



group NBT

INTERIM REPORT 2006
www.groupnbt.com

ABOUT GROUP NBT

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

Group NBT has 250 employees and is based in London with offices in New York, Nice, Munich, Copenhagen, Oslo, Zurich and Madrid. The operating brands which serve the different markets are:

Corporate domain name management

NetNames^{ANN} **SPEEDNAMES**
:: Business

Managed hosting

 **NETBENEFIT**

Online services

Easily
.co.uk **SPEEDNAMES**

Channel partner domain names

ascio

HIGHLIGHTS

six months ended 31 December 2006

- Excellent performance across the Group
- Strong organic growth enhanced through the acquisition of Exalia in August
- Revenue up 36% to £8.4 million, 22% on an underlying* basis
- Profit before tax (PBT) up 81% to £1.7 million
- Profit before tax and amortisation of goodwill (PBTA) up 76% to £2.0 million or 37% on an underlying basis
- Interim dividend up 50% to 0.60 pence
- NetNames Platinum Service revenues up 59% to £3.4 million
- Managed hosting revenues up 155% to £1.4 million, 61% on an underlying basis
- Acquisition of Ascio post period end, positions the Company as European leader in domain name management services
- Acquisition strategy continues as further growth opportunities pursued
- Directors confident of further progress in the year ahead

* For the purpose of this statement underlying revenue excludes revenue from Exalia and revenue from the introduction of the two new domain name extensions, .eu and .mobi

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CHAIRMAN'S STATEMENT

Group NBT achieved excellent organic growth in the half year to 31 December, made a bolt-on acquisition which added immediately to profit, and completed a major strategic acquisition after the period end.

Revenues increased from £6.16 million in the first half of the previous fiscal year to £8.40 million. Profit, before tax and amortisation of goodwill (PBTA), rose from £1.16 million to £2.04 million. I am very pleased to report to shareholders year-on-year growth rates of 36% for revenue and 76% for PBTA.

These exceptional growth rates are in part a result of the opportunities we have grasped during the period. The first was our acquisition of Exalia, which has contributed £0.51 million of sales since its inclusion in our accounts from 25 August 2006. The second was the new .eu and .mobi international domains, from which we generated £0.38 million of revenue – such introductions are an occasional opportunity, but not a dependable one. Excluding these two factors, the ongoing organic revenue growth rate was 22%.

Exalia, purchased for up to £3.20 million, contributed £0.22 million to profit. Sales of the new domains generated £0.23 million of profit. Excluding these, our ongoing organic growth rate in underlying PBTA was 37%.

This performance confirms the fundamental strength of our business model of building recurring revenue from corporate markets where we provide a high degree of added value.

Our Platinum Service, which manages companies' valuable global portfolios of internet domain names, achieved 59% sales growth. We achieved 61% organic growth in managed hosting, our premium web-hosting service for companies. Adding Exalia's business took that growth rate to 155%. These services together represented 57% of our revenue, from 43% a year ago.

In January we acquired Ascio Technologies Holdings A/S (Ascio), a privately-owned Danish company specialising in domain names, for £18.30 million in cash, shares and options. Strategically, this makes Group NBT the leading pan-European provider of domain name management services. Ascio's geographic sales footprint fits ours well. We will also make significant savings in duplicated production costs and overheads. The integration process, under our Chief Operating Officer Jonathan Robinson, has started well. We continue to estimate that integration will occupy the first year after the acquisition, with the full benefit of cost reductions and sales improvement in the second year.

Diluted earnings per share for the first half, based on our chosen measure using profit after tax before amortisation of goodwill, are 6.9 pence, up 73% in line with profit. We are raising the interim dividend by 50% from 0.40 pence to 0.60 pence, to reflect our confidence in our Company's long term growth prospects and financial strength.

