



NetBenefit plc

Report and Financial Statements **2003**



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Officers and professional advisers

Directors

J Parcell (Non-executive Chairman)
G A Wicks
J M Robinson
P J Owens ACA
T M Ashley (Non-executive)
K Young (Non-executive)
R Madden (Non-executive)

Secretary

P J Owens ACA

Registered and Head Office

11 Clerkenwell Green, London EC1R 0DP

Company Number

3709856

Registrars

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR

Principle Bankers

Barclays Bank PLC, 240 Whitechapel Road, London E1 1BS

Solicitors

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

Financial Advisors

Brewin Dolphin Securities Corporate Finance, PO Box No8, 7 Drumsheugh Gardens, Edinburgh EH3 7QH

Stockbrokers

Brewin Dolphin Securities Corporate Finance, PO Box No8, 7 Drumsheugh Gardens, Edinburgh EH3 7QH

Auditors

BDO Stoy Hayward, 8 Baker Street, London W1U 3LL



Chairman's statement

I am pleased to report a successful year for NetBenefit. The number of customers subscribing to our Platinum service, which manages portfolios of internet domain names for larger companies, has grown strongly. We launched new premium web-hosting services for smaller companies, with encouraging early results. We returned to profit in the second half, and our balance sheet has strengthened further.

The Platinum business positions NetBenefit within the professional services market. Platinum is growing strongly and is now installed with more than 220 companies. It represents a significant part of our recurring revenue streams and, on an annualised basis, is the equivalent of nearly 23% of reported turnover. This focus on recurring revenues and predictable earnings is key to our business strategy going forward and we anticipate that Platinum will grow significantly as companies become increasingly aware of the need to manage their on-line intellectual property.

In the second half of the year we launched a new range of dedicated and managed hosting services for small-to-medium size companies. Once again we have focused on the top end of the market where competition is driven by added-value service, not price. Indications so far have been encouraging and, whilst we continue to offer lower tier services in the hosting market, we expect most of the growth to come from this dedicated server market segment.

In the second half-year NetBenefit generated a pre-tax profit of £194,000, before goodwill amortisation of £125,000 and before an exceptional gain of £68,000 on disposal of an investment. Second-half revenue was £3.44 million, which was 12% higher than the second half of the previous year.

For the full year, we generated a pre-tax profit of £16,000, compared with a loss of £939,000 in 2002, before goodwill amortisation of £250,000, which was the same as 2002 and before the £68,000 exceptional gain. Revenue for the year, up 3% at £6.25 million, disguised our rapid shift from low-margin once-off business to high-margin recurring revenue in the domain name business. We had £1.45 million cash at the end of the year with which to go on growing our businesses and to look for further worthwhile opportunities.

We have made significant progress in the period under review and I am confident that we can continue to grow sales and profits through both our Platinum and dedicated hosting services. Having achieved profitability we intend to restructure our balance sheet, by offsetting the share premium account against the deficit on revenue reserves, to enable the Company to pay a dividend when this becomes appropriate. A resolution to effect the proposed restructuring will be included in the notification of the Annual General Meeting (AGM). Furthermore we intend to cancel the quotation of the Company's shares on the Official List and commence dealings on AIM which we believe is a more appropriate market for a growing company of our size, and which will allow us to improve the liquidity of the stock by appealing to a broader range of investors. It is expected that the proposed transfer to AIM will become effective, and that dealings on AIM will commence, on the date of the forthcoming AGM on 30 October 2003.

My strongest thanks go to CEO Geoff Wicks, his exceptionally strong management team, and to all our staff who have worked so hard and so effectively to bring us the success this Company deserves.

Significant growth and further market opportunities lie ahead for the Group and I look forward to updating all our shareholders in due course.

John Parcell
23 September 2003



Operating and financial review

NetBenefit has continued to build on its encouraging performance in the first half of the period under review by successfully consolidating its market position and producing an operating profit for the first time in the second half of the year.

Revenue was £6.25 million, up 3% on the previous year and up 11% on an underlying basis stripping out the impact of the introduction of **.biz** and **.info**, two new gTLDs launched in the year ended June 2002.

The Company reported an EBITDA profit of £636,000 for the year compared to an EBITDA loss of £130,000 in the previous financial year. The Company made an operating loss of £244,000 for the year moving from a loss of £304,000 in the first half to a profit of £60,000 in the second half of the year. Cash at the end of the year was £1.45 million up from £985,000 at the end of last year.

Domain Name Management Services

Total domain name income dropped slightly to £3.7 million representing a 4% decline on the previous year. If, however, the effect of initial registrations arising from the launch of **.biz** and **.info** are excluded, like-for-like domain name revenue increased by 7%. Within the domain name operation the Group's main focus has been to consolidate on the successful launch of the Platinum domain name management service launched in the second half of the year to 30 June 2002. Recognised Platinum income amounted to £21,000 in the year ended June 2002 and increased to £1.1 million in the period under review. Customers under contract increased from 51 at 30 June 2002 to 208 at 30 June 2003, and the annualised contracted revenue base increased from £331,000 to £1.42 million over the same period.

