

15 December 2011

Nasstar plc

Preliminary Results for the year ended 30 September 2011

Nasstar plc ('Nasstar' or the 'Company'), the hosted desktop cloud computing provider, is pleased to announce its preliminary results for the year ended 30 September 2011.

Highlights

- 12% increase in EBITDA* profit to £336,000 (2010: £301,000)
- Loss after tax reduced to £111,000 (2010: loss £302,000)
- 25% increase in live Hosted Desktop subscribers in the year from 1,600 to 2,000
- Turnover £2.3m (2010: £2.4m)
- £1.2m new equity raised during the year

Post year-end

- 15% increase in Hosted Desktop subscribers since the year-end with live subscribers rising to 2,300 in December 2011

**Earnings before interest, taxation, depreciation, amortisation and share-based payments*

For further information, please contact:

Nasstar plc

Charles Black, Chief Executive Officer 020 7148 5000

Allenby Capital Limited, Nominated Adviser and Broker

Nick Naylor 020 3328 5656
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Chairman's Statement

We have had another year of Hosted Desktop growth with a 25% increase in subscribers. Since the year-end we have added another 300 subscribers, being a 15% increase in live subscribers during the first quarter.

EBITDA for 2011 increased to £336,000 and the loss after tax has been reduced to £111,000. We strengthened the balance sheet during the period through an institutional placing and the new equity puts Nasstar in a strong position to continue to capitalise on the growth opportunities in the market.

Our strategy of focusing on our intellectual property in the Hosted Desktop platform, and distributing our platform through partners, has begun to produce the results the Board expected. We intend to continue this strategy and are confident of further growth in the new year, which has started very positively.

We have a significant sales pipeline with a number of opportunities that we hope to win in the next few months as businesses look to adopt cloud computing to save costs and improve productivity.

We view the future with confidence.

Lord Daresbury
Chairman
15 December 2011

Chief Executive's Review

Overview

This year we have continued with our vision of becoming a leader in the provision of hosted desktop cloud computing whilst also working on strengthening the Company's financial position.

Sales of the Hosted Desktop service grew during the year with a 25% increase in subscriber numbers. The first quarter of the new financial year has seen a further rise of 300 new subscribers, representing a 15% increase since September.

A significant sales pipeline has been generated through our partner programme, which provides a route to market for our service in the UK and overseas.

We intend to continue our focused strategy of developing the intellectual property in the Hosted Desktop platform and distribution through the partner programme.

Financial review

We reduced losses after tax by 63% from £302,000 to £111,000 and grew our EBITDA profit from £301,000 to £336,000.

The institutional placing in July 2011, which raised £1.2m before expenses, has strengthened our balance sheet and provided additional capital to invest in improving our platform for both existing and new customers.

Employees

We have recruited additional technical staff during the year to strengthen our team. We have been fortunate to benefit from a very hard working and skilled team of employees who believe in our vision and pursue it with passion and professionalism. We anticipate recruiting additional technical resource as the business grows and as we continue to develop our intellectual property and grow the subscription base.

Partner programme

We have signed one of the largest Hosted Exchange providers in the UK which has already helped us to win, approximately, 200 Hosted Desktop subscribers under contract. Other new partners include Iomart Group plc and ihotdesk Limited. Our focus is on working with the right partners rather than lots of partners.

Hosted Exchange

Hosted Exchange revenue reduced during the year. There were three main reasons for this. Firstly, Hosted Exchange is now a competitive and commoditised market and we have brought tariffs in line with competitive pricing to ensure that we retain customers. Secondly, some of our customers were the subject of M&A activity whereby the new owner did not require Nasstar's Hosted Exchange service. Thirdly, some of our customers have ceased trading.

We are now able to migrate our customers to a Hosted Exchange 2010 platform and, as a result, we believe that we can increase revenue again from hosted email which includes Hosted Exchange and email archiving.

Market review

The cloud computing market

Cloud computing at its broadest describes any service delivered over the internet. It's a term that is used to cover both consumer facing services and business services. Examples of consumer cloud computing products include Apple's iCloud and iPhone/iPad products that enable consumers to store pictures, music and apps in the cloud and access them on iPhones and iPads. Other examples include Facebook and Twitter as apps that are hosted and accessed via different devices (web browsers and mobile devices).

