



Interim Report

Six months ended 31 December 2005



Group NBT plc is a leading provider of domain names and internet related services. Established in 1995, the Company has registered hundreds of thousands of domain names and hosts thousands of websites. The Company provides a range of services to a broad customer base which includes companies such as British Airways, the Royal Bank of Scotland and Centrica.

Group NBT has 130 employees and is based in London with offices in New York, Frankfurt and Nice. Three operating brands serve different markets with services appropriate for that market. They are:



Corporate domain name management



High quality managed hosting services for SMEs



Cost effective hosting and domain name services for smaller businesses and consumers

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Highlights

six months ended 31 December 2005

- Strong performance for the Group with revenue up 14% to £6.2 million
- Excellent performance from Platinum with revenues up 43% to £2.1 million
- Good performance from managed hosting with revenues up 22% to £529,000
- Profit before tax and amortisation (PBTA) up 34% to £1.2 million
- Sales teams strengthened in Europe and US with additional European offices planned
- Strong balance sheet – cash at period end of £4.3 million (2004: £2.1 million)
- Strategy in place to pursue earnings enhancing acquisitions
- Directors confident of further progress in 2006
- Maiden interim dividend of 0.4p per share

"Group NBT has delivered another good performance with a significant increase in profitability as well as recurring revenues. We continue to invest in and strengthen our sales capability to drive organic growth as well as looking for suitable acquisitions which will further accelerate our growth. We expect to sustain this performance in the year ahead and I look forward to updating shareholders of our progress in due course."

Geoff Wicks, Chief Executive Officer

Chairman's statement

Group NBT continued to grow strongly in the half year to 31 December, thanks mainly to excellent sales growth in our key markets. We are instituting our first dividend payment to reflect our confidence in the business.

Profit before tax and goodwill amortisation (PBTA) rose by 34% compared with the same period of 2004. Our estimated tax charge, however, changes from 0% to 28% this time. So our diluted earnings per share, before amortisation, reduce from 4.22 pence to 4.00 pence. Including amortisation, EPS reduce from 3.29 pence to 3.07 pence. The transition from a nil charge to tax at almost the full rate in the space of a single year reflects the speed at which our strong profit growth has used up our UK allowances for earlier losses.

Sales grew 14% overall, and sales of our flagship Platinum service, which manages portfolios of valuable domain names for larger companies, grew by 43%. This sales growth directly drove the increase in pre-tax profit. Economies of scale coupled with good cost control generated a significant improvement in margins, compared with those achieved in the period to December 2004.

As we promised, throughout calendar 2005 we have been increasingly reinvesting these gains in building up our international and UK sales teams. For Platinum we have reinforced our UK and US staff and opened on schedule a second European office, in Germany. We have also expanded our team selling managed hosting, our premium web-hosting service for small to medium companies. Finally, we built a new telesales team to try for more growth from the small business market for domain names and hosting.

This accelerating rate of investment becomes clear in our sequential figures, comparing the period to 31 December with the immediately prior period. Sales growth was unabated, allowing for our slight second-half bias, while pretax profits were roughly in line with the prior half-year. Looking forward, we intend to continue investing in the sales force, ploughing back a proportion of the gains from top-line growth plus scale economies.

We remain focused on accelerating growth through select earnings enhancing acquisitions within the Company's core markets. Possible targets are assessed on a regular basis. As a result the Board remains optimistic that suitable acquisitions will be made in the medium term which capitalise on the Company's existing infrastructure and enhance the scalability of the business in terms of profit as well as revenue.

I am delighted to announce our first dividend, of 0.4 pence per share. We intend that, over time, dividends will rise to at least reflect the underlying growth of our business. Subject to performance in each period, we intend the final dividend each year to be greater than the interim payment.

For the second half, and for the full year, the Board is confident of another set of good results.

John Parcell

Chairman

9 March 2006

Operating and financial review

Group NBT is once again very pleased to report another half year of good performance as it consolidates its position as a leading supplier of domain name management services and managed hosting services.