Platinum has established NetNames as a leading provider of sophisticated domain name management to the corporate market and its growing client base includes such well known companies as British Airways, Centrica, William Hill, Reckitt Benckiser and De Beers. Although current market conditions are resulting in longer than expected negotiation periods for the signing of contracts the Group anticipates continued growth from this sector, both within the European and US markets.

Web-hosting Services

Hosting and associated email services grew by 15% over the period reflecting the refocused sales effort. This includes the introduction of a new field sales team for dedicated and managed hosting services for larger companies and the creation of the Customer Management Group to provide a telephone and online sales and support capability for smaller customers.



Operating and financial review

International

International operations were satisfactory with VoxPop, the Group's French based subsidiary, maintaining turnover at the £600,000 level generated during 2001/02. During July VoxPop changed its trading name to NetBenefit and it is anticipated that sustainable growth should be generated from the French operation during 2003/04 by adopting the same strategy as NetBenefit UK and concentrating on higher value dedicated services.

The US operations increased turnover from £350,000 to £521,000 largely attributable to sales generated from Platinum contracts. Whilst in percentage terms the increase is satisfactory, in absolute terms the directors believe the US market has the potential to generate significantly higher revenues than at present and additional effort will be dedicated to improving US performance in the next financial year.

Cost of Sales

Cost of sales comprises, in the main, internet bandwidth connectivity and domain name registration expenses. Negotiation of better contract rates with bandwidth suppliers and the impact of more domain names transferring to the NetNames Registrar facility have enabled the Group to reduce its cost of sales during the period under review.

Administrative Expenses

Administrative expenses (excluding goodwill amortisation) were tightly controlled during the year and reduced by 12% from £5.84 million to £5.15 million. Staff salaries and associated costs, which comprise 67% of total overhead, were reduced by 12% from £3.85 million to £3.43 million. Marketing expenses were reduced by 55% to £110,000 as the Group continues to focus its sales strategy on direct sales with its field sales teams. The Group will continue to invest in building its sales staff throughout the coming year.

The depreciation charge reduced from £821,000 to £630,000 as the Group's earlier investment in hardware and operating systems for its Domain Name Registration System reached full depreciation. The Group will continue to invest in maintaining and improving its infrastructure although it is not anticipated to reach the levels previously experienced.

Other overheads increased 8% to £984,000 although this £70,000 increase included a one-off tax charge of £28,000 for NetNames US relating to 1998 liabilities (pre-acquisition) and £60,000 for property expenses relating to a surplus property sublet by the Group in 2001 which has reverted to the Group following the failure of a sub-tenant to meet its obligations. The lease on this property expires in March 2005 and carries an annual rent of £95,000.

Profit on sale of investment

During the period the Company disposed of its 4% holding in Afilius Inc, the consortium responsible for the .info domain name registry. The sale generated a profit of £68,000 and cash proceeds of £138,000. The shares in Afilius were acquired as part of the Company's previous strategy to invest in domain name registries which is no longer appropriate as the business focus has changed.



Operating and financial review

continued

Taxation

During the period the Group took advantage of the Government's scheme to secure tax refunds against expenditure on research and development. Under this scheme the Group surrendered tax losses of £1.1 million in return for tax refunds of £188,000. At the end of the year the Group had agreed tax losses of £2.9 million available to carry forward against future profits.

Cashflow

At 30 June 2003 cash and bank balances amounted to £1.45 million (2002: £985,000) of which all but £30,000 was unrestricted cash. During the year the Group generated an operational cash inflow of £426,000 that was supplemented by the tax refund and proceeds on disposal of investment mentioned above. During the period the Group invested £153,000 in new fixed assets and repaid leasing debt of £147,000. Cashflow remains a key performance indicator for the Group and positive operating cashflows are expected to continue this year.

Financial Position

Having reviewed the structure of the year-end balance sheet the Board has resolved to seek court sanction and shareholder approval to effect a reduction of capital by offsetting the Company's share premium account against the £27 million deficit on revenue reserves at the year end. This would enable the Board, should it be appropriate at some future date, to commence the payment of dividends to shareholders.

Geoff Wicks
Chief Executive Officer
23 September 2003



Directors

John Parcell, Non-executive Chairman

John Parcell spent over thirty years at Reuters Group plc. He joined the main board of Reuters in October 1996 with responsibility for their core financial information product and in January 1999 was appointed Chief Executive of Reuters Information.

Geoffrey Wicks, Chief Executive Officer

Geoffrey Wicks joined the Board in September 2001. He had spent the previous 20 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, Geoffrey worked in the City within the banking and insurance industries.

Jonathan Robinson, Business Development Director

Jonathan Robinson is a co-founder of NetBenefit plc. 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 from 1993-1994 and then at the Rolls Royce Technology Centre at the University of Cambridge until 1997. Jonathan is a current non-executive director of both the **.info** domain registry Afilias Limited and the **.uk** domain registry Nominet (UK) Limited.

