



NetBenefit plc

Report and Financial Statements **2004**



Contents

Reports

Officers and professional advisers	1
Chairman's statement	2
Operating and financial review	3
Directors	6
Report on corporate governance	7
Directors' remuneration report	10
Directors' report	14
Statement of directors' responsibilities	16
Report of the independent auditors	17

Accounts

Consolidated profit and loss account	19
Consolidated statement of total recognised gains and losses	19
Consolidated balance sheet	20
Company balance sheet	21
Consolidated cash flow statement	22
Reconciliation of net cash flow to movement in net funds	22
Notes to the accounts	23
Notice of the annual general meeting	38



Officers and professional advisers

Directors

J Parcell (Non-executive Chairman)

G A Wicks

J M Robinson

R Armstrong

T M Ashley (Non-executive)

K Young (Non-executive)

R J G Madden (Non-executive)

Secretary

R P Nagevadia ACCA

Registered and head office

11 Clerkenwell Green, London EC1R 0DP

Company number

3709856

Registrars

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

Bankers

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

Solicitors

Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW

Financial advisers

Brewin Dolphin Securities Limited, 7 Drumsheugh Gardens, Edinburgh, EH3 7QH

Stockbrokers

Brewin Dolphin Securities Limited, 48 St Vincent Street, Glasgow, G2 5TS

Auditors

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



Chairman's statement

I am delighted to announce that NetBenefit moved into significant profit in the year ended on 30 June 2004. Diluted earnings per share (EPS) increased from 0.1 pence to 3.4 pence. Excluding amortisation and last year's non-recurring gain on disposal of an investment, diluted EPS moved up from 1.2 pence to 4.9 pence (including a tax credit of 1.1 pence in each year).

Over the last three years we have worked hard to build a sustainable business capable of generating accelerating profits. Our business model deploys strong sales teams, reliable business processes, and high-quality customer service to win recurring revenue and high-quality repeat revenue. We couple this with careful control of costs. This year's results deliver the first significant full-year rewards.

We have concentrated so far on two opportunities. In 2002 we launched our Platinum service which manages portfolios of valuable Internet domain names for medium-size and larger companies. In 2003 we added a new premium web-hosting service for underserved smaller to medium-size companies. With the acquisition of Easily Limited in May 2004, we have added a third market, providing quality hosting, email, and domain name services for consumers and small business. We welcome management and staff of Easily to the Group.

During fiscal 2004 we invested part of our additional gross profit to build up sales and administration ahead of current needs to drive the future expansion of our Platinum and premium hosting businesses. These costs were roughly offset by a £329,000 reduction in the depreciation charge as a previous generation of production systems became fully written off.

Our business remains cash-generative. We ended the year with £1.6 million of net cash (from £1.4 million a year ago) after funding both internal investment and also a net £1.0 million of the £2.6 million purchase price of Easily.

Demand for Platinum remains strong. We lead the UK market, serving 29 of the FTSE 100 companies, and we seek now to build also on successes in the US and western Europe. In web-hosting, our growth is supported by mid-size customers who increasingly seek reliability and good support ahead of low price.

During the year we moved to AIM, which we believe is more appropriate than the Official List for a growth company of our size. We are hopeful of broadening our base of loyal investors over time.

Finally, I am very happy that Rodger Armstrong, our Sales Director, has joined the Board, and that Raj Nagevadia, previously Financial Controller, has assumed the role of Finance Director.

We are alert for further opportunities, and increasingly confident about NetBenefit's prospects. I thank all our staff for an excellent year and I look forward to a successful fiscal 2005.

John Parcell

15 September 2004



Operating and financial review

NetBenefit has continued to build on the improving position reported last year. Revenue for the year was £7.67 million, up 23% from £6.25 million in the previous year. Underlying growth, excluding £304,000 of revenue from Easily Limited, which was acquired during May 2004, was 18%.

Profit before tax (PBT) was £412,000, from a loss of £166,000 in the previous year; this included £39,000 from Easily. PBT before the amortisation of goodwill was £673,000, up from £16,000 (excluding a non-recurring gain) in the previous year, and included £50,000 from Easily. Cash at the end of the year was £1.6 million, following the acquisition of Easily, for which the cash element of the consideration was a net £1.0 million.

Most of the growth came from the Platinum service and higher-tier managed hosting. NetBenefit's strategy is to focus on these two market segments where higher levels of service and support are expected. This has enabled the Company to achieve good sales growth over the past two years in sometimes difficult market conditions. The acquisition of Easily, which adds a third strong brand, gives NetBenefit an effective presence in a broader market.

Domain name management services

Revenue for domain name services rose 23% to £4.61 million from £3.75 million in the previous year, excluding Easily. Revenue from Platinum services, which provides domain name management to larger companies under the NetNames brand, more than doubled to £2.25 million. At the same time revenue from other, lower-tier domain name sales fell 11%, to £2.36 million. This is in line with expectations and reflects the focus on sales of the Platinum service, as some general domain name sales are converted to Platinum and levels of new non-Platinum sales are lower.

The annualised revenue base for Platinum rose from £1.4 million at the end of June 2003 to £2.4 million at the end of June 2004. This increase is a combination of new contracts and growth within the existing contracts. A number of significant new customers were signed during the year with 29 of the FTSE 100 now using NetNames to manage their domain name portfolios.

