



group NBT

ANNUAL REPORT 2006
www.groupnbt.com

ABOUT GROUP NBT

Group NBT plc is a leading provider of domain names and internet 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 135 employees and is based in London with offices in New York, Nice, Frankfurt and Madrid. Three operating brands serve different markets with services appropriate for that market. They are:

NetNames^{NN}

Corporate domain name management

 **NETBENEFIT**

High quality managed hosting services

 **Easily**
.co.uk

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

HIGHLIGHTS **01**
CHAIRMAN'S STATEMENT **02**
CHIEF EXECUTIVE'S REVIEW **03**
BOARD OF DIRECTORS **06**
REPORT ON CORPORATE GOVERNANCE **07**
DIRECTORS' REMUNERATION REPORT **09**
DIRECTORS' REPORT **12**
STATEMENT OF DIRECTORS' RESPONSIBILITIES **14**
REPORT OF THE INDEPENDENT AUDITORS **15**
CONSOLIDATED PROFIT AND LOSS ACCOUNT **16**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **16**
CONSOLIDATED BALANCE SHEET **17**
COMPANY BALANCE SHEET **18**
CONSOLIDATED CASHFLOW STATEMENT **19**
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS **19**
NOTES TO THE ACCOUNTS **20**
NOTICE OF ANNUAL GENERAL MEETING **31**
OFFICERS AND ADVISERS **IBC**

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

CHAIRMAN'S STATEMENT

"I AM DELIGHTED WITH THESE RESULTS, THEY DEMONSTRATE THE SUCCESS OF OUR STRATEGY OF FOCUSING ON RECURRING REVENUE FROM CORPORATE MARKETS."

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: £3.22million).

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
26 SEPTEMBER 2006

CHIEF EXECUTIVE'S REVIEW

"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."

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.

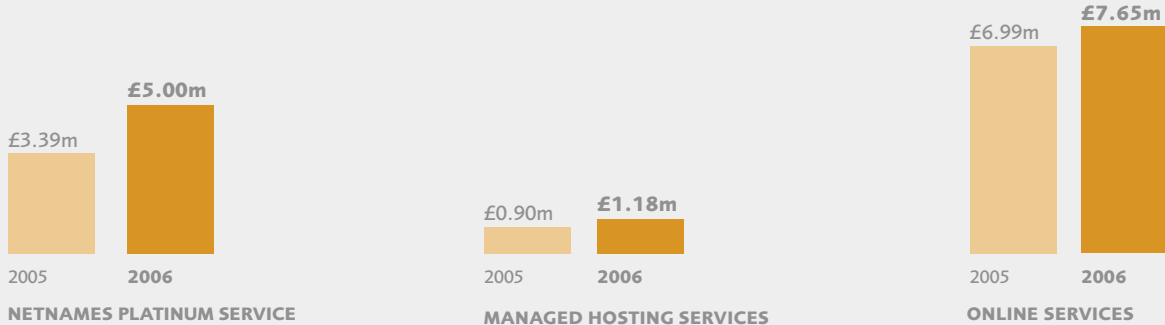
Basic earnings per share (EPS) were up 12% to 9.98 pence (2005: 8.89 pence) and the fully diluted EPS were up 13% to 9.34 pence (2005: 8.26 pence). The Company's adjusted basic EPS, calculated by excluding amortisation of goodwill, was up 10% to 11.95 pence (2005: 10.90 pence) and the adjusted diluted 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 of 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 Limited, 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.

CHIEF EXECUTIVE'S REVIEW

REVENUE BY SERVICE



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

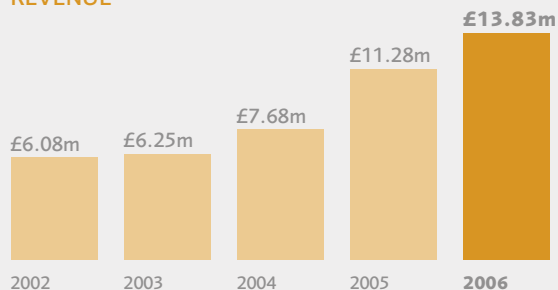
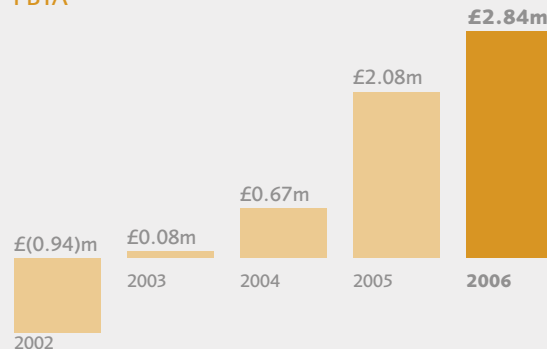
Our decision to enter the managed hosting market has proved to be very successful. Revenue was £1.18 million, up 32% from £899,000 last year with the rate of growth accelerating in the second half of the year.