Paul Owens, Chief Operating Officer

Paul Owens, Chief Operating Officer, is a qualified Chartered Accountant and was previously Group Finance Director of Tempo plc, the electrical retailer, and of Ross Group plc, a listed manufacturing and distribution group. He graduated in Management Science from University College Wales.

Timothy Ashley, Non-executive Director

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

Keith Young, Non-executive Director

Keith Young is an entrepreneur with considerable experience in the internet, communications and publishing industries. He co-founded the NetBenefit 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.

Richard Madden, Non-executive Director

Richard Madden is managing director in Corporate Finance with Bear Stearns. He has experience in equity and M&A transactions throughout Europe and USA. He qualified as a Chartered Accountant with Arthur Andersen and holds a degree in Classics from Cambridge University.



Report on corporate governance

The directors recognise the value of, and are committed to, high standards of Corporate Governance.

In June 1998, the Combined Code was issued by the UK Listing Authority. This Code is based on the report of the Hampel Committee and sets out principles of good corporate governance and Code provisions, which consolidates the earlier Cadbury and Greenbury Committees. Section one of the Code is applicable to listed companies. A narrative statement on how the Company has applied the principles and a statement explaining the extent to which the provisions of the Code have been complied with appear below.

Narrative statement

Section one of the Combined Code establishes fourteen Principles of Good Governance, which the directors have sought to apply in the following manner:

Board of directors

The Board, currently comprises the non-executive chairman, the chief executive, 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 monthly 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 two longest serving directors at the date of the Annual General Meeting are John Parcell and Timothy Ashley who offer themselves 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 the specific aspects of the Group's affairs.

Remuneration committee

The Remuneration Committee is chaired by Keith Young. Its other members are Timothy 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 10 to 13.

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 Chief Operating Officer. The Committee meets at least twice a year and provides a forum for reporting by the Group's external auditors.



Report on corporate governance

continued

Relationship with shareholders

Communication with shareholders is given high priority. The Chairman's Statement and the Operating and Financial 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 preliminary 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 attached. 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.

Internal control

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 on the Combined Code produced by the Turnbull working party.

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.

Financial reporting

There is a comprehensive budgeting system with an annual budget approved by the Board. Monthly trading results, balance sheets and cash flow 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.



Report on corporate governance

continued

Compliance statement

The Listing Rules require the Board to report on compliance with the Code provisions throughout the accounting period. Save for the exception outlined below, the Group has complied throughout the accounting period ended 30 June 2003.

A.5.1 The Board does not have a Nomination Committee and having regard to the small size of the Board and existing Board arrangements there are no present plans to establish such a committee.

Going concern

After making enquires, 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, Timothy 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:

- (a) basic annual salary (including directors' fees) and benefits;
- (b) annual bonus payments;
- (c) share option incentives; and
- (d) 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. Basic salaries were reviewed in June 2003 and no increases were proposed. 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.

Directors' remuneration report

continued

Share options

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

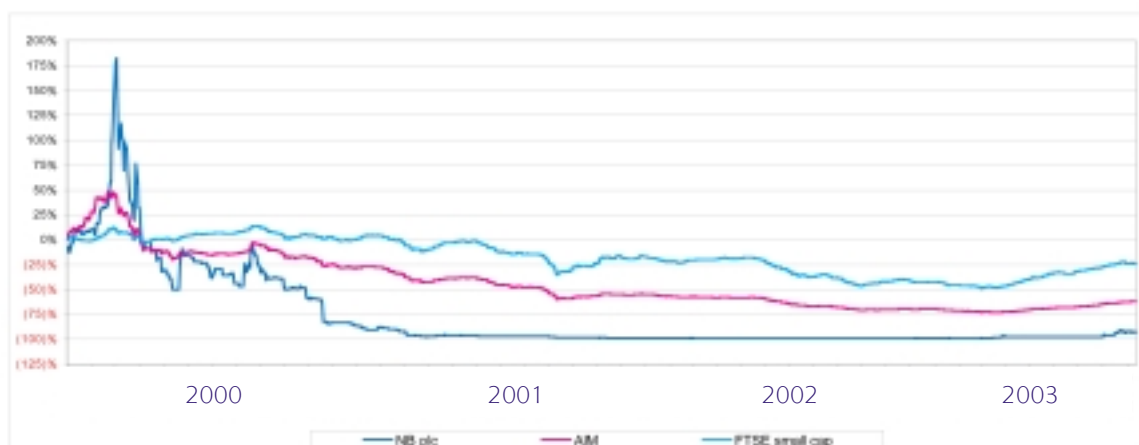
Directors' pension

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.

