounting policies applied in these unaudited half year financial statements are those that the Group expects to apply in its annual financial statements for the year ended 30 June 2008, which will be prepared in accordance with IFRS and those parts of the Companies Act 1985 that remain applicable to companies reporting under IFRS.

The six month figures to 31 December 2007 and 31 December 2006 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The comparatives for the full year ended 30 June 2007 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year, which were prepared under UK GAAP, has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)–(3) of the Companies Act 1985.

The results for the year ended 30 June 2007 disclosed in this report are an abridged version of the Company's audited financial statements adjusted for the transition to IFRS.

These consolidated interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue and effective as at 31 December 2007 or expected to be adopted and effective at 30 June 2008, our first annual reporting date at which it is required to use IFRS accounting standards. The accounting policies have been applied consistently throughout the Group for the purpose of the preparation of these statements.

### Transitional arrangements

The Group has elected to apply the following optional exemptions as permitted under IFRS 1 First time adoption of international financial reporting standards in preparing the Group's balance sheet on transition to IFRS at 1 July 2006:

- Business combinations – the Group has elected not to apply IFRS 3 Business combinations retrospectively to business combinations that occurred before the date of transition to IFRS. In relation to the treatment of brought forward goodwill amortisation, the Group has elected to treat the net book value of goodwill as measured under UK GAAP as at 30 June 2006 as the deemed cost of goodwill under IFRS 3 as at 1 July 2006.
- Cumulative exchange translation differences – the Group has elected that the cumulative translation differences for all foreign operations are deemed to be nil at the date of transition to IFRS and exchange differences arising prior to that date will not be recycled to the income statement.
- Share-based payments – the Group has elected to apply IFRS 2 to equity instruments granted after 7 November 2002 that had not vested by 1 July 2006.

A UK GAAP to IFRS reconciliation for the comparative periods is included in this interim statement in note 6.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Group NBT plc, (the Company), and all of its subsidiary undertakings (together, the Group). Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

## 1 Accounting policies continued

### Basis of consolidation continued

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any deficiency of the fair value of consideration over the fair values of the identifiable net assets acquired is credited to the income statement in the period of acquisition. Any excess of the fair value of consideration over the fair values of the identifiable net assets acquired is recognised as goodwill.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

### Goodwill

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

### Other intangible assets

Intangible assets purchased separately, such as company domain names, are capitalised at cost and amortised over their useful economic life. Intangible assets acquired through a business combination such as customer lists and intellectual property are initially measured at fair value and amortised over their useful economic life. Customer lists are amortised over five years, technology based assets are amortised between five and seven years and non-compete agreements are amortised over the restrictive periods.

### Property, plant and equipment

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

- Computer equipment 33.3% – 50% straight line
- Fixtures, fittings and equipment 33.3% straight line
- Leasehold improvements are depreciated over the life of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### Taxation

The tax expense represents the aggregate of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

# Notes to the unaudited interim accounts continued

six months ended 31 December 2007

## 1 Accounting policies continued

### Investments

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

### Financial instruments

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

### Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short term deposits with an original maturity period of less than three months. Bank overdrafts are offset against cash balances on the basis of netting agreements set up with banks.

### Trade and other receivables

Trade receivables do not carry any interest and are stated at their fair value on initial recognition as reduced by appropriate allowances for estimated irrecoverable amounts.

### Trade payables

Trade payables are not interest bearing and are stated at their fair value on initial recognition.

### Bank borrowings

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

### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

### Foreign currencies

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

Assets and liabilities of overseas subsidiaries are translated into Sterling at the closing rate ruling on the balance sheet date. The results of these subsidiaries are translated at an average rate of exchange for the year.

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

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

	Period end rate			Average rate		
	31 Dec 2007	31 Dec 2006	30 June 2007	31 Dec 2007	31 Dec 2006	30 June 2007
US Dollar	1.9836	1.9736	2.0061	2.0327	1.8957	1.9332
Euro	1.3585	1.4853	1.4839	1.4401	1.4785	1.4805

### Revenue recognition

Revenue is derived from the Group's principal activity of the provision of internet related services covering domain name management, web hosting and brand protection services. Revenue is recognised, excluding sales taxes, over the period or at the point where services are provided. Where services are invoiced in advance, revenue is deferred in the balance sheet until the services are provided.