For the second half we expect good organic revenue growth, roughly balanced by the cost of substantial expansion of existing Group NBT sales teams and our marketing unit in order to underpin organic growth in future years. We will also encounter the initial effects of the Ascio acquisition: transaction costs, a large part of the rationalisation cost, interest cost, and the roughly 9% dilutive effect of the new shares and options. None the less we are comfortable with market expectations for both the Group NBT business and for the Ascio impact. We look forward to the profits Ascio will bring us in fiscal 2008 and beyond as we drive its margins up towards convergence with our own.

JOHN PARCELL
CHAIRMAN
8 MARCH 2007

CHIEF EXECUTIVE'S REVIEW

"GROUP NBT CONTINUES TO SHOW GOOD PERFORMANCES IN ALL DIVISIONS. ORGANIC REVENUE GROWTH HAS BEEN EXCELLENT WITH A SMALL ACQUISITION ADDING TO OUR MANAGED HOSTING CAPABILITY. OUR STRATEGY TO FIND THE RIGHT ACQUISITIONS IS SHOWING PROMISE WITH EXALIA CONTRIBUTING TO PROFITS ALREADY AND THE ACQUISITION OF ASCIO TECHNOLOGIES HOLDINGS A/S, ANNOUNCED AFTER THE PERIOD END, SIGNIFICANTLY INCREASING THE GROUP'S POSITION IN EUROPE."

The first half of this year has again been very good. Group NBT continues to build growth in its key markets organically and this is now being helped by the acquisition strategy we have discussed in previous reports.

Revenue for the half year to 31 December 2006 was £8.40 million, up 36% on the same period last year. This figure includes £0.51 million revenue from Exalia which became part of Group NBT in August 2006. Underlying revenue growth, before inclusion of Exalia's revenue was 28%. This strong growth reflects the continued good performance of the NetNames Platinum Service and NetBenefit managed hosting.

Profit before tax (PBT) was £1.75 million up 81% on the same period last year. Profit before tax and amortisation of goodwill (PBTA) was £2.04 million, up 76% on last year. This included £0.22 million from Exalia, without which underlying PBTA growth was 57%. As the benefits of scale are realised Group NBT has improved margins and has had the opportunity to invest in building its product range and improving systems.

Cash at the end of December 2006 was £4.69 million. This is after the acquisition of Exalia for which £2 million of our cash reserves was used, but before the acquisition of Ascio announced after the period end.

NETNAMES PLATINUM SERVICE

Revenue from NetNames Platinum Service was £3.42 million for the half year, up 59% on last year. The UK market continues to provide significant growth for the Platinum Service and our investment in European offices is helping with good performances in Germany and France.

The recently announced acquisition of Ascio bolsters our position as a market leader in the provision of corporate domain name management services. Ascio's European based business will help to accelerate our strategy of achieving market leadership across Europe.

MANAGED HOSTING

Revenue from managed hosting was £1.35 million, up 155% on the same period last year. This result was significantly influenced by the addition of revenue from Exalia, which provides managed hosting services, largely through the agency channel. Underlying revenue excluding Exalia, grew by 61%.

Managed hosting is a key market for Group NBT where we are developing a very good position in a market segment which is growing strongly. Growth is strong in the UK which still accounts for the bulk of the revenue from managed hosting. Our growth has also been strong in the French market.

CHIEF EXECUTIVE'S REVIEW

"WE WILL CONTINUE TO FOCUS ON OUR CORE MARKETS WHERE WE SEE GOOD OPPORTUNITIES FOR GROWTH. THE ADDITION OF THE ASCIO BUSINESS IS LIKELY TO SHOW SIGNIFICANT BENEFITS TOWARDS THE END OF THE NEXT FINANCIAL YEAR ONCE THE INTEGRATION OF SYSTEMS AND PROCESSES HAS ALLOWED US TO CAPTURE THE EXPECTED SYNERGIES."

MANAGED HOSTING continued

Following the acquisition of Ascio we will consider further European expansion for our managed hosting products. However our primary focus will be on building scale in the UK market and ensuring that we can acquire customers with increasingly sophisticated requirements.

ONLINE SERVICES

Online revenue was £3.63 million for the first half of the year, up 4% on last year. Within this domain name revenue grew by 10% while hosting revenue fell by 3%. This fall was partly due to online hosting customers upgrading to managed hosting services.