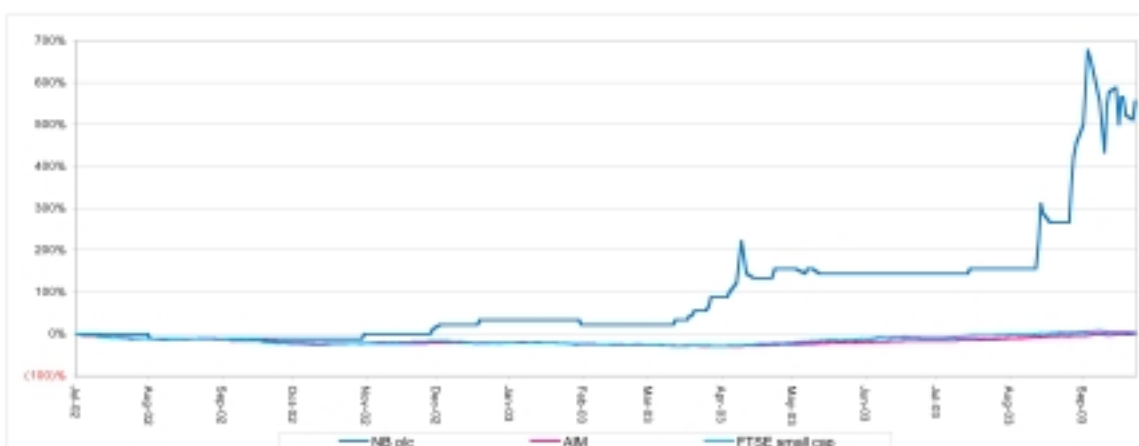
Performance Graphs

The following graphs show the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Small Cap. Index and the FTSE AIM Index, also measured by total shareholder return. The FTSE Small Cap. Index has been selected for this comparison as the Company is a constituent of that index. The FTSE AIM index was selected as a comparator as the Company intends to move its listing to the AIM market.

January 2000 to September 2003



July 2002 to September 2003



Directors' remuneration report

continued

Directors' Contracts

Each executive director has a six-month rolling service contract, with the exception of Jonathan Robinson who has a twelve-month rolling service contract. 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 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 £10,000 with the following exceptions:

John Parcell received no fee for his services as non-executive chairman.

Richard Madden received a bonus of £35,000 in recognition of his contribution to the Company over and above normal expectations of his role as non-executive director.

Audited Information

Directors' remuneration for the year was as follows:

	Fees £'000	Annual bonuses £'000	Pensions £'000	Compensation for loss of office £'000	Other benefits £'000	2003 Total £'000	2002 Total £'000
G A Wicks	120	30	20	-	3	173	119
J M Robinson	90	12	20	-	9	131	119
P J Owens	100	12	18	-	1	131	149
T M Ashley	10	-	-	-	-	10	10
K Young	10	-	-	-	-	10	10
R Madden	10	35	-	-	-	45	10
A G Sparshatt (resigned 4/11/2001)	-	-	-	-	-	-	35
I A Pope (resigned 12/9/2001)	-	-	-	-	-	-	12
K W Teare (resigned 12/9/2001)	-	-	-	-	-	-	12
Year ended 30 June 2003	340	89	58	-	13	500	476
Year ended 30 June 2002	349	30	51	20	26		

Other benefits consist of car allowances and private health insurance.

Directors' remuneration report

continued

Audited Information (continued)

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

Directors	At 1 July 2002 or date of appointment	Granted during the year	At 30 June 2003	Exercise price £	Date from which exercisable	Expiry date
J M Robinson	108,547	-	108,547	2.34-2.50	27/05/01	21/09/09
J Parcell	805,877	-	805,877	0.20	04/07/03	03/04/13
	<u>914,424</u>	<u>-</u>	<u>914,424</u>			

J Parcell's options, as set out in the Circular to shareholders dated 13 June 2003, were re-priced in March 2003 to 20 pence per share from 47 pence per share.

The ordinary share price ranged from 7p to 32p during the year and stood at 22p at the year-end.

Following shareholder approval of a new Enterprise Management Incentive Plan on 30 June 2003 the following share options were issued to directors of the Company.

Directors	Options Granted	Exercise Price £
G A Wicks	555,000	0.25
J M Robinson	180,000	0.25
P J Owens	<u>180,000</u>	0.25
	<u>915,000</u>	

The above options may be exercised in three equal annual tranches commencing on 30 June 2004, and expire after 10 years.

J M Robinson surrendered his rights over the 108,547 share options he was beneficially entitled to as at 30 June 2003.

On behalf of the Board

K Young
Chairman of the Remuneration Committee
23 September 2003



Directors' report

The directors submit their Annual Report and Accounts for the year ended 30 June 2003.

Principal activities and review of the business

The principal activities of the Group during the year were the provision of domain name management services, web hosting and related services. A review of the business and future developments has been given in the Chairman's Statement and the Operating and Financial Review on pages 2 to 5.

Results and Dividends

The consolidated profit for the year after taxation amounted to £22,000 (2002 - loss of £1,123,000). The directors do not recommend the payment of an ordinary dividend for the year (2002-£nil), which leaves a profit of £22,000 to be transferred to reserves (2002: £1,123,000 transferred from reserves).