Consumers who use these services are also working in business and their familiarity with the cloud computing concept will help drive adoption in the business market.

According to market research analysts IDC, by 2014 over one-third of all new business app purchases will be delivered as a cloud computing service (IDC Predictions, 2011). According to a study undertaken in 2011 for The Guardian's Cloud Technology supplement (October 2011), almost half of the businesses polled indicated they are ready to adopt cloud computing.

Cloud computing is a growth sector in both the consumer and business markets. Hosted Desktop has the essential characteristics of cloud computing, namely usage-based payment and multi-tenanted architecture – the idea of physical infrastructure and software applications being shared by multiple customers. In the cloud computing space Nasstar Hosted Desktop could be described as *Software as a Service (SaaS)* or *Desktop as a Service (DaaS)*. Nasstar Hosted Desktop means that a company's applications (generally referred to as "apps") and data are stored in data centres (the cloud) and accessed via a range of devices such as thin clients, tablets, PCs, laptops and mobile devices.

It should be noted that Nasstar does not operate in the market for *Infrastructure as a Service* where data centre and hardware manufacturers provide servers, storage and computing power as a service rather than selling the hardware on a stand-alone basis. Examples include Amazon Web Services and Microsoft Azure. The boundaries between data centre providers, software vendors and hardware manufacturers are blurring as these components converge and are offered as a service in the cloud.

Nasstar Hosted Desktop - background and developments

Nasstar Hosted Desktop was first launched in 2004. Since then the Company has continued to develop the service, focusing on scalability, user experience and flexibility. During the year we released "AddApp" which enables customers and partners to add and remove apps such as Microsoft Project, Visio and other apps. We have also designed the system to work where the hosted exchange email aspect of the service is hosted by a third party. This includes working with Microsoft Office 365.

Competition

Microsoft Office 365 launched during the year. Nasstar Hosted Desktop can work with Office 365 for companies who wish to use that service but need to have their other non-Microsoft apps hosted in the cloud. There are a number of UK companies that offer hosted desktop or a virtual desktop (VDI) service. Larger companies that offer businesses cloud computing include Google (Google Apps) and Microsoft with their Office 365 product. Neither of these solutions hosts third party apps, such as Sage, and as noted above Nasstar Hosted Desktop has been built to work in conjunction with Microsoft Office 365. Nasstar Hosted Desktop is a server-based solution that is focused on delivering apps and data in the cloud and we believe this is a more scalable approach than VDI, though VDI has its place.

Nasstar Hosted Desktop is a platform for delivering applications from multiple vendors in the cloud – not just Microsoft, but other apps such as accounting software, recruitment apps, and industry specific apps. We believe that this approach future proofs Nasstar Hosted Desktop because no single large vendor will host another's software apps – an integrated portal that brings multiple vendor apps and data together in the cloud is where we believe the future lies, and that is what Nasstar Hosted Desktop does.

Outlook

We believe that growth will be stronger during the current financial year as evidenced by the increase in subscribers during the first quarter and the strong pipeline.

Charles Black
Chief Executive Officer
15 December 2011

Consolidated statement of comprehensive income

for the year ended 30 September 2011

	Note	2011 £000	2010 £000
Revenue		2,257	2,350
Cost of sales		(1,001)	(1,108)
Gross profit		1,256	1,242
Operating and administrative expenses		(1,268)	(1,358)
Share-based payments		(38)	(42)
Total operating and administrative expenses		(1,306)	(1,400)
Operating loss		(50)	(158)
Finance charges		(92)	(144)
Finance income		2	-
Loss before taxation		(140)	(302)
Taxation		29	-
Loss for the year and total comprehensive income for the year attributable to shareholders		(111)	(302)
Loss per share:			
Basic and diluted	2	(0.3)p	(0.9)p

All amounts relate to continuing operations.