## 1 Accounting policies continued

### Revenue recognition continued

In the current financial period the accounting policy in respect of domain name transactions where the Group acts as an intermediary for sales and purchases of pre-registered domain names was changed whereby revenue is now recognised on a net margin basis as opposed to recognising gross sales value in revenue and the corresponding purchase in cost of sales.

The need for a change in accounting policy arose following the acquisition of Ascio Technologies Holding A/S (Ascio) in January 2007. Ascio carries out such transactions on a much wider scale and a commercial basis and it was recognised that such transactions if accounted for under the previous accounting policy would not reflect the relevant revenue trends and the true commercial nature of the transactions.

The adjustments arising from this change where the purchase price of the domains brokered has been offset against revenue are as follows; in the six months to December 2007: £943,000 (2006: £67,000) and in the year to 30 June 2007: £180,000.

### Leases

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

### Pension costs

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

### Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the services received is determined by the fair value of the options granted which in turn is recognised as an employee expense with a corresponding increase in equity. The fair value of an option is 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.

### 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.

## 2 Segmental analysis

In the opinion of the Directors, the Group's activities constitute one class of business which is operated through a common technical infrastructure and support functions. Revenue and profit/(loss) before tax by geographical segment are as follows:

	Revenue			Profit/(loss) before tax		
	Unaudited	Unaudited (restated)	Audited (restated)	Unaudited	Unaudited	Audited
Six months ended	Six months ended	Year ended	Six months ended	Six months ended	Year ended	
31 Dec 2007	31 Dec 2006	30 June 2007	31 Dec 2007	31 Dec 2006	30 June 2007	
£'000	£'000	£'000	£'000	£'000	£'000	
UK	9,388	7,374	15,518	1,336	1,873	3,226
Other European countries	6,552	539	5,950	435	(57)	(466)
USA	527	420	888	165	123	335
	16,467	8,333	22,356	1,936	1,939	3,095

## Notes to the unaudited interim accounts continued

six months ended 31 December 2007

### 3 Earnings per share

The basic and diluted earnings per share for the period ended 31 December 2007 are based on the profit after taxation of £1,424,000 (31 December 2006: £1,386,000 and 30 June 2007: £2,362,000) and on the weighted average number of shares of 25,111,000 (31 December 2006: 20,455,000 and 30 June 2007: 22,387,000).

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 amortisation of intangible assets and restructuring costs. It has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the Group. The basis of the calculation of the basic and diluted profit per share, before amortisation and restructuring costs is set out below:

	<b>Unaudited Six months ended 31 Dec 2007 £'000</b>	Unaudited Six months ended 31 Dec 2006 £'000	Audited Year ended 30 June 2007 £'000
Profit for the period	1,424	1,386	2,362
Amortisation of intangible assets (net of tax)	291	28	264
Restructuring costs (net of tax)	109	—	224
Profit before amortisation and restructuring costs	<b>1,824</b>	1,414	2,850

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

	Number	Number	Number
Shares used for basic earnings per share	25,111	20,455	22,387
Share options	769	685	804
Shares used for diluted earnings per share	<b>25,880</b>	21,140	23,191

#### Earnings per share

Basic	Pence	Pence	Pence
Profit for the period	5.67	6.78	10.55
Amortisation of intangible assets (net of tax)	1.16	0.14	1.18
Restructuring costs (net of tax)	0.43	0.00	1.00
Profit before amortisation and restructuring costs	<b>7.26</b>	6.92	12.73
Diluted			
Profit for the period	5.50	6.56	10.18
Amortisation of intangible assets (net of tax)	1.12	0.13	1.14
Restructuring costs (net of tax)	0.42	0.00	0.97
Profit before amortisation and restructuring costs	<b>7.04</b>	6.69	12.29

#### 4 Dividend

A final dividend of 1.2 pence per share (2006: 0.8 pence) was paid on 9 January 2008 to shareholders on the register at 7 December 2007. The Board of Directors has declared an interim dividend of 0.8 pence per share (2006: 0.6 pence) which is payable on 21 April 2008 to shareholders on the register at 25 March 2008.