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%.

REVENUE**PBTA****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

26 SEPTEMBER 2006

BOARD OF DIRECTORS

JOHN PARCELL

NON-EXECUTIVE CHAIRMAN

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

GEOFF WICKS

CHIEF EXECUTIVE OFFICER

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

JONATHAN ROBINSON

CHIEF OPERATING OFFICER

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

RAJ NAGEVADIA

FINANCE DIRECTOR

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

KEITH YOUNG

NON-EXECUTIVE DIRECTOR

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

TIM ASHLEY

NON-EXECUTIVE DIRECTOR

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

RICHARD MADDEN

NON-EXECUTIVE DIRECTOR

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

REPORT ON CORPORATE GOVERNANCE

The Company is listed on the Alternative Investment Market ("AIM") and is not required to comply with the provisions of the 2003 FRC Combined Code ("the Code") and therefore this is not a statement of compliance as required by the Code. Nevertheless the Board is committed to ensuring that proper standards of corporate governance operate throughout the Group and has followed the principles of the Code so far as is practicable and appropriate for the nature and size of the Group.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 14. Below is a brief description of the role of the Board and its Committees, followed by a statement regarding the Group's system of internal controls. The Directors recognise the value of, and are committed to, high standards of corporate governance.

BOARD OF DIRECTORS

The Board currently comprises the Non-executive Chairman, the Chief Executive Officer, a further two Executive and three Non-executive Directors. The Directors' biographies, set out on page 6, demonstrate the broad range of experience and knowledge they bring to the Company enabling them to offer sound judgement on the proper management of the Group.

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

The longest serving Directors, since their last appointment or re-appointment, are John Parcell and Tim Ashley, who offer themselves for re-election at the next Annual General Meeting. Raj Nagevadia, who was appointed during the year, also offers himself for re-election.

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

Richard Madden is the Senior Independent Director.

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

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Keith Young. Its other members are Tim Ashley, Richard Madden and John Parcell. The Committee meets at least once a year. The Board's report to shareholders on Directors' remuneration is set out on pages 9 to 11.

AUDIT COMMITTEE

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

RELATIONSHIP WITH SHAREHOLDERS

Communication with shareholders is given high priority. The Chairman's Statement and the Chief Executive's Review on pages 2 to 5 include a detailed review of the business and future developments. There is regular dialogue with institutional shareholders including presentations after the Group's announcements of the interim and year-end results. The Company's website carries reproductions of the Group's Annual Reports and announcements.

The Annual General Meeting provides a further forum for private and institutional shareholders to communicate with the Board and their active participation is welcomed. Details of resolutions to be proposed at the Annual General Meeting are set out in the Notice of meeting on page 31.

INTERNAL CONTROL

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

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

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

REPORT ON CORPORATE GOVERNANCE

FINANCIAL REPORTING

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

OPERATING CONTROL

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

INVESTMENT APPRAISAL

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

RISK MANAGEMENT

The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage such risks.

All potential acquisitions are subject to appropriate due diligence.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

GOING CONCERN

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

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

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

REMUNERATION POLICY

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

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

- basic annual salary (including Directors' fees) and benefits;
- annual bonus payments;
- share option incentives; and
- pension arrangements.

BASIC SALARY

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

ANNUAL BONUS PAYMENTS

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters the Committee refers to the objective research on comparator groups of companies as mentioned above. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is total shareholder return. Account is also taken of the relative success of the different parts of the business for which the Executive Directors are responsible and the extent to which the strategic objectives set by the Board are being met.

SHARE OPTIONS

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

DIRECTORS' PENSION

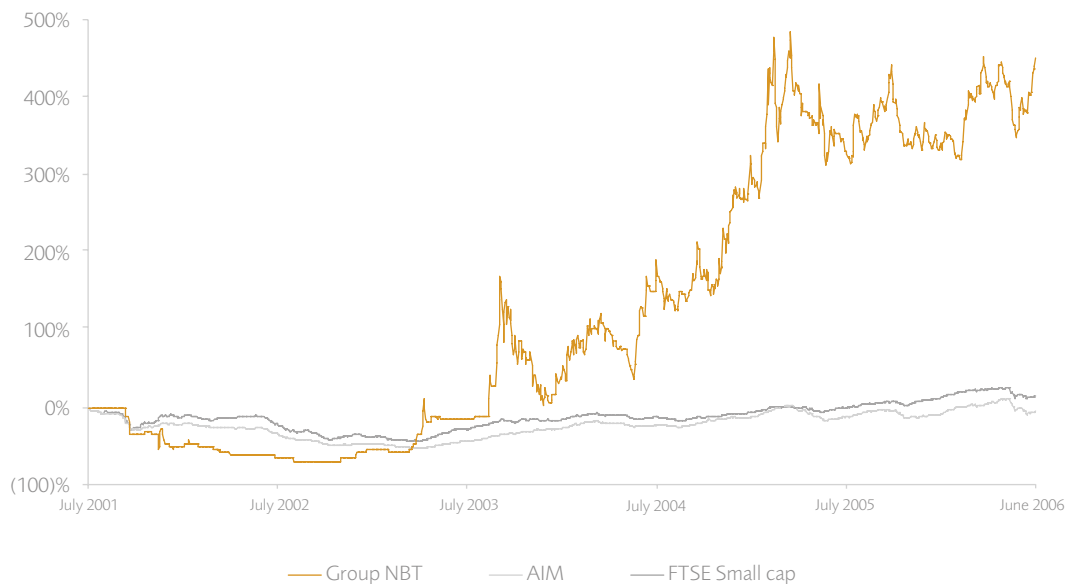
Up to 10% of salary is paid by the Company into Directors' personal pension schemes, although they may also sacrifice basic annual salary to supplement pension contributions.

