



NBT.L
14 September 2006

Group NBT plc
("Group NBT" or the "Company")

Preliminary results for the year ended 30 June 2006

Highlights

- Another very good year of strong organic growth
- Revenues up 23% to £13.83 million
- PBT up 45% to £2.46 million
- PBT before goodwill amortisation up 37% to £2.84 million
- Cash balance at year end £6.09 million, up from £3.22 million last year
- Recurring revenue for NetNames Platinum Service up 47%
- Contracted managed hosting revenue up 32%
- Investment in European growth: offices opened in Frankfurt and Madrid
- Maiden final dividend of 0.8 pence giving a total for the year of 1.2 pence
- Expansion of managed hosting by acquisition of Exalia since year end

Geoff Wicks, Chief Executive Officer, commented:

"Once again Group NBT has delivered financial results above market expectation. The strong growth in both revenue and profit is a testament to our strategy to develop streams of recurring revenue. As we build on our leading position in the UK and Europe we remain confident in our ability to continue to grow in these exciting markets."

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Chairman's Statement

A year of strong growth

I am delighted to report another year of strong organic growth for Group NBT. In the year ended 30 June, revenues increased 23% to £13.83 million, and underlying profit before taxation and amortisation of goodwill was up 37% to £2.84 million.

Profit after tax for the year increased by 14% to £1.96 million. This was after an unchanged charge of £0.39 million for goodwill amortisation and tax of £0.50 million (2005: £0.03 million credit).

Profits were driven by rapid growth of our contracted corporate revenue base, which rose 44% to £6.18 million (2005: £4.29 million). This demonstrates the success of our strategy of focusing on recurring revenue from corporate markets where we provide a high level of added value. Operating margin before goodwill amortisation rose from 18% to 20% as these higher value products grew in importance, and we maintained good control over costs.

Profits were underpinned too by another year of good cash generation, with net cash balances at year-end of £6.09 million (2005: £3.22 million).

Given this strong performance, the Board is proposing a maiden final dividend of 0.8 pence per share, making 1.2 pence for the full year. This is also an expression of our confidence in our Company's long-term growth prospects and financial strength, and we intend, over time, to pursue a progressive dividend policy reflecting the underlying growth of the business.

High-value products and investment in the future

Our growth has been led by our NetNames Platinum Service, which manages portfolios of valuable domain names for companies. This market remains robust, as medium and large companies increasingly recognise the importance of expanding and defending their brands online. We see good opportunities too in Europe as companies there follow the same path. We have been building our existing sales teams in the UK, the US, and France, and opened new offices on schedule in Germany and Spain.

We also improved our product offerings and expanded our sales efforts in the UK for managed hosting, our premium web-hosting service for companies, where revenue grew rapidly. We intend to continue investing for organic growth in both these businesses.

We remain alert for worthwhile acquisitions in our core markets which would utilise our existing sales and production infrastructure and generate scale economies. Since the year-end, we have acquired Exalia, a managed hosting provider, for up to £3.20 million. Exalia will enhance our capabilities and accelerate our growth in this area of business, and we expect it to be immediately earnings-enhancing. I am very pleased to welcome its people to the Group.

I congratulate all our staff once again for another excellent year, thanks to their energy and skills. We remain confident of further growth in the current year.

John Parcell
Chairman

14 September 2006

Chief Executive's review

Group NBT continues to experience good growth in all areas of its business. In the year to 30 June 2006 revenue was £13.83 million, up 23% from £11.28 million in the previous year. Growth is accelerating as our high growth products, NetNames Platinum Service and managed hosting, represent an increasing percentage of overall revenue. Revenue growth benefited especially from the performance of NetNames Platinum Service which grew revenue year-on-year by 47%, and has also been assisted this year by the introduction of .eu, a new domain name suffix which has seen particularly high registration levels.

Profit before tax (PBT) was £2.46 million, up 45% from £1.69 million last year. Profit before tax and amortisation (PBTA) was £2.84 million, up 37% from £2.08 million last year. Cash at the end of the financial year was £6.09 million. Group NBT continues to build on the business model developing streams of high value recurring revenue. This is creating a highly profitable business with a capability to benefit from scale and to improve margins as systems and processes improve.