#### 5 Purchase of subsidiary undertaking

On 10 July 2007 the Group acquired Envisional Solutions Limited (Envisional) for a maximum consideration of £4.25 million including acquisition expenses.

The consideration comprises an initial payment of £1.26 million in shares and further contingent payments for a maximum consideration of £2.8 million in cash payable as follows; £1.20 million due in the first quarter of 2008 based on the revenue target for the year ended 31 December 2007, which has been achieved, less a working capital deficit adjustment; and a maximum of £1.60 million relating to revenue targets for the years ending 31 December 2008 and 31 December 2009.

The details of the provisional fair value of the assets acquired together with the current estimate of the final purchase price are set out below:

	Book value of assets acquired £'000	Intangible assets acquired £'000	Accounting policy alignment £'000	Fair value £'000
Intangible fixed assets	—	777	—	777
Tangible fixed assets	58	—	—	58
Current assets	332	—	—	332
Cash at bank	34	—	—	34
Current liabilities	(749)	—	(91)	(840)
Deferred tax	—	(218)	—	(218)
	(325)	559	(91)	143
Goodwill				3,224
Consideration				3,367

The accounting policy alignment arises from a change in the revenue recognition policy on one of the contracts which has now been brought into line with the Group's accounting policy.

Envisional's results are set out below:

	Unaudited 10 Jul to 31 Dec 2007 £'000	Unaudited 1 Jan to 9 Jul 2007 £'000	Audited (restated) Year ended 31 Dec 2006 £'000
Revenue	666	720	1,237
Gross profit	647	681	1,178
Other operating expenses	(772)	(1,018)	(2,729)
Restructuring costs	(58)	—	—
Operating loss	(183)	(337)	(1,551)
Finance income/(expenses)	2	(7)	(9)
Loss before tax	(181)	(344)	(1,560)

The results for the period ending 31 December 2007 are stated before inter-group charges and the audited results for the year ended 31 December 2006 have been restated after adjustment for a change in the revenue recognition accounting policy noted above.

# Notes to the unaudited interim accounts continued

six months ended 31 December 2007

## 6 Reconciliation of UK GAAP to IFRS

As required by IFRS 1, the impact of the transition from UK GAAP to IFRS is explained below.

The accounting policies set out above have been applied consistently to all periods presented in this interim financial information and in preparing an opening IFRS balance sheet at 1 July 2006 for the purposes of the transition to IFRS.

IAS 1 – Presentation of financial statements. The form and presentation of the UK GAAP financial statements has been changed to be in compliance with IAS 1.

IAS 7 – Cash flow statements. The IFRS cash flow statement, prepared under IAS 7, presents cash flows in three categories: cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Other than the reclassification of cash flow into the new disclosure categories, there are no significant differences between the Group's cash flow statement under UK GAAP and IFRS. Consequently, no cash flow reconciliations are provided.

Presented below, in accordance with IFRS 1, are the reconciliations of the consolidated income statement for the six months ended 31 December 2006 and the financial year ended 30 June 2007 as well as the reconciliations of the consolidated balance sheet as at 1 July 2006, 31 December 2006 and 30 June 2007.

Explanations of material adjustments to the consolidated income statement for the six months ended 31 December 2006 and for the year ended 30 June 2007 and to the consolidated balance sheet as at 1 July 2006, 31 December 2006 and 30 June 2007 are also shown below.