Platinum continues to be the market leader in the UK but there are signs of greater competition as US market participants turn their attention to Europe. However there is continued demand as more companies increasingly understand the need to manage their brands safely and effectively on the Internet.

There are now over 60 million domain names registered globally, many of these are registered by businesses and an increasing number are ccTLDs or country specific domain names. As companies seek to protect their brands online they must register their names and derivatives of their names as widely as possible. NetNames is one of only a small number of companies with the ability to register, monitor and manage a portfolio of domain names on a global basis.

Domain name revenue from Easily was £210,000, representing six weeks of post-acquisition trading. Easily is a lower cost provider of domain names targeting smaller businesses and is a major provider of UK domain names. Its registrations of new domain names have kept pace with market trends and renewal rates have shown signs of increasing. This has been achieved without advertising and with very little promotion. Investment in this together with an ability to sell a wider range of country domain names should increase market share.



Operating and financial review

continued

Web-hosting services

Revenue from web-hosting and associated email services grew by 14% to £2.1 million during the year under review including Easily. The emphasis for sales had moved to higher-tier managed hosting in the previous year and this market segment has provided the growth. As expected the number of shared or virtual hosting customers declined as competition from keener priced competitors increased. In future this latter market segment will be addressed using the Easily brand which provides lower priced services and the NetBenefit brand will concentrate on the upper-tier market.

By the end of the year under review, managed services accounted for 30% of NetBenefit's hosting revenue. The balance is moving away from the lower priced services to the higher quality managed services, which in turn generate higher quality revenue.

Revenue from Easily's hosting and email related services was £94,000 for the period since acquisition in May of this year. Easily has concentrated on selling shared hosting to small businesses, building a customer base that has the potential to require the more advanced services provided by NetBenefit.

International

Revenue from Voxpop, NetBenefit's French subsidiary, was lower than expected at £623,000, up 2.5% on the previous year. It has taken longer than expected to develop a sales capability for the upper-tier market.

In the US, Platinum revenue increased by 48%. Overall revenue fell by 24% as a result of revenue releases in the previous year relating to sales made but not fulfilled immediately, however on a like for like basis the revenue growth was 22%. The US is a very competitive market for domain names especially as the company does not provide other services like hosting. In future the Company will only actively address the corporate market, where Platinum has already achieved some success, and we would expect to see the revenue from non-Platinum services continue to decline.

Cost of sales and gross margin

Cost of sales comprises, in the main, Internet bandwidth connectivity, domain registration expenses and commissions payable to channel partners.

Gross margin dropped to 79% from 83% in the previous year largely due to commissions payable on higher volumes of domain registrations sourced through channel partners' web sites.



Operating and financial review

continued

Administrative expenses

Administrative expenses (excluding goodwill amortisation) increased by 5% in the year to £5.41 million (2003: £5.15 million) which included Easily's post acquisition expenses of £149,000. This reflects the Group's tight control of costs.

Within the Group's continuing operations, staff salaries and associated costs increased by 11% to £3.80 million (2003: £3.43 million) as sales capacity was increased across all product groups. Property costs increased to £402,000 from £300,000 last year largely due to higher service charge and maintenance costs arising from a major refurbishment programme undertaken by the landlord. However the depreciation charge decreased to £294,000 from £630,000 as the depreciation of legacy systems was fully run off in the year.

Taxation

At 30 June 2004 the Group recognised deferred tax assets of £230,000 in respect of tax losses and timing differences arising from the excess of depreciation over capital allowances that are expected to be relieved by future taxable profits. This gave rise to a net tax credit for the year of £200,000 after taking into account other current and prior year adjustments. In addition to the losses recognised above, the Group had further tax losses of £2.1 million available to carry forward against future profits at the year end.

Cashflow

At 30 June 2004 cash and bank balances amounted to £1.6 million (2003: £1.4 million) which included restricted cash balances of £85,000 (2003: £30,000) and £130,000 in respect of an erroneous tax refund, which was repaid to the Inland Revenue after the year end.

The Group generated an operational cash inflow of £1.5 million from its operations compared to £426,000 in the previous year and was able to fund the cash element of the consideration for Easily out of its working capital. Capital expenditure for new fixed assets increased to £277,000 from £153,000 as the Group continued to invest in maintaining and upgrading its infrastructure and repaid its leasing debt of £74,000 (2003: £147,000).

Capital reduction

The capital reduction set out in the last Annual Report was completed whereby £25.8 million was transferred from the share premium account to eliminate the accumulated deficit on the profit and loss account of the ultimate holding company, NetBenefit plc.

Transfer to AIM

The Company completed its transfer of its listing from the Official List to AIM on 30 October 2003 as set out in the last Annual Report.

Geoff Wicks

Chief Executive Officer

15 September 2004



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.

Geoff Wicks, Chief Executive Officer

Geoff 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, Geoff 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 Afiliat Limited and the .uk domain registry Nominet (UK) Limited.