Basic earnings per share (EPS) were up 12% to 9.98 pence (2005: 8.89 pence) and the fully diluted EPS were up 13% to 9.34 pence (2005: 8.26 pence). The Company's adjusted basic EPS, calculated by excluding amortisation of goodwill, was up 10% to 11.95 pence (2005: 10.90 pence) and the adjusted diluted EPS was up 11% to 11.19 pence (2005: 10.12 pence). EPS has been impacted by the effect of tax, given that the current year's results include a tax charge of £501,000 compared to a tax credit of £26,000 in the previous year. A normalised adjusted EPS, applying a notional tax rate at 30%, the UK statutory rate, to profit before tax and amortisation, is 10.15 pence, up 35% from 7.53 pence last year and the normalised diluted EPS is 9.51 pence, up 36% from 7.00 pence last year.

Group NBT operates in the US and Europe. We continued to invest in building Platinum Service revenue with the opening of sales offices in Frankfurt and Madrid during the year. Performance in the US improved with revenue growing year-on-year by 62% and in France, where we sell both Platinum Service and managed hosting, revenue grew by 22%.

As announced on 25 August this year, Group NBT has acquired Exalia Ltd, a specialist managed hosting service provider. Group NBT has a rapidly growing position in the managed hosting market in the UK and France, and the addition of Exalia's business will add an extra dimension to Group NBT's managed hosting product range and help to improve margins as the benefits of scale from this acquisition are realised.

NetNames Platinum Service

Revenue from NetNames Platinum Service was £5.00 million, up 47% from £3.39 million last year. The recurring revenue base is now over £5 million. Growth comes from a mixture of new customer acquisition, which has accelerated during the year, and from existing customers adding to their portfolios. Platinum Service is now the clear market leader for the provision of corporate domain name management services in Europe.

Research conducted by Group NBT during the year shows, apart from the larger international brands, companies are only now starting to manage their domain name portfolios centrally and effectively. There is a growing awareness of the importance of domain names as the level of online fraud increases thus providing an increasingly receptive market for NetNames Platinum Service.

Sales in the UK continue at a high level, a significant percentage of the largest companies in the UK use our services. Business in the US is steadily improving, this is a large market but is dominated by our major competitors, all of which are based in the US. We opened two further offices in Europe during the year, in Germany sales are ahead of expectation in what is the major continental European market and we are encouraged by the initial progress in Spain.

Managed hosting services

Our decision to enter the managed hosting market has proved to be very successful. Revenue was £1.18 million, up 32% from £899,000 last year with the rate of growth accelerating in the second half of the year.

We believe the market for managed hosting solutions is growing strongly as companies recognise the need to outsource increasingly complex technical installations. Managed hosting, which is sold under the NetBenefit brand, provides customers with robust technical services customised to suit their requirements. With ecommerce and online services growing strongly there is an increasing need for managed hosting solutions.

Online services

Revenue from online services was £7.65 million, up 9% from £6.99 million last year. Online services comprise domain names and shared hosting packaged for sale via the Company's websites. Shared hosting revenue was £3.19 million, up 10% on last year and domain name revenue was £4.45 million, up 9% on last year. Domain name sales were helped this year by the introduction of several new domain suffixes including .eu.

We concentrate on selling these services through the Easily brand, which is one of the market leading providers of UK domain names, and over time we expect to migrate our online revenue to the Easily brand. Within Easily, domain name revenue was up 5% and shared hosting revenue was up 25%.

Margin and administrative expenses

Gross margin remained at 79%.

Other operating costs excluding amortisation increased by 20% to £8.2 million, with staff costs growing as a result of our increasing both sales resources in key markets and related support functions. Depreciation increased as a result of ongoing renewal and enhancement of infrastructure which commenced in the last financial year coupled with an increase in capital expenditure relating to the increase in sales of managed hosting solutions.

Taxation

A tax charge of £501,000 arose in the year to 30 June 2006 compared to a credit of £26,000 last year. This represents an effective rate of 18% on profits before amortisation of goodwill. We expect to move towards a full tax charge in the current year.

We had expected that the transition to a full tax charge would occur during the financial year due to the utilisation of historic losses where a deferred tax asset had been recognised and the sharp increase in taxable profits over the recent accounting periods. However, the exercise of a large number of options during the year has resulted in a deduction of £1.03 million against the taxable profits which has resulted in a lower than expected tax charge for the year.