### Consolidated income statement

	Note	UK GAAP (restated) 31 Dec 2006 £'000	IFRS adjustment £'000	IFRS (restated) 31 Dec 2006 £'000	UK GAAP (restated) 30 Jun 2007 £'000	IFRS adjustment £'000	IFRS (restated) 30 Jun 2007 £'000
<b>Revenue</b>		8,333	—	8,333	22,356	—	22,356
Cost of sales		1,703	—	1,703	4,903	—	4,903
<b>Gross profit</b>		6,630	—	6,630	17,453	—	17,453
Operating expenses	6a	4,987	(193)	4,794	15,062	(736)	14,326
<b>Operating profit</b>		1,643	193	1,836	2,391	736	3,127
Operating profit		1,643	193	1,836	2,391	736	3,127
Share-based payments		—	—	—	255	—	255
Amortisation		295	(255)	40	1,178	(819)	359
Restructuring costs		—	—	—	242	—	242
<b>Underlying operating profit</b>		1,938	(62)	1,876	4,066	(83)	3,983
Finance income		107	—	107	147	—	147
Finance expense		(4)	—	(4)	(179)	—	(179)
<b>Profit before tax</b>		1,746	193	1,939	2,359	736	3,095
Taxation	6b	(584)	31	(553)	(853)	120	(733)
<b>Profit after tax</b>		1,162	224	1,386	1,506	856	2,362

## 6 Reconciliation of UK GAAP to IFRS continued

### Consolidated balance sheet

	Note	UK GAAP 31 Dec 2006 £'000	IFRS adjustment £'000	IFRS 31 Dec 2006 £'000	UK GAAP 30 Jun 2007 £'000	IFRS adjustment £'000	IFRS 30 Jun 2007 £'000	UK GAAP 1 Jul 2006 £'000	IFRS adjustment £'000	IFRS 1 Jul 2006 £'000
<b>Non-current assets</b>										
Goodwill	6c	6,444	(42)	6,402	23,643	(1,282)	22,361	3,708	—	3,708
Other intangible assets	6d	31	442	473	30	2,954	2,984	—	—	—
Property, plant and equipment		1,252	—	1,252	1,909	—	1,909	818	—	818
Deferred tax asset	6e	276	350	626	310	(35)	275	222	316	538
		8,003	750	8,753	25,892	1,637	27,529	4,748	316	5,064
<b>Current assets</b>										
Trade and other receivables		2,402	—	2,402	4,609	—	4,609	1,895	—	1,895
Cash and cash equivalents		4,690	—	4,690	3,051	—	3,051	6,088	—	6,088
		7,092	—	7,092	7,660	—	7,660	7,983	—	7,983
<b>Total assets</b>		15,095	750	15,845	33,552	1,637	35,189	12,731	316	13,047
<b>Non-current liabilities</b>										
Bank loan		—	—	—	(3,940)	—	(3,940)	—	—	—
Deferred tax		(23)	—	(23)	(19)	—	(19)	—	—	—
		(23)	—	(23)	(3,959)	—	(3,959)	—	—	—
<b>Current liabilities</b>										
Bank overdrafts and loan		—	—	—	(983)	—	(983)	—	—	—
Trade and other payables	6f	(5,516)	(132)	(5,648)	(8,878)	(153)	(9,031)	(4,891)	(70)	(4,961)
Taxation		(1,018)	—	(1,018)	(498)	—	(498)	(327)	—	(327)
		(6,534)	(132)	(6,666)	(10,359)	(153)	(10,512)	(5,218)	(70)	(5,288)
<b>Total liabilities</b>		(6,557)	(132)	(6,689)	(14,318)	(153)	(14,471)	(5,218)	(70)	(5,288)
<b>Net assets</b>		8,538	618	9,156	19,234	1,484	20,718	7,513	246	7,759
<b>Capital and reserves</b>										
Called up share capital		205	—	205	248	—	248	204	—	204
Share premium account		3,476	—	3,476	3,487	—	3,487	3,462	—	3,462
Merger reserve		1,044	—	1,044	10,751	—	10,751	1,044	—	1,044
Other reserve	6g	—	443	443	678	677	1,355	—	295	295
Cumulative translation reserve	6h	—	12	12	—	71	71	—	—	—
Retained profit	6i	3,813	163	3,976	4,070	736	4,806	2,803	(49)	2,754
<b>Equity shareholders' funds</b>		8,538	618	9,156	19,234	1,484	20,718	7,513	246	7,759