Rodger Armstrong, Group Sales Director

Rodger Armstrong has an M.A. from St Peter's College, Oxford in Modern Languages. He spent the early part of his career in banking, specifically in Treasury and Risk Management at NatWest and HSBC. He then worked at Reuters for seven years in a number of senior sales roles, latterly heading up the Reuters Mobile division. He joined NetBenefit in November 2001 and was elected to the Board in May 2004.

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 company is listed on the Alternative Investment Market (AIM) and is therefore not required to comply with the provisions of the Combined Code. Nevertheless the Board is committed to ensuring that proper standards of corporate governance operate throughout the Group and has followed the principles of the Combined Code and the recommendations of the Higgs review so far as is practicable and appropriate for the nature and size of the Group.

A statement of the directors' responsibilities in respect of the financial statements is set out on page 16. Below is a brief description of the role of the Board and its Committees, followed by a statement regarding the Group's system of internal controls. The directors recognise the value of, and are committed to, high standards of corporate governance.

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 judgment 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 provides 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 directors who offer themselves for re-election at the annual general meeting are Geoff Wicks and Keith Young. Rodger Armstrong, who was appointed during the year, also offers himself 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 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 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 Finance Director. 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 web site 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 on page 38. 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 2004.

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 appropriate enquiries, 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 Officer 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. 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.

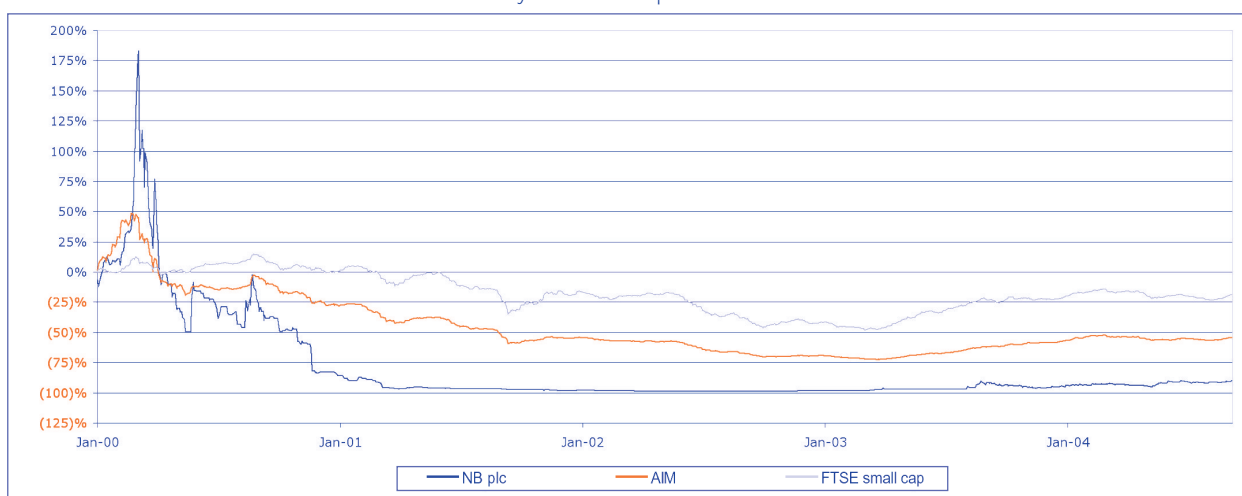
Directors' pensions

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 AIM Index and the FTSE Small Cap. Index, also measured by total shareholder return. The FTSE AIM index was selected as the Company is a constituent of that index. The FTSE Small Cap. Index was selected as this is believed to be an appropriate and broad comparator of the Company's performance.

January 2000 to September 2004



July 2002 to September 2004





Directors' remuneration report

continued

Directors' contracts

Executive directors currently have between three-month to twelve-month rolling service contracts. 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 exception of John Parcell, who received no fee for his services as non-executive chairman.

Directors' remuneration

Directors' remuneration for the year was as follows:

	Fees £'000	Annual bonuses £'000	Compensation for Pensions £'000	Compensation for loss of office £'000	Other benefits £'000	2004 Total £'000	2003 Total £'000
J Parcell	-	-	-	-	-	-	-
G A Wicks	120	60	20	-	3	203	173
J M Robinson	90	50	20	-	9	169	131
R Armstrong (appointed 27/5/2004)	10	5	1	-	1	17	-
T M Ashley	10	-	-	-	-	10	10
K Young	10	-	-	-	-	10	10
R J G Madden	10	-	-	-	-	10	45
P J Owens (resigned 19/2/04)	67	-	12	43	1	123	131
Year ended 30 June 2004	317	115	53	43	14	542	500
Year ended 30 June 2003	340	89	58	-	13		

Other benefits consist of car allowances and private health insurance.



Directors' remuneration report

continued

Directors remuneration (continued)

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

	At 1 July 2003	Granted during the year	At 30 June 2004	Exercise price £	Date from which exercisable	Expiry date
J Parcell	805,877	-	805,877	0.20	04/07/03	03/04/13
G A Wicks	555,000	-	555,000	0.25	30/06/04	29/06/14
J M Robinson	180,000	-	180,000	0.25	30/06/04	29/06/14
R Armstrong (appointed 27/5/2004)	180,000	-	180,000	0.25	30/06/04	29/06/14
	<u>1,720,877</u>	-	<u>1,720,877</u>			

The ordinary share price ranged from 21 pence to 77 pence during the year and stood at 77 pence at the year end.