Cashflow

The business was highly cash generative with net cash inflow of £3.23 million from operating activities, up from £2.44 million last year.

At 30 June 2006 cash and bank balances were £6.09 million (2005: £3.22 million) which included restricted cash balances of £128,000 (2005: £127,000).

Geoff Wicks
Chief Executive Officer

14 September 2006

Group NBT plc

Consolidated profit and loss account year ended 30 June 2006

	Unaudited 2006 £'000	Audited 2005 £'000
Turnover	13,826	11,280
Cost of sales	2,952	2,446
Gross Profit	10,874	8,834
Administrative expenses		
Amortisation of goodwill	387	387
Other administrative expenses	8,157	6,824
Total administrative expenses	8,544	7,211
Operating profit	2,330	1,623
Interest receivable and similar income	153	72
Interest payable and similar charges	(26)	(5)
Profit on ordinary activities before taxation	2,457	1,690
Taxation on profit on ordinary activities	501	(26)
Profit for the financial year	1,956	1,716
Earnings per share - basic	9.98p	8.89p
Earnings per share - diluted	9.34p	8.26p

All amounts relate to continuing activities.

Consolidated statement of total recognised gains and losses year ended 30 June 2006

	Unaudited 2006 £'000	Audited 2005 £'000
Retained profit for the year	1,956	1,716
Exchange gain on consolidation	2	-
	1,958	1,716

Group NBT plc
Consolidated balance sheet
as at 30 June 2006

	Unaudited	Audited
	2006	2005
	£'000	£'000
Fixed assets		
Intangible assets	3,708	4,095
Tangible assets	818	781
	4,526	4,876
Current assets		
Debtors	1,895	1,464
Cash at bank and in hand	6,088	3,219
	7,983	4,683
Creditors: amounts falling due within one year	(4,996)	(4,070)
Net current assets	2,987	613
Total assets less current liabilities	7,513	5,489
Provisions	-	(47)
Net assets	7,513	5,442
Capital and reserves		
Called up share capital	204	195
Share premium account	3,462	3,280
Merger reserve	1,044	1,044
Profit and loss account	2,803	923
Shareholders' funds	7,513	5,442

Group NBT plc**Consolidated cash flow statement
year ended 30 June 2006**

	Unaudited 2006 £'000	Audited 2005 £'000
Net cash inflow from operating activities	3,230	2,441
Returns on investments and servicing of finance		
Interest received	153	72
Interest paid	(26)	(5)
	<u>127</u>	<u>67</u>
Taxation paid	(13)	(208)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(588)	(733)
Dividends paid	(78)	-
Net cash inflow before management of liquid resources and financing	2,678	1,567
Management of liquid resources		
Increase in treasury deposits	(2,715)	(1,805)
Financing		
Issue of share capital	191	76
Capital element of finance lease repayments	-	(13)
	<u>191</u>	<u>63</u>
Increase/(decrease) in cash	154	(175)

**Reconciliation of net cash flow to movement in net funds
year ended 30 June 2006**

	Unaudited 2006 £'000	Audited 2005 £'000
Increase/(decrease) in cash in year	154	(175)
Cash outflow from decrease in debt and lease financing	-	13
Increase from liquid resources	2,715	1,805
Change in net funds resulting from cash flows	<u>2,869</u>	<u>1,643</u>
Net funds at start of year	3,219	1,576
Net funds at end of year	<u>6,088</u>	<u>3,219</u>

Group NBT Plc

Notes

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. The results have been prepared using accounting policies consistent with those used in the preparation of the statutory financial statements for the year ended 30 June 2005. In the year ended 30 June 2006 the Group has adopted FRS 17 - Retirement Benefits, FRS 21 - Events after the Balance Sheet date, FRS 22 - Earnings per Share, FRS 25 - Financial instruments: Disclosure and Presentation and FRS 28 - Corresponding amounts for the first time, none of which have had any significant effect on the results of the Group.

The financial information for the year ended 30 June 2005 has been extracted from the statutory financial statements for that year, which have been filed with the Registrar of Companies. The audit report on those financial statements was unqualified and does not contain a statement under S237(2) or S237(3) of the Companies Act 1985.