MARGIN AND ADMINISTRATIVE EXPENSES

Gross margin remained largely comparable to last year.

Administrative costs continued to grow in line with expectations as the Company improved its operating efficiency. As a result even after the investment in developing European offices margin at the PBTA level was 24% compared with 19% last year. Excluding Exalia and the new domain name launches, the underlying PBTA margin was 21%.

Depreciation is in line with growth in the business where we have invested in additional infrastructure. This is largely brought about by the growth of our managed hosting customer base.

TAXATION

A tax charge of £0.58 million arose in the six months to December 2006 (2005: £0.33 million) which represents an effective rate of 28.6% (2005: 28.1%) on profits before amortisation of goodwill.

The effective tax rate applied to the six months profits to December 2006 reflects the estimated rate for the full year to June 2007. This estimate takes into account both the results of the existing Group prior to the acquisition of Ascio, where the effective rate is estimated at 24.5%; and the results of Ascio, where a deferred tax asset in respect of its trading losses has not been recognised as the timing and the availability of its utilisation cannot be assessed with sufficient certainty at this time.

GEOFF WICKS

CHIEF EXECUTIVE OFFICER

8 MARCH 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

six months ended 31 December 2006

	Note	Unaudited Continuing operations Existing Six months ended 31 Dec 2006 £'000	Unaudited operations Acquisitions Six months ended 31 Dec 2006 £'000	Unaudited Total Six months ended 31 Dec 2006 £'000	Unaudited Six months ended 31 Dec 2005 £'000	Audited Year ended 30 June 2006 £'000
Turnover	2	7,887	513	8,400	6,164	13,826
Cost of sales		1,712	58	1,770	1,303	2,952
Gross profit		6,175	455	6,630	4,861	10,874
Administrative expenses						
Amortisation of goodwill		194	101	295	194	387
Other administrative expenses		4,456	236	4,692	3,741	8,157
		4,650	337	4,987	3,935	8,544
Operating profit		1,525	118	1,643	926	2,330
Interest receivable and similar income		106	1	107	62	153
Interest payable and similar charges		(4)	—	(4)	(21)	(26)
Profit on ordinary activities before taxation		1,627	119	1,746	967	2,457
Taxation on profit on ordinary activities		(535)	(49)	(584)	(326)	(501)
Retained earnings		1,092	70	1,162	641	1,956
Earnings per share – basic	3			5.68p	3.29p	9.98p
– diluted	3			5.50p	3.07p	9.34p

All amounts arise from continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

six months ended 31 December 2006

	Note	Unaudited Continuing operations Existing Six months ended 31 Dec 2006 £'000	Unaudited operations Acquisitions Six months ended 31 Dec 2006 £'000	Unaudited Total Six months ended 31 Dec 2006 £'000	Unaudited Six months ended 31 Dec 2005 £'000	Audited Year ended 30 June 2006 £'000
Retained earnings for the period		1,092	70	1,162	641	1,956
Exchange gain/(loss) on consolidation		12	—	12	(5)	2
		1,104	70	1,174	636	1,958

CONSOLIDATED BALANCE SHEET

as at 31 December 2006

	Note	Unaudited as at 31 Dec 2006 £'000	Unaudited as at 31 Dec 2005 £'000	Audited as at 30 June 2006 £'000
Fixed assets				
Intangible assets	4	6,475	3,901	3,708
Tangible assets		1,252	773	818
		7,727	4,674	4,526
Current assets				
Debtors		2,678	1,464	1,895
Cash at bank and in hand		4,690	4,326	6,088
		7,368	5,790	7,983
Creditors: amounts falling due within one year		(6,534)	(4,359)	(4,996)
Net current assets		834	1,431	2,987
Total assets less current liabilities		8,561	6,105	7,513
Provision for liabilities and charges		23	14	—
Net assets		8,538	6,091	7,513
Capital and reserves				
Called up share capital	8	205	196	204
Share premium account		3,476	3,292	3,462
Merger reserve		1,044	1,044	1,044
Profit and loss account	8	3,813	1,559	2,803
Shareholders' funds		8,538	6,091	7,513