On behalf of the Board

K Young

Chairman of the Remuneration Committee

15 September 2004



Directors' report

The directors submit their Annual Report and Accounts for the year ended 30 June 2004.

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 £612,000 (2003: £22,000). The directors do not recommend the payment of an ordinary dividend for the year (2003: £nil), which leaves a profit of £612,000 to be transferred to reserves (2003: £22,000).

Directors' interests

The directors of the Company who served during the year to 30 June 2004 are shown below together with their beneficial interests in the shares of the Company on 30th June 2004 and 1 July 2003 or date of appointment.

Director	At	At
	30 June 2004	1 July 2003 (or date of appointment)
	Number	Number
J Parcell	1,100,000	1,100,000
G A Wicks	50,000	50,000
J M Robinson	2,591,322	2,591,322
R Armstrong (appointed 27/5/2004)	-	-
K Young	2,716,942	2,716,942
T M Ashley	1,866,380	1,866,380
R J G Madden	-	-
P J Owens (resigned 19/2/04)	-	200,000

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

Substantial shareholdings

At 15 September 2004, 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	5.21
Herald Investment Trust plc	1,621,000	8.45
T Gethin	700,000	3.65
N Archell	700,000	3.65
S Procter	700,000	3.65
A Hackett	700,000	3.65



Directors' report

continued

Supplier payment policy

The Group agrees terms and conditions with individual suppliers at the time orders 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 2004, calculated in accordance with the requirements of the Companies Act 1985, were 30 (2003: 9). The Group's creditor days on the same basis were 21 days (2003: 5).

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.

Change of company name

A resolution will be proposed at the next annual general meeting to change the name of the Company to Group NBT plc. The primary reason for the name change is to make a clear distinction between the Group's trading subsidiary, NetBenefit, and its ultimate holding company.

Authorised share capital

A resolution will be proposed at the next annual general meeting to increase the authorised share capital from £213,000 to £300,000 by the creation of 8.7 million ordinary shares of 1 pence each ranking pari passu in all respects with the existing ordinary shares of 1 pence each. This increase will give the Company sufficient float to issue capital as appropriate as it seeks further opportunities to expand its business.

Auditors

On 31 December 2003, BDO Stoy Hayward, the Group's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

R P Nagevadia ACCA

Company Secretary

15 September 2004



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;
- state whether applicable accounting standards have been followed; and
- 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 web site 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 2004 on pages 19 to 36 which have been prepared under the accounting policies set out on pages 23 to 24.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual 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 in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

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 Chairman's Statement, the Operating and Financial Review, the Directors' Remuneration Report 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
continued

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. 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 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.

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 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors, London
15 September 2004

Consolidated profit and loss account

year ended 30 June 2004

	Note	Continuing operations		Total 2004 £'000	2003 £'000
		Existing	Acquisitions		
		2004 £'000	2004 £'000		
Turnover	2	7,371	304	7,675	6,245
Cost of sales		1,531	106	1,637	1,089
Gross profit		5,840	198	6,038	5,156
Administrative expenses					
Marketing		143	-	143	110
Amortisation of goodwill		250	11	261	250
Other administrative expenses		5,118	149	5,267	5,040
Total administrative expenses		5,511	160	5,671	5,400
Operating profit/(loss)	3	329	38	367	(244)
Profit on sale of fixed asset investment		-	-	-	68
Interest receivable and similar income	6	45	1	46	20
Interest payable and similar charges	7	(1)	-	(1)	(10)
Profit/(loss) on ordinary activities before taxation		373	39	412	(166)
Taxation on profit/(loss) on ordinary activities	8	198	2	200	188
Retained profit for the financial year	18,19	571	41	612	22
Earnings per share - Basic	9			3.6p	0.1p
Earnings per share - Diluted	9			3.4p	0.1p
Earnings per share before goodwill amortisation - Basic	9			5.2p	1.2p
Earnings per share before goodwill amortisation - Diluted	9			4.9p	1.2p

Consolidated statement of total recognised gains and losses

year ended 30 June 2004

	Continuing operations		Total 2004 £'000	2003 £'000
	Existing	Acquisitions		
	2004 £'000	2004 £'000		
Retained profit in the year	571	41	612	22
Exchange gain	22	-	22	38
	593	41	634	60

The notes on pages 23 to 36 form part of these financial statements



Consolidated balance sheet

as at 30 June 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	10	4,482	2,000
Tangible assets	11	400	328
		4,882	2,328
Current assets			
Debtors	13	1,085	697
Cash at bank and in hand		1,589	1,447
		2,674	2,144
Creditors: amounts falling due within one year	14	(3,881)	(2,634)
Net current liabilities		(1,207)	(490)
Total assets less current liabilities		3,675	1,838
Provision for liabilities and charges	15	25	-
Total net assets		3,650	1,838
Capital and reserves			
Called up share capital	17	192	163
Share premium	18	3,207	29,030
Merger reserve	18	1,044	(90)
Profit and loss account	18	(793)	(27,265)
Equity shareholders' funds	19	3,650	1,838

These financial statements were approved by the Board of directors on 15 September 2004.