DIRECTORS' REMUNERATION REPORT

PERFORMANCE GRAPH

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

JULY 2001 TO JUNE 2006



DIRECTORS' CONTRACTS

Executive Directors currently have between three-month to twelve-month rolling service contracts. The Company may have a contractual obligation to pay compensation for the unexpired portion of a Director's contract if it is terminated early. No other payments are made for compensation.

NON-EXECUTIVE DIRECTORS

All Non-executive Directors have between six-month and twelve-month rolling contracts. Remuneration is determined by the Board based within the limits set out in the Articles of Association and based upon independent surveys of fees paid to non-executive directors of similar companies. The fee paid to each Non-executive Director in the year was £15,000 with the exception of John Parcell, who received no fee for his services as Non-executive Chairman.

DIRECTORS' REMUNERATION

Directors' remuneration for the year was as follows:

	Fees £'000	Annual bonuses £'000	Pensions £'000	Compensation for loss of office £'000	Other benefits £'000	2006 Total £'000	2005 Total £'000
J Parcell	—	—	—	—	—	—	—
G Wicks	133	65	17	—	3	218	193
J Robinson	108	54	22	—	9	193	169
R Nagevadia (appointed 24/11/05)	54	27	5	—	4	90	-
T Ashley	15	—	—	—	—	15	15
K Young	15	—	—	—	—	15	15
R Madden	15	—	—	—	—	15	15
R Armstrong (resigned 16/04/06)	120	50	12	30	9	221	163
Year ended 30 June 2006	460	196	56	30	25	767	570
Year ended 30 June 2005	372	127	51	—	20		

Other benefits consist of car allowances and private health insurance.

SHARE OPTIONS

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

	At 1 July 2005 or date of appointment	Granted during the year	Exercised during the year	At 30 June 2006	Exercise price £	Option period	Expiry date
J Parcell	805,877	—	805,877	—	0.20	04/04/03	01/04/13
G Wicks	555,000	—	—	555,000	0.25	30/06/04	28/06/14
J Robinson	180,000	—	—	180,000	0.25	30/06/04	28/06/14
R Nagevadia	4,000	—	—	4,000	0.01	07/04/04	05/04/14
	—	38,610	—	38,610	1.30	10/04/06	07/04/16
R Madden	—	100,000	—	100,000	1.30	10/04/06	07/04/16

During the year the following Directors exercised options as set out below:

	Date exercised	Number	Value at exercise date £	Gain £'000
J Parcell	10/05/06	805,877	1.32	903
R Armstrong (resigned 16/04/06)	23/11/05	50,000	1.12	44

The ordinary share price ranged from 107 pence to 144 pence during the year and stood at 143 pence at the year-end.

On behalf of the Board

KEITH YOUNG

CHAIRMAN OF THE REMUNERATION COMMITTEE

26 SEPTEMBER 2006

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business and future developments is set out in the Chairman's Statement and the Chief Executive's Review on pages 2 to 5.

RESULTS AND DIVIDENDS

The results of the Group for the year are shown in the profit and loss account on page 16.

An interim dividend of 0.4 pence (2005: nil pence) per ordinary share was paid on 18 April 2006. The Directors recommend the payment of a final dividend of 0.8 pence per ordinary share making the total for the year of 1.2 pence per share (2005: nil pence).

PRINCIPAL RISKS

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

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

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

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

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

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Group are contained in note 18 of the financial statements.

DIRECTORS

The Directors of the Company who served during the year to 30 June 2006 are shown below together with their interests in the shares of the Company.

