

**NetBenefit Plc**

**Interim results for the six months ended 31 December 2002**

**NetBenefit provides high end domain name portfolio management services via its Platinum offering and web-hosting services for SMEs**

**Key points**

- Encouraging performance in line with expectations
- EBITDA profit of £151,000 (2001: EBITDA loss of £96,000)
- Balance sheet remains strong - £1.0 million of cash at end of February 2003
- Turnaround strategy successful – margins and revenues building
  - Platinum service now has 150 high end corporate clients
  - Clients include Centrica, British Airways, Egg and De Beers
  - Annual recurring revenues for Platinum of more than £1.0 million
- The Board is optimistic about continued growth

Geoff Wicks, NetBenefit's CEO commented:-

“I am very pleased with these results as they support our turnaround strategy of concentrating on the high end of the corporate domain name management and hosting markets. We are now confident that we have in place a business model that can deliver high visibility of revenues, good margins and growing positive cashflow.”

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## **Chairman's statement**

NetBenefit has made significant progress in the half year to 31 December 2002 towards building a strong service business with healthy margins supported by substantial long-term recurring revenue streams.

Sales of our Platinum service, a high end domain name portfolio management service for large organisations, have now reached 150 since its launch last February, with annual recurring revenues of more than £1.0 million. UK contracted customers include 15 FTSE 100 companies, and we are now beginning to focus our sales effort on UK midcap companies as well as in the US and selected European markets. We continue to foresee excellent growth prospects in this attractive market.

We are pleased that NetBenefit became cash positive in the second quarter, three months ahead of the target we announced in our last Annual Report. The first half loss was reduced to £0.18 million (£0.52 million loss in 2001) before goodwill amortisation of £0.12 million (same in 2001). We ended the half year with £0.82 million cash down from £0.98 million in June but by the end of February, our cash position had returned to over £1.0 million.

Total revenue, as expected, was down 6% to £2.81 million reflecting the Group's transition away from the old and declining lower-margin basic domain management business towards the high end corporate market. In addition, in line with our turnaround strategy, we are beginning to see improved sales of web-hosting packages provided on dedicated servers to smaller companies. We view this as a market segment with a high added-value service element and restricted price competition. We continue to manage operating costs carefully, and through efficiencies we have reduced staff numbers from 85 to 79 while simultaneously strengthening our customer support and sales operations.

We continue, then, to consolidate and build upon our successes within our targeted markets. We possess adequate resources to support the build of our sales forces in the UK and overseas as well as new IT systems for our expansion. We have a strong and experienced management team in place, I am confident of continued progress in the second half, even with no improvement in the business environment. I thank all our directors and staff for our achievements so far and I look forward to updating shareholders about further progress in due course.

John Parcell  
Chairman  
12 March 2003

## Operations Review

In the first half of the financial year NetBenefit delivered solid growth in its key markets of corporate domain name management and dedicated hosting.

Revenue as expected was £2.8 million, down from £3.0 million in the first half of the previous year, with underlying revenues growing 7.5%. This was a sound result for the Company especially as the previous year included a £400k one-off benefit from the introduction of the **.biz** and **.info** domains.

The Company reported an EBITDA profit of £151,000 compared to an EBITDA loss of £96,000 for the previous comparable period. The operating loss was £304k, down from £640k in the same period last year.

### Domain Name Management Services

Our Platinum service has contracted annualised revenue in excess of £1.0 million pounds. Each Platinum service customer has an annual contract for the provision of an on-going management service rather than just registration and renewal agency services. We are confident the contract renewal rate of Platinum service customers will be very much higher than that of the domain name agency customers. There have been some notable successes in the UK market with contracts signed with over 150 companies including Centrica, British Airways, Egg and De Beers. The challenge now is to build on this success and to develop the business in the US and in Europe.

Outside of the Platinum accounts the levels of new registrations have held up well and are ahead of market trends. Renewals are the key to longer term growth and renewal rates remain at around the 50% level. NetNames, the brand under which NetBenefit markets domain names, has put in place a new automated renewals system which will help to improve renewal rates by providing more notice of an impending renewal and making the renewal process easier.