Signed on behalf of the Board of directors

G A Wicks
Chief Executive Officer

The notes on pages 23 to 36 form part of these financial statements



Company balance sheet

as at 30 June 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Investments	12	5,198	2,600
Current assets			
Debtors	13	1,174	1,142
Cash at bank and in hand		1,115	1,249
		2,289	2,391
Creditors: amounts falling due within one year	14	(3,566)	(1,636)
Net current (liabilities)/assets		(1,277)	755
Total assets less current liabilities		3,921	3,355
Net assets		3,921	3,355
Capital and reserves			
Called up share capital	17	192	163
Share premium	18	3,207	29,030
Merger reserve	18	1,134	-
Profit and loss account	18	(612)	(25,838)
Equity shareholders' funds	19	3,921	3,355

These financial statements were approved by the Board of directors on 15 September 2004.

Signed on behalf of the Board of directors

G A Wicks
Chief Executive Officer

The notes on pages 23 to 36 form part of these financial statements

Consolidated cashflow statement

year ended 30 June 2004

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	22	1,462	426
Returns on investments and servicing of finance			
Interest received		46	20
Interest element of finance lease		(1)	(10)
		45	10
Taxation recovered		5	188
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(277)	(153)
Receipts from sale of investment		-	138
		(277)	(15)
Acquisitions - purchase of subsidiary undertaking	23	(1,034)	-
Net cash inflow before management of liquid resources and financing		201	609
Management of liquid resources			
Decrease/(increase) in treasury deposits		190	(600)
Financing			
Issue of share capital		15	-
Capital element of finance lease repayments		(74)	(147)
		(59)	(147)
Increase/(decrease) in cash		332	(138)

Reconciliation of net cash flow to movement in net funds

year ended 30 June 2004

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	332	(138)
Cash outflow from decrease in debt and lease financing	74	147
(Decrease)/increase from liquid resources	(190)	600
Change in net funds resulting from cash flows	216	609
Finance leases and hire purchase contracts acquired with subsidiary	(13)	-
Movement in net funds	203	609
Net funds at start of year	1,373	764
Net funds at end of year	1,576	1,373

The notes on pages 23 to 36 form part of these financial statements



Notes to the accounts

year ended 30 June 2004

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 2004 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 is recognised when services are provided and where services are invoiced in advance, income is deferred in the balance sheet and recognised evenly over the contract period.

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 is 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. Goodwill is currently being written off between a ten and twenty year period to reflect the ongoing value of the asset, subject to impairment review.

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except the recognition of deferred tax is limited to the extent that the Group anticipates to make sufficient taxable profits in the future to absorb the reversal of underlying timing differences. Deferred tax liabilities and assets are not discounted.



Notes to the accounts

year ended 30 June 2004

1 Accounting policies (continued)

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 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.

Operating lease rentals 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, profit/(loss) before tax and net assets by geographical segment are as follows:

	Turnover		Profit/(loss) before tax		Net assets/(liabilities)	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
UK	6,655	5,116	536	(191)	7,294	5,379
USA	397	521	(62)	38	(3,185)	(3,144)
Other European countries	623	608	(62)	(13)	(459)	(397)
	7,675	6,245	412	(166)	3,650	1,838

Notes to the accounts

year ended 30 June 2004

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2004	2003
	£'000	£'000
Research and development	167	165
Depreciation of owned assets	220	437
Depreciation of leased assets	81	193
Amortisation of goodwill	261	250
Operating lease rentals	194	206
Auditors' remuneration	24	23
- land and buildings	11	10
- Group audit fee	41	17
- Company audit fee		
- other services		

4 Information regarding employees

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

	2004	2003
	£'000	£'000
Wages and salaries	3,225	2,809
Social security costs	323	262
Pension costs	75	78
	3,623	3,149

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

	2004	2003
	Number	Number
Administrative	23	25
Operational	70	57
	93	82

5 Directors

The remuneration of directors is set out below:

	2004	2003
	£'000	£'000
Directors' emoluments	446	442
Compensation for loss of office	43	-
Pension costs	53	58
	542	500

Emoluments of highest paid director:

Emoluments	183	153
Amounts paid to the director's personal pension scheme	20	20
	203	173

Directors' emoluments are detailed, by director, in the Directors' remuneration report.

Notes to the accounts

year ended 30 June 2004

6 Interest receivable and similar income

	2004 £'000	2003 £'000
Bank interest	46	20

7 Interest payable and similar charges

	2004 £'000	2003 £'000
Finance lease	1	10

8 Tax credit on profit/(loss) on ordinary activities

	2004 £'000	2003 £'000
a) Analysis of tax credit		
Current tax		
Adjustment in respect of prior periods	32	-
Research and development tax credits	-	(188)
Total current tax charge/(credit) (note 8b)	32	(188)
Deferred tax		
Origination and reversal of timing differences	6	-
Adjustment in respect of prior periods	(238)	-
Total deferred tax credit	(232)	-
Tax credit on profit/(loss) on ordinary activities	(200)	(188)
b) Tax charge/(credit) reconciliation		
Profit/(loss) on ordinary activities before tax	412	(166)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	124	(50)
Effects of:		
Expenses not deductible for tax purposes	95	84
Expenditure qualifying for enhanced tax relief	-	(22)
Depreciation in excess of capital allowances	(6)	37
Research and development tax credit	-	(188)
Utilisation of tax losses	(245)	(145)
Unrelieved losses carried forward	45	96
Group accounting policy alignment	(13)	-
Adjustments to prior year tax charge	32	-
Current tax charge/(credit) (note 8a)	32	(188)