Revenue for the half year to 31 December 2005 was £6.2 million, up 14% on the same period last year. The Company continues to grow strongly in its key markets and to build its position in the UK, the US and Europe.

Profit before tax (PBT) was £967,000, up 43% on last year. Profit before tax and amortisation was £1.2 million up 34% on last year. This solid performance reflects the ability of the Company to capture the benefits of scale as the revenue base builds. Cash at the end of December 2005 was £4.3 million.

As expected Group NBT will report a tax charge for the first time in the current financial year, as a result profit after tax (PAT) was £641,000.

NetNames Platinum Service

Revenue from NetNames Platinum Service was £2.1 million up 43% on last year. The Platinum Service is the Company's flagship product and is a main driver for growth. The recurring revenue base for Platinum reached £4.1 million at the end of the period, the expansion of the base supports future growth and continues to be a key focus for us.

To support this growth we continue to invest in building our sales teams. Platinum Service is particularly strong in the UK where we are the market leader, we have added to our sales team in the US during the period and have moved ahead with our plans for Europe with additional sales resources in France and a new office in Germany.

Managed hosting services

Revenue from managed hosting services was £529,000. Managed hosting is sold under the NetBenefit brand and has benefited from significant development of the product range and an investment in the expansion of the sales team. This is the first time that we have reported these results separately.

Managed hosting is sold in the UK and in France. There is an increasing level of interest in both markets for hosting services which are customised to suit customer requirements.

Online services

Online services are domain name and shared hosting services, often sold in packages, sold through the Group's websites. All three brands, NetNames, NetBenefit and Easily, offer services sold online, however the main concentration of our sales effort is now on the Easily brand.

Overall revenue for online sales was £3.5 million, marginally up on the same period last year.

Over the last year we have increased our online marketing capability and built a telephone sales team which is helping to increase sales of hosting products to Easily customers, including products like WebStarter which allows users to build their own websites.

Operating and financial review

continued

Margin and administrative expenses

Gross margin has remained at comparable levels to last year as costs remain constant.

Administrative costs increased as expected with staff costs growing as we invest in building sales teams in Europe and the US.

Depreciation has risen significantly in the first half of this financial year compared to the first half of the last financial year. This is the result of investment in renewed infrastructure during the previous period and the increase in sales of managed hosting. In the second half of the year we expect depreciation to continue to increase although at a slower rate as infrastructure related depreciation reduces, offset by increases in depreciation related to sales of hosting services.

Taxation

A tax charge of £326,000 arose in the six months ended 31 December 2005 (2004: nil) which represents an effective rate of 28% on profits before amortisation of goodwill.

The transition from a nil charge to a charge at an effective rate just below the UK statutory rate of 30% has occurred in a short period largely due to the utilisation of historic losses for which a deferred tax asset had been recognised coupled with a sharp rise in taxable profits over the recent accounting periods.

Geoff Wicks

Chief Executive Officer

9 March 2006

Consolidated profit and loss account

six months ended 31 December 2005

| | | Unaudited 6 months ended 31 Dec 2005 £'000 | Unaudited 6 months ended 31 Dec 2004 £'000 | Audited Year ended 30 June 2005 £'000 |
|--|---|---|--|---|
| Turnover | 2 | 6,164 | 5,413 | 11,280 |
| Cost of sales | | 1,303 | 1,216 | 2,446 |
| Gross profit | | 4,861 | 4,197 | 8,834 |
| Administrative expenses | | | | |
| Amortisation of goodwill | | 194 | 192 | 387 |
| Other administrative expenses | | 3,741 | 3,353 | 6,824 |
| | | 3,935 | 3,545 | 7,211 |
| Operating profit | | 926 | 652 | 1,623 |
| Interest receivable and similar income | | 62 | 26 | 72 |
| Interest payable and similar charges | | (21) | (2) | (5) |
| Profit on ordinary activities before taxation | | 967 | 676 | 1,690 |
| Taxation on profit on ordinary activities | | 326 | — | (26) |
| Retained profit | | 641 | 676 | 1,716 |
| Earnings per share – basic | 3 | 3.29p | 3.52p | 8.89p |
| – diluted | 3 | 3.07p | 3.29p | 8.30p |

All amounts arise from continuing activities.

