



## Interim results for the six months ended 31 March 2009

Nasstar plc ("Nasstar" or "the Group"), which provides a cloud computing service, announces its results for the six months ended 31 March 2009.

### Key figures for the period

- Turnover £1.05m (2008: £1.01m)
- EBITDA positive of £3k (2008: EBITDA £100k)
- Increase in Hosted Exchange subscribers to 8,300 (2008: 7,000)
- Increase in Hosted Desktop subscribers now live to 886 (2008: 350) with over 800 additional subscribers now under contract for future delivery
- Partner programme established with partners signed up and delivering sales

### Chairman's Statement

#### *Results*

I am pleased to report the results for the Group for the six months ended 31 March 2009. As stated in our Annual Report and Accounts at the end of last year we considered the next step in the development of the business was taking our Hosted Desktop service to the wider market through a partner sales programme. Thus, during the period management focus has been on establishing this partner sales programme which we believe will create a better business in the longer term but which has had a negative impact on short term direct sales. We've now signed up 10 partners to the partner programme and sales from these partners have started to come through towards the end of the period. The partner programme has involved development of our customer portal and service so that it can be sold under a partner's own brand. We've had to create the programme from scratch with technical and sales documentation to enable partners to be trained in both selling and supporting the Hosted Desktop service. This has incurred additional costs.

During the period we've also re-structured our customer service team with much improved levels of customer satisfaction now being returned. We considered this was important because having experienced strong growth over the last couple of years we needed to ensure we were delivering the highest standards of service to those customers.

Direct sales were weaker during the period than in the previous 6 month period. We believe this was due to two reasons. Firstly, the current economic climate has caused some potential customers to hold fire on making a decision to adopt our service. Secondly, we have diverted some of our sales team to the development of the partner programme.

In terms of costs, the results include recruitment costs for the re-structuring of the customer services team and higher than expected costs of producing our full year end results due to the need to comply with the IFRS accounting standards.

#### *The market*

Nasstar's Hosted Desktop is a cloud computing service that delivers desktop computing in the internet cloud. Cloud computing provides an alternative to traditional on-premise software which is sold as a boxed product and installed and run on 'local' computers. The hosted desktop market is set to continue to grow

1

Nasstar plc  
14-18 Old Street,  
London EC1V 9BH, United Kingdom  
+44 (0)20 7148 5000 – TELEPHONE  
+44 (0)20 7148 5001 – 24/7  
+44 (0)20 7148 5003 - FAX

[www.nasstar.com](http://www.nasstar.com)

Company registered in England and Wales. Company Registration No. 5623736

Traded on London Stock Exchange AIM. Code: NASA

with research by Gartner released in March 2009 predicting that the worldwide market for hosted desktops will increase from 0.5 million units in 2009 to 49 million units by 2013 with global revenues increasing from an estimated US\$1.4bn in 2009 to \$65bn by 2013. The market therefore is predicted to grow at a very fast pace as traditional locally powered computers are replaced by a cloud service.

#### *Outlook*

Sales in recent weeks have been encouraging and the Board is confident about the growth prospects of the market and our product within that market. Although the economic climate on the whole remains challenging the continued growth of partner programme should increase the number of sales opportunities for Nasstar Hosted Desktop. We have a small number of partners now signed up but in light of the number of enquiries taking place we are optimistic that more partners will soon be signing up, including some large companies with whom we have been in discussion. During the recession some potential customers may prefer to sit out and wait rather than adopt a new service but that does not dent our confidence in the longer term prospects for the business because we believe in the market opportunity and in our ability to expand sales through an increasing number of partners.

#### *Funding Raising and Working Capital Requirements*

While the Group has made progress with the re-structuring of the customer services team and establishment of the partner programme, the slower sales growth during the period under review has meant that the Group is operating with tight cash constraints and will continue to do so for the remainder of the financial year and until the anticipated sales from the partner programme flow through into new contracts.

Nasstar raised £175,000 (net of expenses) in March 2009, as well as drawing down a further £75,000 in the form of an interest free loan from myself during April 2009, all of which has been utilised for working capital. The Group has also agreed an extension to its overdraft facility by £125,000 to £175,000. However, in addition, Nasstar needs to raise a further sum of approximately £70,000 in the immediate short-term to finance the ongoing working capital requirements for the remainder of the financial year and, provided the currently anticipated sales are forthcoming the Directors consider this will be sufficient for the Group's working capital requirements for the foreseeable future. Discussions in this regard have commenced and the Group will progress these in the short-term, making a further announcement in due course. The directors of Nasstar have provided in writing their support to the Group for this fund raising in the event that third party finance is not forthcoming.