Notes to the accounts

year ended 30 June 2004

9 Earnings per share

The basic and diluted earnings per share for the year ended 30 June 2004 are based on the profit for the year on ordinary activities after taxation of £612,000 (2003: £22,000) and on the weighted average number of shares of 16,684,716 (2003: 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 and any profit or loss on sale of fixed assets. 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 profit per share, before goodwill amortisation is set out below:

	2004	2003
	£'000	£'000
Profit/(loss) for the financial year	612	22
Basic and diluted profit attributable to ordinary shareholders	612	22
Goodwill amortisation	261	250
Profit on sale of fixed assets	-	(68)
Basic and diluted profit attributable to ordinary shareholders before goodwill amortisation and profit on sale of fixed assets	873	204
Weighted average and adjusted weighted average number of ordinary shares ('000's)	Number	Number
Shares used for basic earnings per share	16,685	16,317
Share options	979	-
Shares used for diluted earnings per share	17,664	16,317

Earnings per share:

	Basic		Diluted	
	2004	2003	2004	2003
	pence	pence	pence	pence
Profit for the year	3.6	0.1	3.4	0.1
Goodwill amortisation	1.6	1.5	1.5	1.5
Profit on sale of fixed assets	-	(0.4)	-	(0.4)
Profit before goodwill amortisation and profit on sale of fixed assets	5.2	1.2	4.9	1.2

Notes to the accounts

year ended 30 June 2004

10 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 July 2003	24,685
Additions (note 23)	2,743
At 30 June 2004	27,428
Amortisation	
At 1 July 2003	22,685
Provided in year	261
At 30 June 2004	22,946
Net book value	
At 30 June 2004	4,482
At 30 June 2003	2,000

11 Tangible fixed assets

Group	Computer equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 July 2003	1,987	271	2,258
Acquisition of subsidiary	315	-	315
Additions	253	24	277
At 30 June 2004	2,555	295	2,850
Depreciation			
At 1 July 2003	1,680	250	1,930
Acquisition of subsidiary	219	-	219
Provided in year	281	20	301
At 30 June 2004	2,180	270	2,450
Net book value			
At 30 June 2004	375	25	400
At 30 June 2003	307	21	328

The net book value of computer equipment includes an amount of £15,000 (2003: £80,000) in respect of assets held under finance leases and hire purchases agreements.

Notes to the accounts

year ended 30 June 2004

12 Investments

Company	Shares in subsidiary undertakings £'000
Cost	
1 July 2003	23,144
Acquisition in year	2,598
At 30 June 2004	25,742
Provision	
At 1 July 2003 and 30 June 2004	20,544
Net book value	
At 30 June 2004	5,198
At 30 June 2003	2,600

All subsidiaries have been included in the consolidation. Details of the subsidiary companies at 30 June 2004 are as follows:

Subsidiaries	Country of incorporation and operation	Proportion of voting equity held
NetBenefit (UK) Limited	UK	100%
NetNames Limited	UK	100%
NetNames International Limited	UK	100%
Easily 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.

13 Debtors

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts falling due within one year:				
Trade debtors	505	534	1	-
Amounts owed by Group undertakings	-	-	1,014	1,117
Deferred tax (note 15)	230	-	-	-
Other debtors	154	8	143	-
Prepayments and accrued income	196	155	16	25
	1,085	697	1,174	1,142

Notes to the accounts

year ended 30 June 2004

14 Creditors: amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Obligations under finance leases and hire purchase agreements	13	74	-	-
Trade creditors	221	40	82	13
Amounts owed to Group undertakings	-	-	3,019	1,410
Corporation tax	56	-	-	-
Other taxation and social security	392	260	79	56
Other creditors	582	174	89	2
Accruals and deferred income	2,617	2,086	297	155
	3,881	2,634	3,566	1,636

15 Provisions for liabilities and charges

Deferred tax liability:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
At 1 July 2003	-	-	-	-
Acquisition of subsidiary	27	-	-	-
Origination and reversal of timing differences	(2)	-	-	-
At 30 June 2004	25	-	-	-
Accelerated capital allowances	25	-	-	-
Unrelieved trading losses	-	-	-	-
At 30 June 2004	25	-	-	-

Deferred tax asset:

The Group has recognised deferred tax assets to the extent that they are expected to be relieved by future taxable profits. The assessment of the recognised deferred tax assets has been made with reference to all available evidence including budgets and forecasts. The recognised deferred tax assets are as follows:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
At 1 July 2003	-	-	-	-
Adjustment in respect of prior periods	230	-	-	-
Origination and reversal of timing differences	-	-	-	-
At 30 June 2004	230	-	-	-
Excess depreciation over capital allowances	70	-	-	-
Unrelieved trading losses	160	-	-	-
At 30 June 2004	230	-	-	-

Notes to the accounts

year ended 30 June 2004

15 Provisions for liabilities and charges (continued)

Deferred tax asset (continued):

The Group had potential deferred tax assets of £602,000 (2003: £1,089,000) that were not recognised at 30 June 2004 as the timing of the relief could not be assessed with sufficient certainty and a proportion of the tax losses have yet to be agreed with the appropriate Revenue authority.