	At 30 June 2006	At 1 July 2005 or date of appointment
J Parcell	1,575,877	1,100,000
G Wicks	50,000	50,000
J Robinson	1,820,322	2,591,322
R Nagevadia (appointed 24/11/05)	2,500	2,500
K Young	1,993,374	2,716,942
T Ashley	2,012,500	1,500,000
R Madden	—	—
R Armstrong (resigned 16/04/06)	—	—

The Directors' interests in share options of the Company are detailed on page 11.

In accordance with the Company's Articles of Association, John Parcell and Tim Ashley, retire by rotation and offer themselves for re-election at the next Annual General Meeting. Raj Nagevadia, who was appointed during the year, also offers himself for re-election.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

SUBSTANTIAL SHAREHOLDINGS

At 26 September 2006, the Company had been notified of the following holdings of 3% or more in the ordinary share capital of the Company:

	Shares	%
Merrill Lynch Investment Managers Group Limited	2,812,762	13.8%
Herald Investment Trust plc	1,721,000	8.4%
Herald GP Limited	1,000,000	4.9%

Merrill Lynch Investment Managers Group Limited's holding is a result of discretionary investment management arrangements.

EMPLOYEES

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

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

ENVIRONMENT

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

SUPPLIER PAYMENT POLICY

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

The Company's creditor days at 30 June 2006, calculated in accordance with the requirements of the Companies Act 1985, were 29 (2005: 17). The Group's creditor days on the same basis were 14 days (2005: 18).

RESEARCH AND DEVELOPMENT

The Group operates within the rapidly developing internet environment. There are few, if any, proprietary systems available to meet its product requirements and as a result the Group has developed, in-house, the systems required to meet its customers' needs. These costs of research and development have been written off to the consolidated profit and loss account as they are incurred and not carried forward as assets in the Group's balance sheet.

POST BALANCE SHEET EVENT

On 25 August 2006 the Company announced the acquisition of the entire share capital of Exalia Limited for a 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.

GOING CONCERN

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

DIRECTORS' REPORT

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company, which will be held on 26 October 2006, and the resolutions proposed are set out on pages 31 and 32. The Board of Directors believes that the resolutions proposed are in the best interests of the shareholders and therefore, recommend that the shareholders vote in favour of those resolutions.

AUDITORS

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

A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next Annual General Meeting.

By order of the Board

RAJ NAGEVADIA
COMPANY SECRETARY
26 SEPTEMBER 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Financial statements are published on the Group's web site in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's web site is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

REPORT OF THE INDEPENDENT AUDITORS to the shareholders of Group NBT plc

We have audited the Group and parent company financial statements (the "financial statements") of Group NBT plc for the year ended 30 June 2006 which comprise the group profit and loss account, the group and company balance sheets, the group cashflow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 30 June 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 June 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS, LONDON

26 SEPTEMBER 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

year ended 30 June 2006

	Note	2006 £'000	2005 £'000
Turnover	2	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	3	2,330	1,623
Interest receivable and similar income	6	153	72
Interest payable and similar charges	7	(26)	(5)
Profit on ordinary activities before taxation		2,457	1,690
Taxation on profit on ordinary activities	8	501	(26)
Profit for the financial year	20, 21	1,956	1,716
Earnings per share – basic	10	9.98p	8.89p
– diluted	10	9.34p	8.26p

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

year ended 30 June 2006

	Note	2006 £'000	2005 £'000
Retained profit for the year		1,956	1,716
Exchange gain on consolidation	20	2	—
		1,958	1,716

The notes on pages 20 to 30 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 30 June 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	11	3,708	4,095
Tangible assets	12	818	781
		4,526	4,876
Current assets			
Debtors	14	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	16	(4,996)	(4,070)
Net current assets		2,987	613
Total assets less current liabilities		7,513	5,489
Provisions	17	—	(47)
Net assets		7,513	5,442
Capital and reserves			
Called up share capital	19	204	195
Share premium account	20	3,462	3,280
Merger reserve	20	1,044	1,044
Profit and loss account	20	2,803	923
Shareholders' funds		7,513	5,442

These financial statements were approved by the Board of Directors and authorised for issue on 26 September 2006.

Signed on behalf of the Board of Directors

GEOFF WICKS
CHIEF EXECUTIVE OFFICER

The notes on pages 20 to 30 form part of these financial statements.

COMPANY BALANCE SHEET

as at 30 June 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	12	390	306
Investments	13	5,198	5,198
		5,588	5,504
Current assets			
Debtors	14	142	363
Cash at bank and in hand		5,859	2,882
		6,001	3,245
Creditors: amounts falling due within one year	16	(2,611)	(4,001)
Net current assets/(liabilities)		3,390	(756)
Total assets less current liabilities		8,978	4,748
Provisions	17	—	(31)
Net assets		8,978	4,717
Capital and reserves			
Called up share capital	19	204	195
Share premium account	20	3,462	3,280
Merger reserve	20	1,134	1,134
Profit and loss account	20	4,178	108
Shareholders' funds		8,978	4,717

These financial statements were approved by the Board of Directors and authorised for issue on 26 September 2006.