## Notes to the unaudited interim accounts continued

six months ended 31 December 2007

### 6 Reconciliation of UK GAAP to IFRS continued

#### Explanation of IFRS adjustments

##### 6a Operating expenses

	31 Dec 2006 £'000	30 Jun 2007 £'000
IAS 19 Employee benefits – provision for unused holiday accrued	62	83
Amortisation – adoption of IFRS 3 Business combinations has resulted in the goodwill arising from acquisitions to be frozen at transition date and reviewed annually for impairment. The amounts in respect of goodwill amortisation have been added back in the periods covered by IFRS	(295)	(1,178)
Upon adoption of IFRS 3 Business combinations identifiable intangible assets were recognised separately from goodwill and amortised over its useful economic life (IAS 38 Intangible assets)	40	359
	(193)	(736)

##### 6b Taxation

Deferred tax on unused holiday pay adjustment (IAS 12 Income taxes)	(19)	(25)
Deferred tax on amortisation of intangible assets recognised (IAS 12 Income taxes)	(12)	(95)
	(31)	(120)

##### 6c Goodwill

	31 Dec 2006 £'000	30 Jun 2007 £'000	1 Jul 2006 £'000
Amortisation – adoption of IFRS 3 Business combinations has resulted in the goodwill arising from acquisitions to be frozen at transition date and reviewed annually for impairment. The amounts in respect of goodwill amortisation have been added back in the periods covered by IFRS	295	1,178	—
Upon adoption of IFRS 3 Business combinations identifiable intangible assets were recognised separately from goodwill	(482)	(3,313)	—
Deferred tax on amortisation of intangible assets recognised (IAS 12 Income taxes)	145	853	—
	(42)	(1,282)	—

##### 6d Other intangible assets

Upon adoption of IFRS 3 Business combinations identifiable intangible assets were recognised separately from goodwill	482	3,313	—
Upon adoption of IFRS 3 Business combinations identifiable intangible assets were recognised separately from goodwill and amortised over its useful economic life (IAS 38 Intangible assets)	(40)	(359)	—
	442	2,954	—

## 6 Reconciliation of UK GAAP to IFRS continued

### Explanation of IFRS adjustments continued

#### 6e Deferred tax asset

	31 Dec 2006 £'000	30 Jun 2007 £'000	1 Jul 2006 £'000
Deferred tax on amortisation of intangible assets recognised (IAS 12 Income taxes)	(145)	(853)	—
Deferred tax on gain at period end on unexercised share options (IAS 12 Income taxes)	443	677	295
Deferred tax on unused holiday pay adjustment (IAS 12 Income taxes)	40	46	21
Deferred tax on amortisation of intangible assets recognised (IAS 12 Income taxes)	12	95	—
	350	(35)	316

#### 6f Trade and other payables

IAS 19 Employee benefits – provision for unused holiday accrued	(132)	(153)	(70)
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#### 6g Other reserves

Deferred tax on gain at period end on unexercised share options (IAS 12 Income taxes)	443	677	295
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#### 6h Exchange rate movements

Foreign exchange differences arising from the retranslation of net investment in subsidiary companies which do not have Sterling as their functional currency (IAS 21 The effects of changes in foreign exchange)	12	71	—
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#### 6i Retained profit

Total adjustment to retained profit as a result of the IFRS adjustments outlined above	163	736	(49)
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# Independent review report

## to the shareholders of Group NBT plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 31 December 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cashflow statement and the notes to the unaudited interim accounts.

We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market 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 our terms of engagement 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.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

### BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors, London  
12 March 2008

## Officers and advisers

### Directors

John Parcell  
(Non-executive Chairman)  
Geoff Wicks  
(Chief Executive Officer)  
Jonathan Robinson  
(Chief Operating Officer)  
Raj Nagevadia  
(Finance Director)  
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  
55 Baker Street  
London W1U 7EU

## 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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