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Excess depreciation over capital allowances	133	211	-	-
Unrelieved trading losses	469	878	43	77
	602	1,089	43	77

16 Financial instruments

The Group's financial instruments at 30 June 2004 comprised cash, 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 debt.

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 operation 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.

Interest rate profile

Group	Total £'000	Floating rate	Finance
		financial assets £'000	leases £'000
At 30 June 2004			
Sterling	1,454	1,454	-
US dollar	83	83	-
Euros	52	52	-
Gross assets	1,589	1,589	-
At 30 June 2003			
Sterling	1,228	1,302	(74)
US dollar	25	25	-
Euros	120	120	-
Gross assets	1,373	1,447	(74)

The interest rates on floating rate financial assets vary according to the prevailing bank rates.

Notes to the accounts

year ended 30 June 2004

16 Financial instruments (continued)

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 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.

17 Called up share capital

	2004 Number	2003 Number	2004 £'000	2003 £'000
Authorised:				
Ordinary shares of 1p each	21,300,000	21,300,000	213	213
Allotted, called up and fully paid:				
At 1 July 2003	16,317,216	16,317,216	163	163
Share options exercised	60,000	-	1	-
Shares issued on acquisition of Easily Limited (note 23)	2,800,000	-	28	-
At 30 June 2004	19,177,216	16,317,216	192	163

Paul Owens, a former director (resigned 19 February 2004), exercised his option over 60,000 shares as shown above on 8 March 2004.

At 30 June 2004 the Company had granted employee options (including directors' options) as follows:

	Number of shares	Option price per share	Option periods beginning	Option periods ending
Enterprise Management Incentive Plan Approved Scheme	946,000	£0.01-£0.25	01.07.04	01.07.14
Unapproved Scheme	12,280	£2.34-£4.55	21.09.02	18.09.10
	1,184,347	£0.20-£2.50	04.06.99	27.02.11

Directors' share options are set out in Directors' remuneration report and total 1,720,877 (2003: 914,424).

Notes to the accounts

year ended 30 June 2004

18 Statement of movements on reserves

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
Group				
At 1 July 2003	163	29,030	(90)	(27,265)
Issue of shares	29	15	1,134	-
Capital reduction	-	(25,838)	-	25,838
Retained profit for the financial year	-	-	-	612
Exchange gain	-	-	-	22
At 30 June 2004	192	3,207	1,044	(793)
Company				
At 1 July 2003	163	29,030	-	(25,838)
Issue of shares	29	15	1,134	-
Capital reduction	-	(25,838)	-	25,838
Retained profit for the financial year	-	-	-	(612)
At 30 June 2004	192	3,207	1,134	(612)

Following shareholder approval at the annual general meeting on 30 October 2003, the Company carried out a capital reduction which was approved by the High Court of Justice, Chancery Division on 26 November 2003. The capital reduction eliminated the accumulated deficit on the profit and loss account of the ultimate holding company, NetBenefit plc, and reduced the share premium account.

The movement on the merger reserve account represents the share premium on shares issued to acquire Easily Limited.

19 Reconciliation of movements in shareholders' funds

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
At 1 July 2003	1,838	1,778	3,355	3,322
Retained profit/(loss) for the financial year	612	22	(612)	33
Issue of shares	29	-	29	-
Share premium	15	-	15	-
Merger reserve - issue of shares	1,134	-	1,134	-
Exchange movement	22	38	-	-
At 30 June 2004	3,650	1,838	3,921	3,355



Notes to the accounts

year ended 30 June 2004

20 Operating lease commitments

At 30 June 2004 the Group and Company were committed to making the following payments during the next financial year in respect of operating leases:

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Land and buildings				
Operating leases which expires:				
Within one year	38	14	38	-
In two to five years	14	95	-	95
Over five years	5	97	-	92
	57	206	38	187

21 Contingent liabilities

At 30 June 2003 and 2004, the Group had contingent liabilities amounting to \$125,000 represented by standby letters of credit to Verisign Inc. the .com domain name registry.

22 Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	2004	2003
	£'000	£'000
Operating profit/(loss)	367	(244)
Depreciation	301	630
Amortisation of goodwill	261	250
Foreign exchange gain	22	38
(Increase)/decrease in debtors	(95)	309
Increase/(decrease) in creditors	606	(557)
Net cash inflow from operating activities	1,462	426

Notes to the accounts

year ended 30 June 2004

23 Acquisitions

On 21 May 2004 the Group acquired Easily Limited for £2,598,000. This was financed by the issue of ordinary share capital of £1,162,000 with the remainder being settled by cash.

The goodwill of £2,743,000 arising on the acquisition is being amortised over 20 years, the useful life as estimated by the directors.