Signed on behalf of the Board of Directors

GEOFF WICKS
CHIEF EXECUTIVE OFFICER

The notes on pages 20 to 30 form part of these financial statements.

CONSOLIDATED CASHFLOW STATEMENT

year ended 30 June 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	24	3,230	2,441
Returns on investments and servicing of finance			
Interest received		153	72
Interest paid		(26)	(5)
		127	67
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)
		191	63
Increase/(decrease) in cash		154	(175)

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

year ended 30 June 2006

	2006 £'000	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 cashflows	2,869	1,643
Net funds at start of year	3,219	1,576
Net funds at end of year	6,088	3,219

The notes on pages 20 to 30 form part of these financial statements.

NOTES TO THE ACCOUNTS

year ended 30 June 2006

1 ACCOUNTING POLICIES

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

CHANGES IN ACCOUNTING POLICIES

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

The adoption of FRS 17 - Retirement Benefits has had no impact on the financial statements.

The adoption of FRS 21 - Events after the Balance Sheet date has resulted in a change in accounting policy in respect of proposed equity dividends. If the Company declares dividends to the holders of equity instruments after the balance sheet date, the Company does not recognise those dividends as a liability at the balance sheet date. Previously where these equity dividends were proposed after the balance sheet date but before authorisation of the financial statements they were recorded as liabilities at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. There has been no major impact of the adoption of FRS 21 on the financial statements.

FRS 22 - Earnings per Share has been adopted and there has been no impact on the calculation of earnings per share. FRS 22 only allows basic and diluted earnings per share on the face of the profit and loss account. Other methods of calculating earnings per share are required to be shown in the notes with reference to the basis of the calculations carried out and reconciled to the earnings per share reported under this standard.

The adoption of the presentation requirements of FRS 25 - Financial instruments: Disclosure and Presentation has had no impact on the financial statements. The disclosure requirements of FRS 25 are not required to be adopted.

The adoption of FRS 28 - Corresponding amounts has had no impact on the financial statements.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

BASIS OF CONSOLIDATION

The financial statements consolidate the financial statements of the Company and all subsidiary undertakings for the year ended 30 June 2006 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of the subsidiary are included from the date of acquisition.

TURNOVER

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

INTANGIBLE FIXED ASSETS – GOODWILL

Goodwill arising on an acquisition of a subsidiary undertaking represents the excess of fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is capitalised in the year in which it arises and amortised, on a straight-line basis, over its estimated useful life, unless impairment has occurred at which point the cost is expensed to the profit and loss account. Goodwill is amortised over its estimated useful economic life, which ranges from ten to twenty years, subject to impairment review. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following the acquisition and in other periods if changes in circumstances indicate that the carrying value may not be recoverable.

TANGIBLE FIXED ASSETS

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

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

1 ACCOUNTING POLICIES continued**SOFTWARE RESEARCH AND DEVELOPMENT EXPENDITURE**

Software research and development expenditure is written off as incurred.

DEFERRED TAXATION

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

INVESTMENTS

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

FINANCIAL INSTRUMENTS

Financial instruments are measured initially and subsequently at cost.

In relation to the disclosures made in note 18, short term debtors and creditors are not treated as financial assets or liabilities except for currency disclosures.

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

DIVIDENDS

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

FINANCIAL LIABILITY AND EQUITY

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

SHARE OPTIONS

When shares and share options are awarded to employees a charge is made to the profit and loss account based on the difference between the market value of the company's shares at the date of grant and the option exercise price, in accordance with UITF 17 (revised 2003) 'Employee Share Schemes'.

When it is appropriate to recognise a charge in the profit and loss account then the credit entry for the charge is taken to the profit and loss reserve and recorded in the reconciliation of movements in shareholders' funds.

FOREIGN EXCHANGE

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

LEASES

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

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

PENSIONS

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

NOTES TO THE ACCOUNTS

2 SEGMENTAL ANALYSIS

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

	Turnover		Profit/(loss) before tax		Net assets/(liabilities)	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	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

3 OPERATING PROFIT

Operating profit is stated after charging:

	2006 £'000	2005 £'000
Research and development	394	185
Depreciation of owned assets	551	328
Depreciation of leased assets	—	15
Goodwill amortisation	387	387
Operating lease rentals	179	219
Auditors' remuneration	52	48
– land and buildings	26	19
– Group audit fee	93	26
– Company audit fee		
– other services		

4 INFORMATION REGARDING EMPLOYEES

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Salaries	4,839	3,661	2,255	1,872
Social security costs	457	449	250	227
Pension costs	82	80	73	62
	5,378	4,190	2,578	2,161

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Administrative	22	21	19	18
Operational	101	91	26	26
	123	112	45	44

5 DIRECTORS

The remuneration of Directors is set out below:

	2006 £'000	2005 £'000
Directors' emoluments	681	519
Pension costs	56	51
Compensation for loss of office	30	—
	767	570
Gain made on exercise of share options	947	—
Emoluments of highest paid Director:		
Emoluments	—	173
Amounts paid to the Director's personal pension scheme	—	20
Gain made on exercise of share options	903	—
	903	193

Directors' emoluments are detailed, by Director, in the Directors' remuneration report on page 11 and this information includes the payments made to the personal pension scheme of the Directors.