Consolidated statement of financial position

30 September 2011

	2011 £000	2010 £000
Assets		
Non-current assets		
Goodwill	844	844
Intangible assets	281	226
Property, plant and equipment	253	287
Deferred taxation	175	175
	<hr/>	<hr/>
	1,553	1,532
Current assets		
Trade and other receivables	444	460
Cash and cash equivalents	814	5
	<hr/>	<hr/>
	1,258	465
Total assets	<hr/>	<hr/>
	2,811	1,997
	<hr/>	<hr/>
Equity and liabilities		
Capital and reserves attributable to equity holders of the parent		
Share capital	507	357
Share premium	3,689	2,706
Merger reserve	662	662
Retained deficit	(2,548)	(2,475)
	<hr/>	<hr/>
Total equity	2,310	1,250
	<hr/>	<hr/>
Non-current liabilities		
Interest-bearing loans and borrowings	43	98
	<hr/>	<hr/>
Current liabilities		
Interest-bearing loans and borrowings	94	157
Trade and other payables	364	492
	<hr/>	<hr/>
	458	649
Total equity and liabilities	<hr/>	<hr/>
	2,811	1,997
	<hr/>	<hr/>

Consolidated statement of changes in equity

	Share Capital	Share Premium	Merger Reserve	Retained Deficit	Total Equity
	£000	£000	£000	£000	£000
At 1 October 2009	319	2,404	662	(2,215)	1,170
Comprehensive income					
Loss for the year recognised in profit and loss	-	-	-	(302)	(302)
Total comprehensive income for the year	-	-	-	(302)	(302)
Shares issued in year	38	305	-	-	343
Expenses of share issue	-	(3)	-	-	(3)
Share-based payment recognised in equity	-	-	-	42	42
At 1 October 2010	357	2,706	662	(2,475)	1,250
Comprehensive income					
Loss for the year recognised in profit and loss	-	-	-	(111)	(111)
Total comprehensive income for the year	-	-	-	(111)	(111)
Shares issued in year	150	1,050	-	-	1,200
Expenses of share issue	-	(67)	-	-	(67)
Share-based payment adjustment	-	-	-	38	38
At 30 September 2011	507	3,689	662	(2,548)	2,310

Consolidated statement of cash flows

Year ended 30 September 2011

	2011	2010
	£000	£000
Cash flow from operating activities		
Operating loss before taxation	(50)	(158)
Adjustments for:		
Depreciation and amortisation	348	417
Share-based payments	38	42
Corporation tax receipts	29	-
Net cash flow from operating activities before changes in working capital	365	301
Decrease in trade and other receivables	16	8
Decrease in trade and other payables	(128)	(580)
Net cash flow generated from operating activities	253	(271)
Investing activities		
Payments for intangible assets	(204)	(168)
Payments for property, plant and equipment	(165)	(151)
Net cash flow from investing activities	(369)	(319)
Financing activities		
Issue of ordinary shares	1,200	343
Expenses of issue of ordinary shares	(67)	(3)
Proceeds from lease-finance arrangements	21	73
Repayment of lease-finance arrangements	(107)	(175)
Proceeds from new bank loan	-	101
Repayment of bank loan	(32)	-
Interest paid	(92)	(144)
Interest received	2	-
Net cash flow from financing activities	925	195
Net increase/(decrease) in cash and cash equivalents in the year	809	(395)
Cash and cash equivalents at the beginning of the year	5	400
Cash and cash equivalents at the end of the year	814	5

1 Basis of preparation

Whilst the financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement does not contain sufficient information to comply with IFRS. The Company will publish full financial statements in January 2012 that comply with IFRS.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the year ended 30 September 2011 or the year ended 30 September 2010. The financial information for the year ended 30 September 2010 is extracted from the statutory accounts of Nasstar plc. The auditors, Gerald Edelman, reported on those accounts; their report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The 2011 accounts have been prepared on a basis consistent with the accounting policies set out in the 2010 accounts.

2 Loss per share

The calculation of the basic loss per share arising is based upon the loss after tax attributable to ordinary shareholders of £111,000 (2010: loss £302,000) and a weighted average number of shares in issue for the year of 40,212,676 (2010: 34,185,643).

The diluted loss per share in 2011 and 2010 is the same as the basic loss per share as the losses have an anti-dilutive effect.

3 Dividends

The directors have not paid a dividend for the year.

4 Annual General Meeting

The Company's Annual General Meeting will be held on 14 February 2012 at 10.30 a.m. at the Company's registered office.