**Lord Daresbury**  
**Chairman**  
**5 June 2009**

#### **About Nasstar plc**

Nasstar plc, an AIM-quoted company, makes computing a simple internet subscription service, enabling subscribers of its Hosted Desktop service to do all of their computing in the internet cloud rather than on a local computer. Nasstar's Hosted Desktop provides subscribers with access to their desktop, files, applications and email over the internet, providing a real alternative to traditional on-premise computing.

The company vision is that everyday computing is becoming a utility in the workplace - just like mobile phones - and should therefore be a simple subscription service. Nasstar's vision is to use the internet to deliver everyday computing, removing the need for traditional on-premise IT.

Nasstar is fast establishing itself as a force for change within the IT industry, and customers who have already adopted this service approach include Stelios' easyGroup.

Nasstar was founded in 1998 by Charles Black. Nasstar plc was admitted to trading on the London Stock Exchange Alternative Investment Market in December 2005 (AIM: NASA).

For further information please visit [www.nasstar.com](http://www.nasstar.com) and for investor relations content please visit [www.nasstar.com/ir](http://www.nasstar.com/ir).

**Nasstar plc**

**Consolidated income statement  
for the six months ended 31 March 2009**

	Notes	Six months to 31 March 2009 <i>Unaudited</i> £000	Six months to 31 March 2008 <i>Unaudited</i> £000	Year to 30 September 2008 <i>Audited</i> £000
<b>Revenue</b>		1,052	1,010	2,101
Operating expenses before depreciation and amortisation		(1,033)	(899)	(1,832)
Depreciation and amortisation		(195)	(135)	(322)
Operating expenses		(1,228)	(1,034)	(2,154)
Share-based payments		(16)	(11)	(28)
<b>EBITDA</b>		<b>3</b>	<b>100</b>	<b>241</b>
Other operating income		-	-	113
<b>Operating profit/(loss)</b>		<b>(192)</b>	<b>(35)</b>	<b>32</b>
Finance expense		(95)	(82)	(161)
<b>Loss before taxation</b>		<b>(287)</b>	<b>(117)</b>	<b>(129)</b>
Taxation		3	-	(3)
<b>Loss for the period attributable to equity shareholders</b>		<b>(284)</b>	<b>(117)</b>	<b>(132)</b>
Loss per share: Basic and diluted	2	<u>(1.75)p</u>	<u>(0.81)p</u>	<u>(0.9)p</u>

**Nasstar plc**

**Consolidated balance sheet  
as at 31 March 2009**

	31 March 2009 <i>Unaudited</i> £000	31 March 2008 <i>Unaudited</i> £000	30 September 2008 <i>Audited</i> £000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	844	844	844
Intangible assets	179	86	153
Plant and equipment	467	445	421
Deferred taxation	175	175	175
	<u>1,665</u>	<u>1,550</u>	<u>1,593</u>
<b>Current assets</b>			
Trade and other receivables	536	393	533
Cash and cash equivalents	-	4	65
	<u>536</u>	<u>397</u>	<u>598</u>
<b>Total assets</b>	<u><u>2,201</u></u>	<u><u>1,947</u></u>	<u><u>2,191</u></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	169	145	161
Share premium	1,669	1,031	1,472
Merger Reserve	662	662	662
Retained earnings	(1,577)	(1,295)	(1,309)
<b>Total equity</b>	<u>923</u>	<u>543</u>	<u>986</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	126	133	110
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	186	138	195
Trade and other payables	966	1,133	900
	<u>1,152</u>	<u>1,271</u>	<u>1,095</u>
<b>Total equity and liabilities</b>	<u><u>2,201</u></u>	<u><u>1,947</u></u>	<u><u>2,191</u></u>