The financial information for the year ended 30 June 2006 has been extracted from the draft financial statements for that year upon which the auditors have yet to report.

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 geographical segment are as follows:

	Turnover		Profit/(loss) before tax		Net assets/(liabilities)	
	Unaudited 2006 £'000	Audited 2005 £'000	Unaudited 2006 £'000	Audited 2005 £'000	Unaudited 2006 £'000	Audited 2005 £'000
UK	12,305	10,197	2,253	1,614	9,904	8,038
Other European countries	704	579	(58)	2	(435)	(375)
USA	817	504	262	74	(1,956)	(2,221)
	13,826	11,280	2,457	1,690	7,513	5,442

Tax charge/(credit) on profit on ordinary activities

	2006 £'000	2005 £'000
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a) Analysis of tax charge/(credit)

Current tax

UK Corporation tax	337	10
Adjustment in respect of prior periods	(8)	152
Total current tax charge (note b below)	329	162

Deferred tax

Origination and reversal of timing differences	201	(188)
Adjustment in respect of prior periods	(29)	-
	172	(188)

Tax charge/(credit) on profit on ordinary activities	501	(26)
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b) Tax credit reconciliation

Profit on ordinary activities before tax	2,457	1,690
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005:30%)	737	507
Effects of:		
Expenses not deductible for tax purposes	166	126
Depreciation in excess of capital allowances	1	(61)
Utilisation of tax losses	(280)	(558)
Unrelieved losses carried forward	21	19
Group accounting policy alignment	-	(23)
Statutory deductions on exercise of share options	(308)	-
Adjustment to prior year tax charge	(8)	152
Current tax charge (note a above)	329	162

Dividends

	2006	2005
	£'000	£'000
Dividends paid in the year	78	-
Dividends proposed after the year end	163	-

The Board of directors have proposed the payment of a final dividend of 0.8 pence per share (2005: nil) which is payable on 20 October 2006 to shareholders on the register at 22 September 2006, subject to approval by shareholders at the Annual General Meeting.

Earnings per share

The basic and diluted earnings per share for the year ended 30 June 2006 are based on the profit for the year on ordinary activities, after taxation, of £1,956,000 (2005: £1,716,000) and on the weighted average number of shares of 19,608,921 (2005: 19,301,541).

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. 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:

	Unaudited	Audited
	2006	2005
	£'000	£'000
Profit for the financial year	1,956	1,716
Profit attributable to ordinary shareholders	1,956	1,716
Goodwill amortisation	387	387
Profit attributable to ordinary shareholders before goodwill amortisation	2,343	2,103
Weighted average and adjusted weighted average number of ordinary shares (000's)		
	Unaudited	Audited
	Number	Number
Shares used for basic earnings per share	19,609	19,302
Share options	1,326	1,476
Shares used for diluted earnings per share	20,935	20,778

Group NBT Plc

Notes

Earnings per share

	Basic		Diluted	
	Unaudited 2006 pence	Audited 2005 pence	Unaudited 2006 pence	Audited 2005 pence
Profit for the year	9.98	8.89	9.34	8.26
Goodwill amortisation	1.97	2.01	1.85	1.86
Profit before goodwill amortisation	11.95	10.90	11.19	10.12

Reconciliation of operating profit to net cash outflow from operating activities

	Unaudited 2006 £'000	Audited 2005 £'000
Operating profit	2,330	1,623
Depreciation	551	343
Goodwill amortisation	387	387
Loss on sale of assets	-	9
Foreign exchange gain	2	-
Increase in debtors	(649)	(169)
Increase in creditors	609	248
Net cash inflow from operating activities	3,230	2,441

Analysis of net funds

	Cash available on demand £'000	Cash on treasury deposit £'000	Total £'000
At 1 July 2005	454	2,765	3,219
Cashflow	154	2,715	2,869
At 30 June 2006	608	5,480	6,088

Post balance sheet event

On 25 August 2006 the Company announced the acquisition of the entire share capital of Exalia Limited for maximum consideration of £3.20 million. The consideration will be satisfied in three tranches, an initial payment of £2.00 million in cash, then two further payments of up to £600,000 payable if certain revenue targets are achieved in the twelve month periods ending 31 January 2007 and 31 January 2008. The first deferred payment is payable in cash and the second deferred payment will be satisfied by the issue of Group NBT shares.