The mass domain name market is yet to recover from the fallout following the end of the internet boom although there are signs that the decline in the overall number of domain names has stabilised and is increasing in certain areas. Renewal rates throughout the industry remain low as many domain names registered speculatively two years ago are no longer required. No major new global top level domains (gTLDs) were launched in the period under review and competition remains strong especially in the mass market.

### Web-hosting services

Revenue from web-hosting has continued to grow although the shape of the business is changing. NetBenefit now concentrates on the higher end of the SME market where users need their own dedicated servers. Sales in this segment of the market are improving while shared or virtual hosting sales are flat. NetBenefit has introduced several new products aimed at providing fully managed services to small companies that do not have their own technical capability.

NetBenefit is a high quality provider in a market which is largely driven by price at the low end. This has enabled the Company to differentiate its products and to build its brand at the higher end where price is less of a factor than service levels. During the period NetBenefit has built a Customer Management Group providing a telephone and online sales and support capability. This not only provides the support, which our customers demand but also leaves the sales team free to develop the business at a faster rate.

### Outlook

We expect to continue to build both the Platinum and the dedicated hosting businesses. The recurring nature of the revenue streams should result in greater visibility of future revenues and lock in future revenue growth as forward contracted income is built up, although this effect will only start to become visible in the next full year. For the balance of this year we expect to continue to add new Platinum contracts at a similar rate to that being currently achieved, renewals rates are likely to begin to show some improvement and the web-hosting business should continue to grow.

NetBenefit has re-engineered its business model to deliver high visibility of revenues, good margins and growing positive cashflow. We are confident, unless the economic climate deteriorates further, of reporting positive progress in due course.

Geoff Wicks  
CEO  
12 March 2003

## NETBENEFIT PLC

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

|  | Note | Unaudited<br>6 month period ended<br>31 Dec 2002<br>£'000 | 31 Dec 2001<br>£'000 | Audited<br>Year Ended<br>30 Jun 2002<br>£'000 |
|--|------|---|----------------------|---|
| <b>TURNOVER</b>  | 2    | <b>2,809</b>  | 3,004                | 6,079   |
| Cost of Sales  |      | <b>(431)</b>  | (548)                | (1,190)                                       |
| <b>Gross Profit</b>                                    |      | <b>2,378</b>  | 2,456                | 4,889   |
| Gross Margin   |      | <b>84.7%</b>  | 81.8%                | 80.4%   |
| Marketing  |      | <b>60</b>   | 106                  | 253   |
| Other Administration Expenses                          |      | <b>2,497</b>  | 2,865                | 5,587   |
| Amortisation of Goodwill                               |      | <b>125</b>  | 125                  | 250   |
| Total administration expenses                          |      | <b>2,622</b>  | 2,990                | 5,837   |
| <b>OPERATING LOSS</b>                                  |      | <b>(304)</b>  | (640)                | (1,201)                                       |
| Interest Receivable                                    |      | <b>6</b>  | 21                   | 33  |
| Interest Payable                                       |      | <b>(5)</b>  | (14)                 | (21)  |
| <b>LOSS ON ORDINARY<br/>ACTIVITIES BEFORE TAXATION</b> |      | <b>(303)</b>  | (633)                | (1,189)                                       |
| Taxation   |      | -   | 74                   | 66  |
| <b>RETAINED LOSS</b>                                   |      | <b>(303)</b>  | (559)                | (1,123)                                       |
| Loss per share - basic & diluted                       | 3    | <b>(1.9)p</b>   | (3.4)p               | (6.9)p  |

All amounts arise from continuing activities.

### CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|                              | Unaudited<br>6 month period ended<br>31 Dec 2002<br>£'000 | 31 Dec 2001<br>£'000 | Audited<br>Year Ended<br>30 June 2002<br>£'000 |
|------------------------------|---|----------------------|--|
| Retained loss for the period | <b>(303)</b>  | (559)                | (1,123)  |
| Exchange gain/(loss)         | <b>29</b>   | 17                   | (39)   |
|                              | <b>(274)</b>  | (542)                | (1,162)  |