Consolidated statement of total recognised gains and losses

six months ended 31 December 2005

| | | Unaudited 6 months ended 31 Dec 2005 £'000 | Unaudited 6 months ended 31 Dec 2004 £'000 | Audited Year ended 30 June 2005 £'000 |
|--------------------------------|--|---|--|---|
| Retained profit for the period | | 641 | 676 | 1,716 |
| Exchange (loss)/gain | | (5) | 11 | — |
| | | 636 | 687 | 1,716 |

Consolidated balance sheet

as at 31 December 2005

| | Unaudited as at 31 Dec 2005 Note £'000 | Unaudited as at 31 Dec 2004 £'000 | Audited as at 30 June 2005 £'000 |
|---|--|--|---|
| Fixed assets | | | |
| Intangible assets | 3,901 | 4,290 | 4,095 |
| Tangible assets | 773 | 599 | 781 |
| | 4,674 | 4,889 | 4,876 |
| Current assets | | | |
| Debtors | 1,464 | 1,189 | 1,464 |
| Cash at bank and in hand | 4,326 | 2,069 | 3,219 |
| | 5,790 | 3,258 | 4,683 |
| Creditors: amounts falling due within one year | (4,359) | (3,792) | (4,070) |
| Net current assets/(liabilities) | 1,431 | (534) | 613 |
| Total assets less current liabilities | 6,105 | 4,355 | 5,489 |
| Provision for liabilities and charges | 14 | 17 | 47 |
| Total net assets | 6,091 | 4,338 | 5,442 |
| Capital and reserves | | | |
| Called up share capital | 6 196 | 193 | 195 |
| Share premium | 3,292 | 3,207 | 3,280 |
| Merger reserve | 1,044 | 1,044 | 1,044 |
| Profit and loss account | 6 1,559 | (106) | 923 |
| Equity shareholders' funds | 6,091 | 4,338 | 5,442 |

Consolidated cash flow statement

six months ended 31 December 2005

| | Note | Unaudited 6 months ended 31 Dec 2005 £'000 | Unaudited 6 months ended 31 Dec 2004 £'000 | Audited Year ended 30 June 2005 £'000 |
|--|------|--|--|---|
| Net cash inflow from operating activities | 4 | 1,323 | 829 | 2,441 |
| Returns on investments and servicing of finance | | | | |
| Interest received | | 62 | 26 | 72 |
| Interest paid | | (21) | (2) | (5) |
| | | 41 | 24 | 67 |
| Taxation paid | | (8) | (19) | (208) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | (262) | (347) | (733) |
| Net cash inflow before management of liquid resources | | 1,094 | 487 | 1,567 |
| Management of liquid resources | | | | |
| Increase in treasury deposits | | (1,130) | (677) | (1,805) |
| Financing | | | | |
| Issue of share capital | | 13 | 1 | 76 |
| Capital element of lease repayments | | — | (8) | (13) |
| | | 13 | (7) | 63 |
| Decrease in cash | | (23) | (197) | (175) |

Notes to unaudited interim accounts

six months ended 31 December 2005

1 Basis of preparation and reporting

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 2006.

The six month figures to 31 December 2005 and 31 December 2004 are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 ('CA85'). The results for the year to 30 June 2005 are extracted from the audited statutory results. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies and carries an audit report that is unqualified and contains no statement under S230 (2) or (3) CA85.

2 Segmental analysis

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

| | Turnover | | | Profit/(loss) before tax | | |
|----------------|---|---|--|---|---|--|
| | Unaudited 6 months ended 31 Dec 2005 £'000 | Unaudited 6 months ended 31 Dec 2004 £'000 | Audited Year ended 30 June 2005 £'000 | Unaudited 6 months ended 31 Dec 2005 £'000 | Unaudited 6 months ended 31 Dec 2004 £'000 | Audited Year ended 30 June 2005 £'000 |
| UK | 5,517 | 4,885 | 10,197 | 946 | 635 | 1,614 |
| USA | 350 | 237 | 504 | 76 | 77 | 74 |
| Other European | 297 | 291 | 579 | (55) | (36) | 2 |
| | 6,164 | 5,413 | 11,280 | 967 | 676 | 1,690 |

3 Earnings per share

The basic and diluted earnings per share for the period ended 31 December 2005 are based on the profit for the period on ordinary activities after taxation of £641,000 (2004: £676,000) and on the weighted average number of shares of 19,474,853 (2004: 19,221,645).