Details of the fair values of the assets and liabilities acquired are set out below:

	Book value of assets acquired £'000	Accounting policy alignment £'000	Fair value adjustments £'000	Fair value £,000
Fixed assets	96	-	-	96
Debtors	88	-	(25)	63
Cash at bank	402	-	-	402
Creditors: falling due within one year	(337)	(375)	6	(706)
Net assets/(liabilities)	249	(375)	(19)	(145)

Goodwill	2,743
Consideration	2,598

Satisfied by:

2,800,000 ordinary shares at 41.5 pence	1,162
Cash consideration (including expenses of £71,000)	1,436
	2,598

Effects on Group cash flow:

Cash consideration and costs	1,436
Cash balances on acquisition	(402)
Net cash outflow	1,034

The accounting policy realignment arises from a change in accounting policy in respect of income recognition where income invoiced in advance is deferred until released in periods in which the services are provided. This treatment is in line with the Group's accounting policy and the appropriate accounting standard. The fair value adjustments are in respect of write downs and provisions against prepaid costs and deposits to the extent that they are deemed to be irrecoverable and the reassessment of current and deferred tax provisions.

The results of Easily Limited prior to its acquisition were as follows:

	As restated after accounting policy alignment		Prior to accounting policy alignment	
	1 Jan to 21 May 2004 £'000	Year ended 31 Dec 2003 £'000	1 Jan to 21 May 2004 £'000	Year ended 31 Dec 2003 £'000
Turnover	1,262	2,432	1,302	2,533
Operating profit	52	(21)	92	80
Net interest	1	4	1	4
Profit/(loss) on ordinary activities before taxation	53	(17)	93	84
Taxation	-	-	(18)	(38)
Profit/(loss) on ordinary activities after taxation	53	(17)	75	46



Notes to the accounts

year ended 30 June 2004

24 Analysis of net funds

	At 1 July 2003 £'000	Cash flow £'000	Acquisitions (excluding cash) £'000	At 30 June 2004 £'000
Cash available on demand	297	332	-	629
Cash on treasury deposit	1,150	(190)	-	960
	1,447	142	-	1,589
Finance lease	(74)	74	(13)	(13)
Net funds	1,373	216	(13)	1,576

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 loss of £612,000 (2003: profit £33,000).



NetBenefit plc

Notice of the annual general meeting

NOTICE is given that the annual general meeting of NetBenefit plc ("the Company") will be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW on 27 October 2004 at 10.00 am for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the report of the Directors and the Accounts for the year ended 30 June 2004 and the Auditor's report therein.
2. To receive, consider and approve the Director's Remuneration Report.
3. To re-appoint the following director who has been appointed since the last annual general meeting: Mr R Armstrong.
4. To re-appoint the following director who retires by rotation: Mr G Wicks.
5. To re-appoint the following director who retires by rotation: Mr K Young.
6. To re-appoint Messrs BDO Stoy Hayward LLP as auditors of the Company and to authorise the directors to agree their remuneration.

SPECIAL BUSINESS

As special business, to consider and, if thought fit, to pass the following Resolutions which will be proposed as Ordinary Resolutions in respect of Resolutions numbered 7 and 8, and as Special Resolutions in respect of Resolutions numbered 9 and 10:

7. That the authorised share capital of the Company be increased from £213,000 to £300,000 by the creation of 8,700,000 ordinary shares of 1p each ranking pari passu in all respects with the existing ordinary shares of 1p each in the capital of the Company.
8. That the directors be and are hereby authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot and to make offers or agreements to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £63,978 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this Resolution (if earlier) unless renewed or extended prior to such time except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
9. That the directors be and are hereby empowered pursuant to Section 95 of the Act and for the purposes of Article 6 of the Articles of Association of the Company to allot equity securities as defined in Section 94 of the Act for cash as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue or other pre-emptive issue in favour of shareholders (notwithstanding that by reason of such exclusions as the directors may deem necessary to deal with problems arising in any overseas territory, in connection with fractional entitlements or otherwise howsoever the equity securities to be issued are not offered to all of such persons in proportion to the number of shares held by each of them); and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £9,596.These authorities shall expire at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this Resolution (if earlier) unless renewed or extended prior to such time except that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
10. That the name of the Company be changed to: Group NBT plc.

By Order of the Board

R Nagevadia ACCA
Company Secretary

15 September 2004

Registered Office:
11 Clerkenwell Green
London EC1R 0DP

Notes

1. The following documents will be available for inspection fifteen minutes prior to and at the annual general meeting. They will also be available at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this Notice until the date of the annual general meeting:
 - (a) copies of the directors' service contracts (or a memorandum of the terms of such contracts) with the Company or any of its subsidiaries;
 - (b) the Register of Directors' Interests in the share capital of the Company;
 - (c) a copy of the Articles of Association of the Company.
2. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not also be a member of the Company. Appointment of a proxy will not preclude a member from attending the meeting and voting in person.
3. A form of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid an appointment of proxy must be returned by one of the following methods:
 - in hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below; and in each case must be received by the Company not less than 48 hours before the time of the meeting.CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting services provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, the CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 10.00am on 25 October 2004 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time and changes to the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

NetBenefit plc

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