**NETBENEFIT PLC**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2002**

|  | Unaudited<br>31 Dec 2002<br>£'000 | 31 Dec 2001<br>£'000 | Audited<br>30 Jun 2002<br>£'000 |
|--|-----------------------------------|----------------------|---------------------------------|
| <b>FIXED ASSETS</b>  |                                   |                      |                                 |
| Intangible Fixed Assets  | 2,125                             | 2,375                | 2,250                           |
| Tangible Assets  | 554                               | 1,138                | 805                             |
| Investments  | 70                                | 70                   | 70                              |
|  | <u>2,749</u>                      | <u>3,583</u>         | <u>3,125</u>                    |
| <b>CURRENT ASSETS</b>  |                                   |                      |                                 |
| Debtors  | 807                               | 991                  | 1,006                           |
| Cash at Bank & in Hand   | 823                               | 1,261                | 985                             |
|  | <u>1,630</u>                      | <u>2,252</u>         | <u>1,991</u>                    |
| <b>CREDITORS: amounts falling due<br/>within one year</b>          | <u>(2,875)</u>                    | <u>(3,263)</u>       | <u>(3,264)</u>                  |
| <b>NET CURRENT LIABILITIES</b>                                     | <u>(1,245)</u>                    | <u>(1,011)</u>       | <u>(1,273)</u>                  |
| <b>TOTAL NET ASSETS LESS<br/>CURRENT LIABILITIES</b>               | <b>1,504</b>                      | <b>2,572</b>         | <b>1,852</b>                    |
| <b>CREDITORS: Amounts falling due<br/>after more than one year</b> | <u>-</u>                          | <u>(174)</u>         | <u>(74)</u>                     |
| <b>TOTAL NET ASSETS</b>  | <u><b>1,504</b></u>               | <u><b>2,398</b></u>  | <u><b>1,778</b></u>             |
| <b>CAPITAL AND RESERVES</b>  |                                   |                      |                                 |
| Called up Share Capital  | 163                               | 163                  | 163                             |
| Share Premium  | 29,030                            | 29,030               | 29,030                          |
| Profit and Loss Account  | (27,599)                          | (26,705)             | (27,325)                        |
| Merger Reserve   | (90)                              | (90)                 | (90)                            |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                                  | <u><b>1,504</b></u>               | <u><b>2,398</b></u>  | <u><b>1,778</b></u>             |

**NETBENEFIT PLC****CONSOLIDATED CASH FLOW STATEMENT**

|   | <b>Note</b> | Unaudited<br>6 month period ended |             | Audited<br>Year Ended |
|---|-------------|-----------------------------------|-------------|-----------------------|
|   |             | <b>31 Dec 2002</b>                | 31 Dec 2001 | 30 Jun 2002           |
|   |             | <b>£'000</b>                      | £'000       | £'000                 |
| <b>Net Cash outflow from operating Activities</b>             | 4           | <b>(9)</b>                        | (48)        | (108)                 |
| <b>Returns on investments and servicing of finance</b>        |             | <b>1</b>                          | 7           | 10                    |
| <b>Taxation</b>   |             | -                                 | 74          | 69                    |
| <b>Capital Expenditure And financial investment</b>           |             | <b>(80)</b>                       | (98)        | (169)                 |
| <b>Net cash outflow before financing</b>                      |             | <b>(88)</b>                       | (65)        | (198)                 |
| <b>Financing</b>  |             | <b>(74)</b>                       | (69)        | (212)                 |
| <b>Net cash outflow before Management of liquid Resources</b> |             | <b>(162)</b>                      | (134)       | (410)                 |
| <b>Management of Liquid Resources</b>                         |             | <b>75</b>                         | 370         | 800                   |
| <b>(Decrease)/Increase in Cash</b>                            |             | <b>(87)</b>                       | 236         | 390                   |

## NETBENEFIT PLC

### NOTES TO THE UNAUDITED INTERIM REPORT

#### 1. BASIS OF PREPARATION AND REPORTING

The interim financial information for all periods has been prepared on the basis of the accounting policies set out in the Group statutory accounts for the period ended 30 June 2002.

The six months figures to 31 December 2002 and 31 December 2001 are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year to 30 June 2002 are extracted from the audited statutory results. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies and carries an audit report that is unqualified and includes no adverse comments.

The analysis of expenditure between cost of sales and administrative expenses for the six months ended 31 December 2001 has been restated to accord with the analysis adopted at 30 June 2002.