CONSOLIDATED CASH FLOW STATEMENT

six months ended 31 December 2006

	Note	Unaudited Six months ended 31 Dec 2006 £'000	Unaudited Six months ended 31 Dec 2005 £'000	Audited Year ended 30 June 2006 £'000
Net cash inflow from operating activities	5	1,185	1,323	3,230
Returns on investments and servicing of finance				
Interest received		107	62	153
Interest paid		(4)	(21)	(26)
		103	41	127
Taxation paid		(12)	(8)	(13)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(522)	(262)	(588)
Purchase of intangible fixed assets		(31)	—	—
		(552)	(262)	(588)
Acquisitions and disposals				
Purchase of subsidiary undertaking	7	(2,062)	—	—
Net cash acquired with subsidiary undertaking		105	—	—
		(1,957)	—	—
Dividends paid		(164)	—	(78)
Net cash (outflow)/inflow before management of liquid resources		(1,397)	1,094	2,678
Management of liquid resources				
Decrease/(Increase) in treasury deposits		1,187	(1,130)	(2,715)
Financing				
Issue of share capital		15	13	191
Capital element of lease repayments		(16)	—	—
		(1)	13	191
(Decrease)/increase in cash		(211)	(23)	154

NOTES TO THE UNAUDITED INTERIM ACCOUNTS

six months ended 31 December 2006

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 2007.

The adoption of FRS 20 – Share-based Payments has been adopted for this period and has had no impact on the financial statements.

The six month figures to 31 December 2006 and 31 December 2005 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 2006 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 Section 230 (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 Six months ended 31 Dec 2006 £'000	Unaudited Six months ended 31 Dec 2005 £'000	Audited Year ended 30 June 2006 £'000	Unaudited Six months ended 31 Dec 2006 £'000	Unaudited Six months ended 31 Dec 2005 £'000	Audited Year ended 30 June 2006 £'000
UK	7,430	5,517	12,305	1,684	946	2,253
USA	431	350	817	121	76	262
Other European	539	297	704	(59)	(55)	(58)
	8,400	6,164	13,826	1,764	967	2,457

3 EARNINGS PER SHARE

The basic and diluted earnings per share for the period ended 31 December 2006 are based on the profit for the period on ordinary activities after taxation of £1,162,000 (2005: £641,000) and on the weighted average number of shares of 20,454,897 (2005: 19,474,853).

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 Six months ended 31 Dec 2006 £'000	Unaudited Six months ended 31 Dec 2005 £'000	Audited Year ended 30 June 2006 £'000
Profit attributable to ordinary shareholders	1,162	641	1,956
Goodwill amortisation	295	194	387
Profit attributable to ordinary shareholders before goodwill amortisation	1,457	835	2,343

3 EARNINGS PER SHARE continued

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

	Unaudited Six months ended 31 Dec 2006 number	Unaudited Six months ended 31 Dec 2005 number	Audited Year ended 30 June 2006 number
Shares used for basic earnings per share	20,455	19,475	19,609
Share options	685	1,395	1,326
Shares used for diluted earnings per share	21,140	20,870	20,935
Earnings per share:			
Basic	pence	pence	pence
Profit for the period	5.68	3.29	9.98
Goodwill amortisation	1.44	1.00	1.97
Profit before goodwill amortisation	7.12	4.29	11.95
Diluted			
Profit for the period	5.50	3.07	9.34
Goodwill amortisation	1.40	0.93	1.85
Profit before goodwill amortisation	6.90	4.00	11.19

4 INTANGIBLE FIXED ASSETS

	Goodwill £'000	Domain names £'000	Total £'000
Cost			
At 1 July 2006	27,428	—	27,428
Additions	3,031	31	3,062
At 31 December 2006	30,459	31	30,490
Amortisation			
At 1 July 2006	23,720	—	23,720
Provided in period	295	—	295
At 31 December 2006	24,015	—	24,015
Net book value			
At 31 December 2006	6,444	31	6,475
At 30 June 2006	3,708	—	3,708

The addition to goodwill during the period arose from the acquisition of Exalia Limited and its dormant subsidiary (note 7). Goodwill is being amortised over ten years, being the Directors' estimate of its useful economic life.