Directors' interests

The directors of the Company who served during the year to 30 June 2003 are shown below together with their beneficial interests in the shares of the Company on 30th June 2003 and 1 July 2002 or date of appointment.

Directors	At 30 June 2003 No.	At 1 July 2002 or date of appointment No.
J Parcell	1,100,000	300,000
G A Wicks	50,000	-
J M Robinson	2,591,322	1,944,350
P J Owens	200,000	20,000
K Young	2,716,942	2,268,970
T M Ashley	1,866,380	1,866,380
R Madden	-	-

The directors' interests in share options of the Company are detailed on page 13.

Substantial Shareholdings

At 23 September 2003, the Company had been notified of the following beneficial shareholdings of 3% or more in the ordinary share capital of the Company:

	Shares	%
Herald GP Limited	1,000,000	6.13
Herald Investment Trust Plc	1,621,000	10.07



Directors' report

continued

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 2003, calculated in accordance with the requirements of the Companies Act 1985, were nil (2002 – nil days). The Group's creditor days on the same basis were 5 days (2002 - 41 days).

Research and Development

The Group has operated 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 profit and loss account as they are incurred and not carried forward as assets in the Group's balance sheet.

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the Board

P J Owens ACA
Company Secretary
23 September 2003



Statement of directors' responsibilities

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; and
- state whether applicable accounting standards have been followed.
- 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 and 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 Company's website 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 Company'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 NetBenefit plc

We have audited the financial statements of NetBenefit plc for the year ended 30 June 2003 on pages 19 to 34 which have been prepared under the accounting policies set out on pages 23 and 24. We have also audited the information in the Directors remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors remuneration report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors remuneration report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. 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.



Report of the Independent Auditors

To the shareholders of NetBenefit plc

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 and the part of the Directors remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group'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 and the part of the Directors remuneration report to be audited 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 and the part of the Directors remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2003 and of the result of the Group for the year then ended;
- the financial statements and the part of the Directors remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD

Chartered Accountants and Registered Auditors, London
23 September 2003

Consolidated profit and loss account

year ended 30 June 2003

	Note	2003 £'000	2002 £'000
TURNOVER			
Cost of Sales	2	6,245	6,079
		1,089	1,190
GROSS PROFIT		5,156	4,889
ADMINISTRATIVE EXPENSES			
Marketing		110	253
Other administrative expenses		5,040	5,587
Amortisation of goodwill		250	250
Total administrative expenses		5,400	6,090
OPERATING LOSS			
Profit on sale of fixed asset investment	3	(244)	(1,201)
Interest receivable and similar income	5	68	-
Interest payable and similar charges	6	20	33
		(10)	(21)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(166)	(1,189)
Tax credit on loss on ordinary activities	7	188	66
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	18, 19	22	(1,123)
Basic and diluted earnings/(loss) per share	8	0.1p	(6.9p)
Basic and diluted earnings/(loss) per share before goodwill amortisation	8	1.7p	(5.3p)

All amounts arise from continuing operations

Consolidated statement of total recognised gains and losses

year ended 30 June 2003

	2003 £'000	2002 £'000
Retained profit/(loss) in the year	22	(1,123)
Exchange gain/(loss)	38	(39)
	60	(1,162)

The Notes on pages 23 to 34 form part of these financial statements

Consolidated balance sheet

year ended 30 June 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Intangible assets	9	2,000	2,250
Tangible assets	10	328	805
Investments	11	-	70
		2,328	3,125
CURRENT ASSETS			
Debtors	12	697	1,006
Cash at bank and in hand		1,447	985
		2,144	1,991
CREDITORS: amounts falling due within one year	13	(2,634)	(3,264)
NET CURRENT LIABILITIES		(490)	(1,273)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,838	1,852
CREDITORS: amounts falling due after more than one year	14	-	(74)
NET ASSETS		1,838	1,778
CAPITAL RESERVES			
Called up share capital	17	163	163
Share premium	18	29,030	29,030
Profit and loss account	18	(27,265)	(27,325)
Merger reserve	18	(90)	(90)
EQUITY SHAREHOLDERS' FUNDS	19	1,838	1,778

These financial statements were approved by the Board of Directors on 23 September 2003.

Signed on behalf of the Board of Directors

G A Wicks
Chief Executive Officer

The Notes on pages 23 to 34 form part of these financial statements



Company balance sheet

year ended 30 June 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Investments	11	2,600	2,600
CURRENT ASSETS			
Debtors	12	1,142	1,038
Cash at bank and in hand		1,249	808
		2,391	1,846
CREDITORS: amounts falling due within one year	13	(1,636)	(1,124)
NET CURRENT ASSETS		755	722
TOTAL ASSETS LESS CURRENT LIABILITIES		3,355	3,322
NET ASSETS		3,355	3,322
CAPITAL RESERVES			
Called up share capital	17, 18	163	163
Share premium	18	29,030	29,030
Profit and loss account	18	(25,838)	(25,871)
EQUITY SHAREHOLDERS' FUNDS	19	3,355	3,322

These financial statements were approved by the Board of Directors on 23 September 2003.