#### 2. SEGMENTAL ANALYSIS

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

|                             | Turnover   |   |   | Loss before Tax  |   |   |
|-----------------------------|--|---|---|--|---|---|
|                             | Unaudited<br>6 month period ended<br><b>31 Dec 2002</b><br>£'000 | Unaudited<br>6 month period ended<br>31 Dec 2001<br>£'000 | Audited<br>Year Ended<br>30 Jun 2002<br>£'000 | Unaudited<br>6 month period ended<br><b>31 Dec 2002</b><br>£'000 | Unaudited<br>6 month period ended<br>31 Dec 2001<br>£'000 | Audited<br>Year Ended<br>30 Jun 2002<br>£'000 |
| UK                          | <b>2,300</b>   | 2,601   | 5,127   | <b>(268)</b>   | (557)   | (1,050)                                       |
| USA                         | <b>224</b>   | 117   | 350   | <b>(35)</b>  | (96)  | (101)   |
| Other European<br>countries | <b>285</b>   | 286   | 602   | -  | 20  | (38)  |
|                             | <b>2,809</b>   | 3,004   | 6,079   | <b>(303)</b>   | (633)   | (1,189)                                       |

## NETBENEFIT PLC

### NOTES TO UNAUDITED INTERIM REPORT

#### 3. LOSS PER SHARE

|   | Unaudited<br>6 month period ended<br><b>31 Dec 2002</b><br>Number | 31 Dec 2001<br>Number | Audited<br>Year Ended<br>30 Jun 2002<br>Number |
|---|---|-----------------------|--|
| The basic and diluted loss per share is calculated using the weighted average number of shares in issue during the period | <u>16,317,216</u>   | <u>16,317,216</u>     | <u>16,317,216</u>                              |

#### 4. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES.

|  | Unaudited<br>6 month period ended<br><b>31 Dec 2002</b><br>£'000 | 31 Dec 2001<br>£'000 | Audited<br>Year Ended<br>30 Jun 2002<br>£'000 |
|--|--|----------------------|---|
| Operating loss                             | <b>(304)</b>   | (640)                | (1,201)                                       |
| Depreciation                               | <b>330</b>   | 419                  | 821   |
| Amortisation of goodwill                   | <b>125</b>   | 125                  | 250   |
| Loss on disposal of tangible fixed assets  | -  | 4                    | 2   |
| Decrease / (increase) in debtors           | <b>199</b>   | (189)                | (204)   |
| (Decrease) / increase in creditors         | <b>(389)</b>   | 237                  | 263   |
| Other non-cash items                       | <b>30</b>  | (4)                  | (39)  |
| Net cash outflow from operating activities | <u><b>(9)</b></u>  | <u>(48)</u>          | <u>(108)</u>                                  |

# NETBENEFIT PLC

## NOTES TO UNAUDITED INTERIM REPORT

### 5. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

|  | Unaudited<br>6 month period ended<br><b>31 Dec 2002</b><br>£'000 | 31 Dec 2001<br>£'000 | Audited<br>Year Ended<br>30 Jun 2002<br>£'000 |
|--|--|----------------------|---|
| (Decrease)/ increase in cash in period               | <b>(87)</b>  | 236                  | 390   |
| Cash outflow from decrease in debt & lease financing | <b>74</b>  | 86                   | 212   |
| Cash withdrawn from liquid resources                 | <b>(75)</b>  | (370)                | (800)   |
|  | <b>(88)</b>  | (48)                 | (198)   |
| Net funds at beginning of period                     | <b>764</b>   | 962                  | 962   |
| Net funds at end of period                           | <b>676</b>   | 914                  | 764   |
|  | At 1 July 2002   | Cash flow            | At 31 Dec 2002                                |
| Cash available on demand                             | 435  | (87)                 | <b>348</b>                                    |
| Cash on Treasury Deposit                             | 550  | (75)                 | <b>475</b>                                    |
|  | 985  | (162)                | <b>823</b>                                    |
| Finance Lease  | <b>(221)</b>   | 74                   | <b>(147)</b>                                  |
| Net funds at end of period                           | <b>764</b>   | (88)                 | <b>676</b>                                    |

## **Independent Review Report to NetBenefit plc**

### **Introduction**

We have been instructed by the company to review the financial information for the six months ended 31st December 2002 set out above. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31st December 2002.

**BDO Stoy Hayward**  
**London**