NOTES TO THE UNAUDITED INTERIM ACCOUNTS

six months ended 31 December 2006

5 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited Six months ended 31 Dec 2006 £'000	Unaudited Six months ended 31 Dec 2005 £'000	Audited Year ended 30 June 2006 £'000
Operating profit	1,643	926	2,330
Depreciation	355	270	551
Amortisation of goodwill	295	194	387
(Increase)/decrease in debtors	(600)	(215)	(649)
Increase/(decrease) in creditors	(520)	153	609
Foreign exchange gain/(loss)	12	(5)	2
Net cash inflow from operating activities	1,185	1,323	3,230

6 ANALYSIS OF NET FUNDS

	Cash available on demand £'000	Cash on treasury deposit £'000	Total £'000
At 1 July 2006	608	5,480	6,088
Cashflow	(211)	(1,187)	(1,398)
At 31 December 2006	397	4,293	4,690

7 PURCHASE OF SUBSIDIARY UNDERTAKING

On 25 August 2006, the Company acquired Exalia Limited for a maximum consideration of £3.2 million. The details of the net assets acquired are set out below:

	£'000
Tangible fixed assets	266
Debtors	129
Cash at bank and in hand	105
Creditors	(66)
Deferred income	(99)
Corporation tax	(71)
Deferred tax	(17)
Finance leases	(16)
	231
Goodwill (note 4)	3,031
	3,262

7 PURCHASE OF SUBSIDIARY UNDERTAKING continued

	£'000
Cost of acquisition:	
Initial cash consideration	2,000
Costs associated with the acquisition	62
	2,062
Deferred contingent consideration (note 10)	1,200
	3,262

8 STATEMENT OF MOVEMENT IN RESERVES

	Share capital £'000	Profit and loss account £'000
At 1 July 2006	204	2,803
Retained profit for the period	—	1,162
Issue of shares	1	—
Dividends	—	(164)
Exchange movement	—	12
At 31 December 2006	205	3,813

9 DIVIDEND

A final dividend of 0.8 pence per share (2005: nil) was paid on 31 October 2006 to shareholders on the register at 22 September 2006. The Board of Directors have declared an interim dividend of 0.6 pence per ordinary share (2005: 0.4 pence) which is payable on 17 April 2007 to shareholders on the register at 16 March 2007.

10 POST BALANCE SHEET EVENTS

On 17 January 2007 the Company announced the acquisition of Ascio Technologies Holdings A/S for an aggregate total consideration of £18.3 million comprising of £7.5 million in cash, 4.3 million shares in Group NBT plc and options to subscribe for one million Group NBT plc shares at an exercise price of 275 pence.

Exalia Limited, which the Company acquired on 25 August 2006 for a maximum consideration of £3.2 million comprising of initial consideration of £2.0 million and two further contingent payments of £600,000 based on annual revenue targets for years ending 31 January 2007 and 31 January 2008, achieved its first annual revenue target to 31 January 2007 and therefore the first earnout payment will be due in March 2007.

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 2006 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. The Directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the 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 International Standards on Auditing (UK and Ireland) 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 2006.

BDO STOY HAYWARD LLP
LONDON
8 MARCH 2007

GROUP NBT OFFICES

UK
Prospero House
241 Borough High Street
London SE1 1GA

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

FRANCE
Green Side BP 296
400 Avenue Roumanille
06906 Sophia Antipolis Cedex

GERMANY
Leopoldstrasse 74
D-80802 München

DENMARK
Islands Brygge 55
2300 København S

NORWAY
Niels Juels Gate 38A
0257 Oslo

SWITZERLAND
Staffelstrasse 10
CH-8045 Zürich

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



groupNBT

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