Signed on behalf of the Board of Directors

G A Wicks
Chief Executive Officer

The Notes on pages 23 to 34 form part of these financial statements

Consolidated cash flow statement

year ended 30 June 2003

	Note	2003 £'000	2002 £'000
Net cash inflow/(outflow) from operating activities	23	426	(108)
Returns on investments and servicing of finance			
Interest received		20	33
Interest paid		-	(2)
Interest element of finance lease		(10)	(21)
		10	10
Taxation recovered		188	69
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(153)	(191)
Receipts from sale of tangible fixed assets		-	22
Receipt from sale of investment		138	-
		(15)	(169)
Net cash inflow/(outflow) before use of liquid resources and financing		609	(198)
Management of liquid resources			
(Increase)/decrease in treasury deposits		(600)	800
Financing			
Capital element of finance lease repayments		(147)	(212)
(Decrease)/increase in cash		(138)	390

Reconciliation of net cash flow to movement in net funds

year ended 30 June 2003

	2003 £'000	2002 £'000
Decrease/(increase) in cash in the year	(138)	390
Cash outflow from decrease in debt and lease financing	147	212
Increase/(decrease) from liquid resources	600	(800)
Change in net funds resulting from cash flows	609	(198)
Net funds at start of year	764	962
Net funds at end of year	1,373	764

The Notes on pages 23 to 34 form part of these financial statements



Notes to the accounts

year ended 30 June 2003

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular United Kingdom accounting policies adopted are described below.

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 2003 using the acquisition or merger method of accounting as required.

Acquisition accounting

Where the acquisition method is used, the results of the subsidiary are included from the date of acquisition. The purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Merger accounting

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiaries are treated as if they had always been part of the Group. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

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 for services provided which are invoiced in advance are deferred in the balance sheet and released to the profit and loss account in the periods in which services are provided.

Intangible fixed assets – Goodwill

Goodwill arising on consolidation represents the excess of fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill has been 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. The residual goodwill is being written off over a ten-year period to reflect the ongoing value of the asset.

No impairment is judged to have occurred in the current financial year.

Tangible fixed assets

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

Computer equipment-	50% straight line
Fixtures, fittings and equipment-	33.3% - 66.7% straight line

Software research and development expenditure

Software research and development expenditure is written off as incurred.

Notes to the accounts

year ended 30 June 2003

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except for deferred tax assets which are not recognised to the extent that the transfer of economic benefit in future is uncertain. 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

In relation to the disclosures made in note 16, 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.

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, and any matched long-term foreign currency borrowings, 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.

Rentals and operating leases 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 became payable in accordance with the rules of the scheme.

2 Segmental Analysis

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

	Turnover		Loss before tax		Net assets/ (liabilities)	
	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000
UK	5,116	5,127	(191)	(1,050)	5,379	5,382
USA	521	350	38	(101)	(3,144)	(3,209)
Other European countries	608	602	(13)	(38)	(397)	(395)
	6,245	6,079	(166)	(1,189)	1,838	1,778

Notes to the accounts

year ended 30 June 2003

3 Operating Loss

Operating loss is stated after charging/(crediting):

	2003	2002
	£'000	£'000
Research and development	165	525
Loss on sale of fixed assets	-	2
Depreciation of owned assets	437	628
Depreciation of leased assets	193	193
Amortisation of goodwill	250	250
Operating lease rentals	206	117
Auditors' remuneration	23	20
	10	10
	17	10

4 Information regarding employees

Staff

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

	2003	2002
	£'000	£'000
Wages and salaries	2,809	3,129
Social security costs	262	265
Pension costs	78	71
	3,149	3,465

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

	2003	2002
	No	No
Administrative	25	26
Operational	57	65
	82	91

There are 3 (2002 : 4) directors in a defined contribution pension scheme. Directors' emoluments are set out on page 12 within the Directors' remuneration report.

5 Interest receivable and similar income

	2003	2002
	£'000	£'000
Bank interest	20	33

6 Interest payable and similar charges

	2003	2002
	£'000	£'000
Finance leases	10	21

Notes to the accounts

year ended 30 June 2003

7 Tax credit on loss on ordinary activities

	2003	2002
	£'000	£'000
a) Analysis of tax credit		
Current tax		
Overprovision in respect of prior period	-	(66)
Research and development tax credits	(188)	-
Tax credit on loss on ordinary activities (Note 7b)	(188)	(66)
b) Tax credit reconciliation		
Loss on ordinary activities before tax	(166)	(1,189)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002-30%)	(50)	(357)
Effects of:		
Expenses not deductible for tax purposes	84	117
Expenditure qualifying for enhanced tax relief	(22)	-
Depreciation in excess of capital allowances	37	74
Adjustments to tax charge in respect of previous period	-	(66)
Research and development tax credit	(188)	-
Utilisation of tax losses	(145)	-
Unrelieved losses carried forward	96	166
Current tax credit (Note 7a)	(188)	(66)

Notes to the accounts

year ended 30 June 2003

8 Earnings per share

Basic and diluted earnings/(loss) per share

The basic and diluted earnings per share for the year ended 30 June 2003 is based on the profit for the year on ordinary activities after taxation of £22,000 (2002: loss of £1,123,000) and on the weighted average number of shares of 16,317,216 (2002: 16,317,216).