**Nasstar plc**

**Consolidated cash flow statement  
for the six months ended 31 March 2009**

	Six months to 31 March 2009 <i>Unaudited</i> £000	Six months to 31 March 2008 <i>Unaudited</i> £000	Year to 30 September 2008 <i>Audited</i> £000
<b>Cash flow from operating activities</b>			
Operating profit/(loss)	(192)	(35)	32
Adjustments for:			
Depreciation and amortisation	195	135	322
Share-based payments	16	11	28
Decrease/(increase) in trade and other receivables	(3)	96	(219)
Increase in trade payables	66	85	88
Profit on sale of plant and equipment	-	-	(113)
Corporation tax received/(paid)	3	-	(3)
<b>Net cash flow generated from operating activities</b>	<b>85</b>	<b>292</b>	<b>135</b>
<b>Investing activities</b>			
Payments for intangible assets	(78)	(81)	(206)
Payments for property, plant and equipment	(189)	(293)	(399)
Proceeds from the sale of property, plant and equipment	-	-	115
<b>Net cash outflow from investing activities</b>	<b>(267)</b>	<b>(374)</b>	<b>(490)</b>
<b>Financing activities</b>			
Issue of ordinary share capital	205	-	457
Proceeds from lease-finance arrangements	174	176	235
Repayment of lease-finance arrangements	(173)	(77)	(119)
Interest paid	(95)	(82)	(161)
<b>Net cash inflow from management of liquid resources and financing</b>	<b>111</b>	<b>17</b>	<b>412</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(71)</b>	<b>(65)</b>	<b>57</b>
<b>Cash &amp; cash equivalents at beginning of period</b>	<b>65</b>	<b>8</b>	<b>8</b>
<b>Cash &amp; cash equivalents at end of period</b>	<b>(6)</b>	<b>(57)</b>	<b>65</b>

## Nasstar plc

### Consolidated statement of changes in equity for the six months ended 31 March 2009

	Share capital	Share premium	Merger reserve	Retained deficit	Total equity
	£000	£000	£000	£000	£000
At 1 October 2008	161	1,472	662	(1,309)	986
Loss for the period	-	-	-	(284)	(284)
Shares issued in period	8	197	-	-	205
Share-based payment recognised in equity	-	-	-	16	16
At 31 March 2009	<u>169</u>	<u>1,669</u>	<u>662</u>	<u>(1,577)</u>	<u>923</u>

## NOTES TO THE INTERIM REPORT

### 1 Accounting policies

#### Basis of preparation

The interim financial information for the six months ended 31 March 2009 has been prepared on an historical cost basis and in accordance with the accounting policies that will apply for the year ended 30 September 2009, which will follow the International Financial Reporting Standards (IFRS) and the interpretations as endorsed by the European Union.

The comparatives for full year ended 30 September 2008 are based on the latest published audited accounts.

#### Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases. The results of subsidiary undertakings have been included from the date of acquisition using the merger method of accounting or the purchase method of accounting as appropriate.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

#### Revenue

Revenue represents amounts receivable for services net of VAT and trade discounts. Revenue from service contracts is accrued evenly over the period of the contract except that set-up revenues are recognised over the length of the set-up period on a percentage to completion basis.

#### Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

#### Goodwill

The directors undertake an impairment review of goodwill at the end of each annual reporting period.

#### Deferred consideration

The terms of an acquisition may provide that part of the total value of the total of the purchase consideration, which may be payable at a future date, depends on uncertain future events such as the future performance of the acquired company. Where it is not possible to estimate amounts payable with any degree of certainty, the amounts recognised in the financial statements are those that are reasonably expected to be paid as at the balance sheet date.

## NOTES TO THE INTERIM REPORT

### 1 Accounting policies (continued)

#### Property, Plant and equipment

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment & software development	over three years on straight line basis
Fixtures & fittings	25% on reducing balance basis
Office equipment	25% on reducing balance basis

#### Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

#### Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Recognition of the deferred tax asset is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. The deferred tax balance has not been discounted.

#### Share-based payments

The group operates executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The expense is recognised as a staff cost and the associated credit entry is made against equity.

#### Pension costs

The group operates a defined contribution pensions scheme on behalf of its employees, the costs of which are charged to the income statement on an accruals basis.

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are included within current liabilities unless there is a right of offset with cash balances.

## NOTES TO THE INTERIM REPORT

### 2 Loss per share

The basic earnings per share is calculated by dividing the profit or loss for the financial period attributable to equity holders by the weighted average number of shares in issue.

	Six months to 31 March 2009 <i>Unaudited</i>	Six months to 31 March 2008 <i>Unaudited</i>	Year to 30 September 2008 <i>Audited</i>
Weighted average number of shares	16,227,545	14,471,428	14,786,768
Loss for the period	(284)	(117)	(132)
Basic and diluted loss per 1p ordinary share	(1.75)p	(0.81)p	(0.9)p

Due to the losses incurred, there is no dilution effect from the issued share options.

**3** This unaudited half-yearly report does not constitute accounts of the group within the meaning of section 35 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2008, which were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations adopted for use in the European Union, have been filed with the Registrar of Companies. The auditors report on those on those accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

The accounting policies applied in these unaudited half-yearly financial statements are consistent with those that the Group used in the Annual Report for the year end 30 September 2008 and expects to apply in its annual financial statements for the year ending 30 September 2009.