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 6 months ended 31 Dec 2005 £'000 | Unaudited 6 months ended 31 Dec 2004 £'000 | Audited Year ended 30 June 2005 £'000 |
|--|---|--|---|
| Profit attributable to ordinary shareholders | 641 | 676 | 1,716 |
| Amortisation of goodwill | 194 | 192 | 387 |
| Profit attributable to ordinary shareholders before goodwill amortisation | 835 | 868 | 2,103 |

Weighted average and adjusted average number of ordinary shares:

| | number '000 | number '000 | number '000 |
|--|------------------------|----------------|----------------|
| Shares used for basic earnings per share | 19,475 | 19,222 | 19,302 |
| Share options | 1,395 | 1,340 | 1,363 |
| Shares used for diluted earnings per share | 20,870 | 20,562 | 20,665 |

Basic earnings per share:

| | pence | pence | pence |
|--|--------------|-------|-------|
| Profit for the period | 3.29 | 3.52 | 8.89 |
| Amortisation of goodwill | 1.00 | 1.00 | 2.01 |
| Profit before amortisation of goodwill | 4.29 | 4.52 | 10.90 |

Diluted earnings per share:

| | pence | pence | pence |
|--|--------------|-------|-------|
| Profit for the period | 3.07 | 3.29 | 8.30 |
| Amortisation of goodwill | 0.93 | 0.93 | 1.88 |
| Profit before amortisation of goodwill | 4.00 | 4.22 | 10.18 |

Notes to unaudited interim accounts

continued

4 Reconciliation of operating profit to net cash flow from operating activities

| | Unaudited 6 months ended 31 Dec 2005 £'000 | Unaudited 6 months ended 31 Dec 2004 £'000 | Audited Year ended 30 June 2005 £'000 |
|---|---|--|---|
| Operating profit | 926 | 652 | 1,623 |
| Depreciation | 270 | 147 | 343 |
| Amortisation of goodwill | 194 | 192 | 387 |
| Loss on disposal of assets | — | — | 9 |
| Increase in debtors | (215) | (24) | (169) |
| Increase/(decrease) in creditors | 153 | (149) | 248 |
| Foreign exchange (loss)/gain | (5) | 11 | — |
| Net cash inflow from operating activities | 1,323 | 829 | 2,441 |

5 Analysis of net funds

| | At 1 July 2005 £'000 | Cash flow £'000 | At 31 Dec 2005 £'000 |
|--------------------------|----------------------------|-----------------------|-------------------------------------|
| Cash available on demand | 454 | (23) | 431 |
| Cash on treasury deposit | 2,765 | 1,130 | 3,895 |
| | 3,219 | 1,107 | 4,326 |

6 Statement of movement in reserves

| | Share capital £'000 | Profit and loss account £'000 |
|--------------------------------|------------------------|-------------------------------------|
| At 1 July 2005 | 195 | 923 |
| Retained profit for the period | — | 641 |
| Issue of shares | 1 | — |
| Exchange movement | — | (5) |
| At 31 December 2005 | 196 | 1,559 |

7 Dividend

The Board of Directors have declared an interim dividend of 0.4 pence per ordinary share (2004: nil) which is payable on 18 April 2006 to shareholders on the register at 17 March 2006.

Independent review report

to the shareholders of Group NBT plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 December 2005 as set out above. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of 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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. Where a company is fully listed, the directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed. The Directors of Group NBT plc have voluntarily complied with this requirement in preparing the interim report.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2005.

BDO Stoy Hayward LLP

London
9 March 2006

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