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 calculation of the basic and diluted loss per share, before goodwill amortisation and impairment, is set out below:

	2003	2002
	£'000	£'000
Profit/(loss) for the financial year	22	(1,123)
Basic and diluted profit/loss attributable to ordinary shareholders	22	(1,123)
Goodwill amortisation	250	250
Basic and diluted profit/(loss) attributable to ordinary shareholders before goodwill amortisation	272	(873)
Weighted average and adjusted weighted average number of ordinary shares ('000's)	No.	No.
	16,317	16,317
Profit/(loss) per share	0.1p	(6.9p)
Profit/(loss) per share before goodwill amortisation and impairment	1.7p	(5.3p)

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 July 2002 and 30 June 2003	24,685
Amortisation	
At 1 July 2002	22,435
Provided during year to 30 June 2003	250
	22,685
Net book Value	
At 30 June 2003	2,000
At 30 June 2002	2,250

Notes to the accounts

year ended 30 June 2003

10 Tangible fixed assets

Group	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 July 2002	1,852	253	2,105
Additions	135	18	153
At 30 June 2003	1,987	271	2,258
Depreciation			
At 1 July 2002	1,122	178	1,300
Provided in year	558	72	630
At 30 June 2003	1,680	250	1,930
Net book value			
At 30 June 2003	307	21	328
At 30 June 2002	730	75	805

Computer equipment with a book value of £80,303 (2002: £273,024) is subject to a finance lease.

11 Investments

Group	Other Investments £'000
Cost	
1 July 2002	70
Disposal	(70)
30 June 2003	-
<p>The investment represented a 3.7% equity holding in Afilius Limited, a consortium formed to operate and control the .info domain name registry.</p>	
Company	Shares in subsidiary Undertakings £'000
Cost	
At 1 July 2002 and at 30 June 2003	23,144
Provision	
At 1 July 2002 and 30 June 2003	20,544
Net book Value	
At 1 July 2002 and 30 June 2003	2,600

Notes to the accounts

year ended 30 June 2003

11 Investments (continued)

All subsidiaries have been included in the consolidation. Details of the subsidiary companies at 30 June 2003 are as follows:

	Country of incorporation & operation	Proportion of voting equity held
Subsidiaries		
NetBenefit (UK) Limited	UK	100%
NetNames Limited	UK	100%
NetNames International Limited	UK	100%
NetBenefit Inc	USA	100%
NetNames Inc	USA	100%
Voxpop Internet Publishing SA	France	100%

All of the above companies are involved in the provision of internet and related services.

12 Debtors

	2003 £'000	Group 2002 £'000	2003 £'000	Company 2002 £'000
Amounts falling due within one year:				
Trade debtors	534	670	-	-
Amounts owed by Group undertakings	-	-	1,117	1,029
Other debtors	8	150	-	-
Prepayments and accrued income	155	186	25	9
	697	1,006	1,142	1,038

13 Creditors: amounts falling due within one year

	2003 £'000	Group 2002 £'000	2003 £'000	Company 2002 £'000
Obligations under finance leases and hire purchase agreements	74	147	-	-
Trade creditors	40	307	13	-
Amounts owed to Group undertakings	-	-	1,410	825
Other taxation and social security	260	360	56	160
Other creditors	174	146	2	139
Accruals and deferred income	2,086	2,304	155	-
	2,634	3,264	1,636	1,124

Notes to the accounts

year ended 30 June 2003

14 Creditors: Amounts falling due after more than one year

	2003	Group
	£'000	2002
		£'000
Obligations under finance leases and hire purchase agreements	-	74

Total obligations under finance leases and hire purchase agreements fall due as follows:

Repayable within one year	74	147
Repayable after more than one but less than two years	-	74
	74	221

15 Deferred taxation

The deferred tax assets not recognised in the financial statements recoverable against future taxable profits are as follows:

	2003	Group	2003	Company
	£'000	2002	£'000	2002
		£'000		£'000
Excess of depreciation over capital allowances	211	183	-	-
Short term timing differences	-	2	-	-
Unrelieved trading losses	878	1,005	77	68
	1,089	1,190	77	68

16 Financial instruments

The Group's financial instruments at 30 June 2003 comprised cash, finance leases 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 growth and to enable the settlement of ongoing debts.

