



Interim results for the six months ended 31 March 2008

Nasstar plc ("Nasstar" or "the Group"), which provides computing over the internet, is pleased to announce its results for the six months ended 31 March 2008.

Highlights for the period

- Turnover increased 100% to £1m (2007: £490k)
- EBITDA profit of £100k (2007: EBITDA loss of £109k)
- Operating loss narrowed to £35k (2007: loss £199k)
- Increase in Hosted Exchange subscribers to 7,000 (H1 2007: 3,492)
- Sales of Hosted Desktop showing promise with contract wins during the period including Stelios' easyGroup and Pinnacle Staffing Group plc
- Very encouraging sales pipeline for Hosted Desktop
- New web site and PR campaign launched in March, expected to further strengthen the existing sales pipeline
- Post balance sheet sale of non-core web hosting contracts for £120k cash, further streamlining operations

Chairman's Statement

Results

I am pleased to report the results for the Group for the six months ended 31 March 2008. The growth in turnover and the swing to EBITDA profitability during the period show the effect of Hosted Desktop sales coming through. As stated in our final results last year we maintain that Hosted Desktop is the key to driving future growth and profitability.

The market

Nasstar's Hosted Desktop service delivers desktop computing over the internet, a delivery model known as Software as a Service (SaaS). SaaS provides an alternative to traditional on-premise software which is sold as a boxed product and installed and run on 'local' computers. The SaaS market is set to continue to grow with research by Gartner predicting that the worldwide market for SaaS will more than double from US\$5bn in 2007 to US\$11bn by 2011.

Outlook

The Board believes that the market for Software as a Service will continue to grow and that Nasstar is increasingly being recognised as an influential force in the UK market. The sales pipeline is very encouraging and gives the Board confidence in the Group's growth potential for the second half of the year and beyond.

Lord Daresbury
Chairman
28 April 2008

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Company registered in England and Wales. Company Registration No. 5623736
Traded on London Stock Exchange AIM. Code: NASA

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 and for investor relations content please visit www.nasstar.com/ir

Nasstar plc

**Consolidated Income Statement
for the six months ended 31 March 2008**

	Notes	Six months to 31 Mar 2008 <i>Unaudited</i> £'000	Six months to 31 Mar 2007 <i>Unaudited</i> £'000	Year to 30 Sep 2007 <i>Unaudited</i> £'000
Turnover		1,010	490	1,193
Operating Expenses before Depreciation and Amortisation		(899)	(572)	(1,260)
Depreciation		(135)	(90)	(212)
Operating Expenses		(1,034)	(662)	(1,472)
Share-based payments		(11)	(27)	(69)
EBITDA		100	(109)	(136)
Operating Loss		(35)	(199)	(348)
Finance costs		(82)	(44)	(128)
Loss before Taxation		(117)	(243)	(476)
Income tax expense		-	45	6
Loss for the period attributable to equity shareholders		(117)	(198)	(470)
Loss per Share				
Basic and diluted	3	<u>(0.81)p</u>	<u>(1.49)p</u>	<u>(3.39)p</u>

Nasstar plc

**Consolidated Balance Sheet
as at 31 March 2008**

	Notes	31 Mar 2008 <i>Unaudited</i> £'000	31 Mar 2007 <i>Unaudited</i> £'000	30 Sep 2007 <i>Unaudited</i> £'000
Non-current Assets				
Intangible assets		844	718	844
Plant and equipment	2	531	332	292
		<u>1,375</u>	<u>1,050</u>	<u>1,136</u>
Current Assets				
Trade and other receivables		393	729	489
Cash and cash equivalents		4	89	58
		<u>397</u>	<u>818</u>	<u>547</u>
Current Liabilities				
Trade and other payables	2	(1,096)	(887)	(951)
Net Current Liabilities		<u>(699)</u>	<u>(69)</u>	<u>(404)</u>
Total Assets less Current Liabilities		676	981	733
Non-current liabilities	2	(133)	(102)	(84)
Net Assets		<u>543</u>	<u>879</u>	<u>649</u>
EQUITY				
Called Up Share Capital		145	145	145
Share Premium Account		1,031	1,031	1,031
Merger Reserve		662	662	662
Retained earnings		(1,295)	(959)	(1,189)
TOTAL EQUITY		<u>543</u>	<u>879</u>	<u>649</u>

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**Consolidated Cash Flow Statement
for the six months ended 31 March 2008**

	Six months to 31 Mar 2008 <i>Unaudited</i> £'000	Six months to 31 Mar 2007 <i>Unaudited</i> £'000	Year to 30 Sep 2007 <i>Unaudited</i> £'000
Cash flow from operating activities			
Loss from operations	(35)	(199)	(348)
Adjusted for:			
Depreciation of tangible assets	135	90	212
Share-based payments	11	27	69
Decrease/(increase) in trade and other receivables	96	(269)	(75)
Increase in trade payables	85	289	209
Finance costs	(82)	(44)	(128)
Tax paid	-	-	(25)
Net cash from operating activities	210	(106)	(86)
Cash flows from investing activities			
Proceeds from the disposal of plant and equipment	-	-	13
Purchase of property, plant and equipment	(374)	(146)	(156)
Purchase of subsidiary undertaking	-	(278)	(778)
Net cash outflow from investing activities	(374)	(424)	(921)
Net cash outflow before management of liquid resources and financing	(164)	(530)	(1,007)
Financing activities			
Issue of ordinary share capital	-	500	1,000
New finance leases	176	130	90
Capital element of hire purchase contracts & finance leases	(77)	(59)	(123)
Net cash inflow from management of liquid resources and financing	99	571	967
Net (decrease)/increase in cash & cash equivalents	(65)	41	(40)
Cash & cash equivalents at beginning of period	8	48	48
Cash & cash equivalents at end of period	(57)	89	8