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £'000	2005 £'000
Bank interest	153	72

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Finance lease interest payable	—	5
Bank interest payable	6	—
Other interest payable	20	—
	26	5

8 TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES**A) ANALYSIS OF TAX CHARGE/(CREDIT)**

	2006 £'000	2005 £'000
Current tax		
UK Corporation tax	337	10
Adjustment in respect of prior periods	(8)	152
Total current tax charge (note 8B)	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)

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 8A)	329	162

NOTES TO THE ACCOUNTS

9 DIVIDENDS

	2006 £'000	2005 £'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 31 October 2006 to shareholders on the register at 22 September 2006, subject to approval by shareholders at the Annual General Meeting.

10 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:

	2006 £'000	2005 £'000
Profit for the financial year/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):

	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

Earnings per share:

	Basic		Diluted	
	2006 pence	2005 pence	2006 pence	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

11 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost	
At 1 July 2005	27,428
Additions	—
At 30 June 2006	27,428
Amortisation	
At 1 July 2005	23,333
Provided in year	387
At 30 June 2006	23,720
Net book value	
At 30 June 2006	3,708
At 30 June 2005	4,095

12 TANGIBLE FIXED ASSETS

Group	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 July 2005	3,008	177	3,185
Additions	263	325	588
Disposals	—	(6)	(6)
At 30 June 2006	3,271	496	3,767
Depreciation			
At 1 July 2005	2,359	45	2,404
Disposals	—	(6)	(6)
Provided in year	233	318	551
At 30 June 2006	2,592	357	2,949
Net book value			
At 30 June 2006	679	139	818
At 30 June 2005	649	132	781

Company	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 July 2005	237	97	334
Additions	199	32	231
At 30 June 2006	436	129	565
Depreciation			
At 1 July 2005	14	14	28
Provided in year	105	42	147
At 30 June 2006	119	56	175
Net book value			
At 30 June 2006	317	73	390
At 30 June 2005	223	83	306

13 INVESTMENTS

Company	Shares in subsidiary undertakings £'000
Cost	
At 1st July 2005 and 30 June 2006	25,742
Provision	
At 1 July 2005 and 30 June 2006	20,544
Net book value	
At 30 June 2006	5,198
At 30 June 2005	5,198

NOTES TO THE ACCOUNTS

13 INVESTMENTS continued

All subsidiaries have been included in the consolidation. Details of the subsidiary companies at 30 June 2006 are as follows:

	Country of incorporation and operation	Proportion of voting equity held
NetBenefit (UK) Limited	UK	100%
NetNames Limited	UK	100%
NetNames International Limited	UK	100%
Easily Limited	UK	100%
NetBenefit Limited	UK	100%
NetNames Inc	USA	100%
Eurl Group NBT France	France	100%

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

14 DEBTORS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts falling due within one year:				
Trade debtors	1,023	506	—	—
Amounts owed by Group undertakings	—	—	—	123
Deferred tax asset (note 15)	222	440	51	54
Other debtors	373	151	—	55
Prepayments and accrued income	277	367	91	131
	1,895	1,464	142	363

15 DEFERRED TAX ASSET

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At 1 July 2005	440	230	54	—
Origination and reversal of timing differences	(218)	210	(3)	54
At 30 June 2006	222	440	51	54
Excess depreciation over capital allowances	141	185	(30)	-
Unrelieved trading losses	81	255	81	54
At 30 June 2006	222	440	51	54

The Group had potential deferred tax assets of £569,000 (2005: £270,000) that were not recognised at 30 June 2006 as the timing of the relief could not be assessed with sufficient certainty and a proportion of the tax losses have yet to be agreed with the appropriate revenue authority:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Excess depreciation over capital allowances	15	11	—	—
Unrelieved trading losses	554	259	30	18
	569	270	30	18

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade creditors	219	218	102	56
Amounts owed to Group undertakings	—	—	1,985	3,441
Corporation tax	327	10	—	—
Other taxation and social security	614	452	57	29
Other creditors	512	351	1	45
Accruals and deferred income	3,324	3,039	466	430
	4,996	4,070	2,611	4,001

17 PROVISION FOR LIABILITIES AND CHARGES

DEFERRED TAX LIABILITY:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
At 1 July 2005	47	25	31	-
Origination and reversal of timing differences	(47)	22	(31)	31
At 30 June 2006	—	47	—	31
Accelerated capital allowances	—	47	—	—
At 30 June 2006	—	47	—	—

18 FINANCIAL INSTRUMENTS

The Group's financial instruments at 30 June 2006 comprised cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The main risks from the Group's financial instruments are interest rate risk, foreign currency and liquidity risk.