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

Interest rate risk

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

Notes to the accounts

year ended 30 June 2003

16 Financial instruments (continued)

Interest rate profile

	Total £'000	Floating Rate financial assets £'000	Finance leases £'000
Group			
At 30 June 2003			
Sterling	1,228	1,302	(74)
US dollar	25	25	-
Euros	120	120	-
Gross assets	1,373	1,447	(74)
At 30 June 2002			
Sterling	628	849	(221)
US dollar	13	13	-
French franc	123	123	-
Gross assets	764	985	(221)
Company			
At 30 June 2003			
Sterling	1,249	1,249	-
Gross assets	1,249	1,249	-
At 30 June 2002			
Sterling	808	808	-
Gross assets	808	808	-

The interest rates on floating rate financial assets vary according to the prevailing bank rates. Interest on finance leases is charged at a rate of 7.1% per annum.

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 the translation of the overseas net assets and results into sterling for accounting purposes.

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.

Notes to the accounts

year ended 30 June 2003

17 Called up share capital

	2003 No	2002 No	2003 £'000	2002 £'000
Authorised:				
Ordinary Shares of 1p each	21,300,000	21,300,000	213	213
Allotted, called up and fully paid:				
Ordinary Shares of 1p each	16,317,216	16,317,216	163	163

At 30 June 2003 the Company had granted employee options as follows:

	Number of shares	Option price per share	Option periods beginning	Option periods ending
Approved Scheme	57,390	£1.04-£4.55	21.09.02	18.09.10
Unapproved Scheme	289,940	£0.25-£2.50	04.06.99	27.02.11

Directors' share options are set out in the Directors' remuneration report and total 914,424 (2002: 914,424).

Following shareholder approval of a new Enterprise Management Incentive Plan, on 30 June 2003, the Company issued 136,000 share options valued at 1p each to employees and key managers. The new share options may be exercised if the Group generates a profit before taxation in either of the years ending 30 June 2004 or 30 June 2005. 60,110 options under the Company's existing share option schemes were surrendered.

As at 23 September 2003 the Company had granted employee share options as follows:

	Number of shares	Option price per share	Option periods beginning	Option periods ending
Enterprise Management Incentive Plan	136,000	£0.01	01.07.04	01.07.14
Approved Scheme	12,280	£2.34-£4.55	21.09.02	18.09.10
Unapproved Scheme	272,000	£0.20-£2.50	04.06.99	27.02.11

18 Statement of movements on reserves

Group	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 July 2002	163	29,030	(90)	(27,325)
Retained profit for the financial year	-	-	-	22
Exchange gain	-	-	-	38
At 30 June 2003	163	29,030	(90)	(27,265)

Company	Share Capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 July 2002	163	29,030	-	(25,871)
Retained profit for the financial year	-	-	-	33
At 30 June 2003	163	29,030	-	(25,838)

Notes to the accounts

year ended 30 June 2003

19 Reconciliation of movements in shareholders' funds

	2003	Group	2003	Company
	£'000	2002	£'000	2002
		£'000		£'000
At 1 July	1,778	2,940	3,322	3,636
Retained profit/(loss) for the financial year	22	(1,123)	33	(314)
Exchange movement	38	(39)	-	-
At 30 June	1,838	1,778	3,355	3,322

20 Operating lease commitments

At 30 June 2003 the Group and Company were committed to making the following payments during the next financial year in respect of operating leases:

	2003	Group	2003	Company
	£'000	2002	£'000	2002
		£'000		£'000
Land and buildings				
Operating leases which expire:				
Within one year	14	-	-	-
In two to five years	95	20	95	-
Over five years	97	97	92	92
	206	117	187	92

21 Contingent Liabilities

At 30 June 2002 and 2003, the Group had contingent liabilities amounting to \$125,000 represented by standby letters of credit to Verisign Inc. the .com domain name registry.

22 Related party transactions

There were no related party transactions during the year ending 30 June 2003.

During the financial year ended 30 June 2002, Ivan Pope repaid £11,037 of a loan due to the Company and the balance of £7,618 was written off in return for Ivan Pope agreeing to waive any claim he may have against the Company for remuneration, or any other payment, arising during his term in office. The maximum amount owed to the Company during the year ended 30 June 2002 was £18,655.

During the year ended 30 June 2002 Keith Young in his capacity as landlord of the Company's leased premises at 11 Clerkenwell Green received rental income of £92,000.

Notes to the accounts

year ended 30 June 2003

23 Reconciliation of operating loss to net cash outflow from operating activities

	2003	2002
	£'000	£'000
Operating loss	(244)	(1,201)
Depreciation	630	821
Amortisation and impairment of goodwill	250	250
Loss on disposal of tangible fixed assets	-	2
Foreign exchange gain/(loss)	38	(39)
Decrease/(increase) in debtors	309	(204)
(Decrease)/increase in creditors	(557)	263
Net cash inflow/(outflow) from operating activities	426	(108)

24 Analysis of net funds

	At 1 July	Cash	At
	2002	flow	30 June
	£'000	£'000	2003
			£'000
Cash available on demand	435	(138)	297
Cash on treasury deposit	550	600	1,150
	985	462	1,447
Finance lease (note 14)	(221)	147	(74)
Net funds	764	609	1,373

25 Parent company's results

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account is not presented in respect of the Company. During the year, the parent company made a profit of £33,000 (2002: loss £314,000).

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