Nasstar plc

**Statement of Changes in Equity
for the six months ended 31 March 2008**

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Profit and Loss Account £'000
At 1 October 2007	145	1,031	662	(1,189)
Loss for the period	-	-	-	(117)
Equity-settled share-based payments	-	-	-	11
At 31 March 2008	<u>145</u>	<u>1,031</u>	<u>662</u>	<u>(1,295)</u>

NOTES TO THE INTERIM REPORT

1. Accounting policies

Basis of preparation

The interim financial information for the six months ended 31 March 2008 has been prepared on an historical cost basis and in accordance with the accounting policies that will apply for the year ended 30 September 2008, which will follow the International Financial Reporting Standards (IFRS) and the interpretations as endorsed by the European Union.

The comparative figures included in this report for the six months ended 31 March 2007 and the full year ended 30 September 2007 are restated for IFRS and are unaudited.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. Accordingly business combinations prior to the date of transition to IFRS have not been restated to comply with IFRS 3 'Business Combinations'. Changes resulting from the adoption of IFRS 2 / IFRS 20 had already been recognised in the accounts for the year ended 30 September 2007.

The comparatives for full year ended 30 September 2007 are based on the latest published audited accounts, but are subject to unaudited restatement to IFRS as endorsed for use in the European Union. Accordingly they are not the company's full statutory accounts for the year. A copy of the statutory accounts for that year was prepared in accordance with UK GAAP and has been delivered to the Register of Companies. The auditors' report on those accounts was unqualified, did not include any references to matters to which the auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. As permitted, the Company has chosen not to adopt IAS34 "Interim Financial Reporting". Except as noted above, the following accounting policies have been applied consistently in the preparation of these accounts:

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings and exclude all Intra-Group transactions and balances.

The results of subsidiary undertakings acquired are included from the date of acquisition using the acquisition method of accounting. The results of subsidiary undertakings disposed of are included up to the date of disposal, and the profit or loss on disposal is calculated based on net proceeds receivable and the net assets at the date of disposal, including any goodwill.

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.

NOTES TO THE INTERIM REPORT (CONTINUED)

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 are reasonably expected to be paid as at the balance sheet date.

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 (CONTINUED)

2. First time adoption of IFRS

The Group reported under UK GAAP in its previously published financial statements for the year ended 30 September 2008. The tables below reconcile between the loss and net assets as reported previously under GAAP and those reported under IFRS for the periods ended 30 September 2007 and 31 March 2007. A reconciliation of net assets is also provided at 1 October 2006, being the transition date to IFRS.

Reconciliation of loss under UK GAAP and IFRS

	Note	Six Months to 31 Mar 2007 £'000	12 months to 30 Sep 2007 £'000
Loss reported under UK GAAP		(206)	(476)
Adjustment to IFRS:			
Lease rentals		64	135
Depreciation		(38)	(90)
Finance charge		(18)	(39)
	(a)	<u>8</u>	<u>6</u>
Loss reported under IFRS		<u>(198)</u>	<u>(470)</u>

Reconciliation of net assets under UK GAAP and IFRS

	Note	As at 01 Oct 2006 £'000	As at 31 Mar 2007 £'000	As at 30 Sep 2007 £'000
Tangible fixed assets reported under UK GAAP		140	137	119
Adjustment to IFRS:				
Finance leases	(a)	<u>103</u>	<u>195</u>	<u>173</u>
Fixed assets reported under IFRS		<u>243</u>	<u>332</u>	<u>292</u>
Current liabilities reported under UK GAAP		(453)	(809)	(881)
Adjustment to IFRS:				
Finance leases	(a)	<u>(55)</u>	<u>(78)</u>	<u>(70)</u>
Current liabilities reported under IFRS		<u>(508)</u>	<u>(887)</u>	<u>(951)</u>
Creditors falling due after more than one year under UK GAAP		(20)	(7)	-
Adjustment to IFRS:				
Finance leases	(a)	<u>(34)</u>	<u>(95)</u>	<u>(84)</u>
Creditors falling due after more than one year under IFRS		<u>(54)</u>	<u>(102)</u>	<u>(84)</u>
Equity reported under UK GAAP	(a)	36	857	629
Adjustment to IFRS:				
Net finance leases	(a)	<u>14</u>	<u>22</u>	<u>20</u>
		<u>50</u>	<u>879</u>	<u>649</u>

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Explanation of reconciling item between UK GAAP and IFRS

(a) From 1 October 2006, the date of transition to IFRS, the Group's accounting treatment of leases is required to comply with International Accounting Standard 17 (IAS 17). UK GAAP, under SSAP 21, provided greater flexibility over the accounting treatment. Under IAS 17, whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The equipment leases entered into by the Group provide for the payment to the lessor of a nominal sum at the end of the primary lease term in exchange for title to the equipment that has been subject to the lease and the Group does, in practice, make such payments. Under UK GAAP, the Group designated such leases as operating leases. Under IFRS, the Group now designates such leases as finance leases with the resultant change in accounting treatment.

3. 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 Mar 2008 <i>Unaudited</i>	Six months to 31 Mar 2007 <i>Unaudited</i>	Year to 30 Sep 2007 <i>Unaudited</i>
Weighted average number of shares	14,471,428	13,280,952	13,876,190
Loss for the period	(117)	(198)	(470)
Basic and diluted loss per 1p ordinary share	(0.81)p	(1.49)p	(3.39)p

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