INTEREST RATE RISK

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

INTEREST RATE PROFILE

Group	Floating rate financial assets £'000
At 30 June 2006	
Sterling	5,848
US dollar	70
Euros	170
Gross assets	6,088
At 30 June 2005	
Sterling	3,092
US dollar	84
Euros	43
Gross assets	3,219

The interest rates on floating rate financial assets vary according to the prevailing bank rates.

NOTES TO THE ACCOUNTS

18 FINANCIAL INSTRUMENTS continued

CURRENCY PROFILE

The Group has overseas subsidiaries, which operate in Continental Europe and the United States of America. Their revenues and expenses are denominated substantially in the currencies in which they operate. The Group's principal exposure to exchange rate fluctuations arises on translation of the overseas net assets and results into sterling for accounting purposes. The net foreign currency monetary assets and liabilities by reference to the functional currencies of these operations are set out below.

	Sterling £'000	US dollar £'000	Euro £'000	Total £'000
As at 30 June 2006				
Sterling	—	—	—	—
US dollar	46	—	—	46
Euro	111	—	—	111
Net foreign currency monetary assets/liabilities	157	—	—	157
As at 30 June 2005				
Sterling	—	—	—	—
US dollar	25	—	—	25
Euro	29	—	—	29
Net Foreign currency monetary assets/liabilities	54	—	—	54

LIQUIDITY RISK

The Group's risk policy throughout the year, as in prior years, has been to ensure continuity of funding and flexibility through use of a mixture of term deposits.

FAIR VALUE OF FINANCIAL INSTRUMENTS

There is no material difference between the book and the fair value of the Group's financial instruments in the current or prior year.

19 CALLED UP SHARE CAPITAL

	2006 Number	2005 Number	2006 £'000	2005 £'000
Authorised				
At 1 July 2005	30,000,000	21,300,000	300	213
Authorised during the year	—	8,700,000	—	87
At 30 June 2006	30,000,000	30,000,000	300	300
Allotted, called up and fully paid				
At 1 July 2005	19,466,520	19,177,216	195	192
Share options exercised	928,377	289,304	9	3
At 30 June 2006	20,394,897	19,466,520	204	195

19 CALLED UP SHARE CAPITAL continued

The details of outstanding share options over ordinary shares of the Company are set out below. All of the agreements are for a ten-year period and all options covered by the agreements below had vested at the year end date.

	Date granted	Exercise price £	At 1 July 2005	Granted	Exercised/ lapsed	At 30 June 2006
Enterprise Management Incentive Plan	30/06/2003	0.25	810,000	—	120,000	690,000
	22/08/2003	0.01	14,000	—	2,500	11,500
	07/04/2004	0.01	6,500	—	—	6,500
	10/04/2006	1.30	—	38,610	—	38,610
			830,500	38,610	122,500	746,610
Approved Scheme	22/09/1999	2.34	9,572	—	—	9,572
	18/09/2000	4.55	2,708	—	—	2,708
			12,280	—	—	12,280
Unapproved Scheme	08/09/1998	0.25	24,000	—	—	24,000
	04/06/1999	2.50	75,000	—	—	75,000
	04/04/2003	0.20	805,877	—	805,877	—
	30/06/2003	0.25	105,000	—	—	105,000
	10/04/2006	1.30	—	100,000	—	100,000
			1,009,877	100,000	805,877	304,000

Directors' share options are set out in the Directors' remuneration report and total £877,610 (2005: 1,720,877).

20 STATEMENT OF MOVEMENTS ON RESERVES

Group	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 July 2005	195	3,280	1,044	923
Issue of shares	9	182	—	—
Dividends	—	—	—	(78)
Exchange movement on consolidation	—	—	—	2
Retained profit for the financial year	—	—	—	1,956
At 30 June 2006	204	3,462	1,044	2,803
Company				
At 1 July 2005	195	3,280	1,134	108
Issue of shares	9	182	—	—
Dividends	—	—	—	(78)
Retained profit for the financial year	—	—	—	4,148
At 30 June 2006	204	3,462	1,134	4,178

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Retained profit for the financial year	1,956	1,716	4,148	720
Dividends	(78)	—	(78)	—
	1,878	1,716	4,070	720
Exchange movement on consolidation	2	—	—	—
New share capital subscribed	191	76	191	76
Net addition to shareholders' funds	2,071	1,792	4,261	796
Opening shareholders' funds	5,442	3,650	4,717	3,921
Closing shareholders' funds	7,513	5,442	8,978	4,717

NOTES TO THE ACCOUNTS

22 OPERATING LEASE COMMITMENTS

At 30 June 2006 the Group and Company were committed to making the following payments during the financial year in respect of operating leases:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Land and buildings				
Operating leases which expires:				
Within one year	11	66	—	43
In two to five years	150	141	124	124
Over five years	17	12	—	—
	178	219	124	167

23 CONTINGENT LIABILITIES

At 30 June 2006, the Group had contingent liabilities amounting to \$25,000 (2005: \$125,000) represented by standby letters of credit to Verisign Inc. the domain name registry.

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating profit	2,330	1,623
Depreciation	551	343
Goodwill amortisation	387	387
Loss on disposal 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

25 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

26 PARENT COMPANY'S RESULTS

As permitted by Section 230 of the Companies Act, a separate profit and loss account is not presented in respect of the Company. During the year, the parent company made a profit of £4,148,000 (2005: profit £720,000).

27 POST BALANCE SHEET EVENT

On 25 August 2006 the Company announced the acquisition of the entire share capital of Exalia Limited for a 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Group NBT plc ("the Company") will be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW on 26 October 2006 at 10.00 am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Accounts for the year ended 30 June 2006 and the auditor's report thereon.
2. To declare and approve the payment of the proposed dividend of 0.8 pence per share on 31 October 2006 to shareholders on the register at 22 September 2006.
3. To receive and approve the Directors' Remuneration Report for the year ended 30 June 2006.
4. To re-elect as Director John Parcell who retires by rotation.
5. To re-elect as Director Tim Ashley who retires by rotation.
6. To re-elect as Director Raj Nagevadia, who was appointed after the last Annual General Meeting.
7. To re-appoint Messrs BDO Stoy Hayward LLP as auditors of the Company and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, to pass the following Resolutions which will be proposed as an Ordinary Resolution in respect of Resolution 8, and as Special Resolutions in respect of Resolution 9 and Resolution 10:

8. That the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £68,183 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution (if earlier) unless renewed or extended prior to such time except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
9. That, subject to the passing of Resolution 8, the Directors be and are hereby empowered pursuant to Section 95 of the Act and for the purposes of Article 6 of the Articles of Association of the Company to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to such authority as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue or other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (or nearly as may be) to the respective numbers of equity securities held by them subject only to such exclusions or agreements as the Directors may deem necessary to deal with problems arising in any overseas territory, in connection with fractional entitlements or otherwise; and
 - (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal value of £10,227 (representing approximately 5% of the present issued share capital).

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

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS continued

10. That the Articles of Association of the Company be and are hereby amended by deleting the existing Article 121(1) and replacing it with the following:

"Subject to the Statutes but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director, Secretary or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as Auditors) shall be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, provided that this Article shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article, or any element of it, to be treated as void under the Act or otherwise under the Statutes."

By order of the Board

RAJ NAGEVADIA
COMPANY SECRETARY
26 SEPTEMBER 2006

REGISTERED OFFICE:
3rd Floor, Prospero House
241 Borough High Street
London SE1 1GA

NOTES

1. The following documents will be available for inspection fifteen minutes prior to and at the Annual General Meeting. They will also be available at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting:
 - (a) copies of the Directors' service contracts (or a memorandum of the terms of such contracts) with the Company or any of its subsidiaries;
 - (b) the Register of Directors' Interests in the share capital of the Company; and
 - (c) a copy of the Articles of Association of the Company.
2. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not also be a member of the Company. Appointment of a proxy will not preclude a member from attending the meeting and voting in person.
3. A form of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid an appointment of proxy must be returned by one of the following methods:
 - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below;

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

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

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 10.00 am on 24 October 2006 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time and changes to the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

OFFICERS AND ADVISERS

DIRECTORS

J Parcell (Non-executive Chairman)
G Wicks
J Robinson
R Nagevadia
T Ashley (Non-executive)
K Young (Non-executive)
R Madden (Non-executive)

SECRETARY

R 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

Barclays Bank plc
240 Whitechapel Road
London E1 1BS

SOLICITORS

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

FINANCIAL ADVISERS

Brewin Dolphin Securities Limited
7 Drumsheugh Gardens
Edinburgh EH3 7QH

STOCKBROKERS

Bell Lawrie
(a division of Brewin Dolphin
Securities Limited)
48 St Vincent Street
Glasgow G2 5TS

AUDITORS

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL



GROUP NBT OFFICES

UK

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

US

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

FRANCE

Green Side BP 296
400 Avenue Roumanille
06906 Sophia Antipolis Cedex

GERMANY

Mainzer Landstrasse 49
60329 Frankfurt am Main

SPAIN

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