



OverNet Data plc

Interim Report 2000



OverNet Data develops real-time interactive data and mobile commerce solutions for WAP-enabled phones and next generation handheld devices which it markets to FTSE 350 companies and other large organisations.



Highlights

- Successful flotation on AIM raising £3.2m
- Appointment as Business Partner of Vodafone Corporate
- October launch of first WAP wireless application service provision (WASP) products
- Technical WASP infrastructure in place
- Established position in high growth WAP and GPRS markets

Chairman's statement

I welcome the opportunity to write to our shareholders for the first time as Chairman of OverNet Data.

Flotation OverNet Data plc was successfully floated on the Alternative Investment Market (AIM) of the London Stock Exchange on 27 July 2000 in a placing of 3 million shares at 115p per share with institutional and other investors.

The share placing was oversubscribed and this allowed the Group to raise £3.5 million instead of the £2 million originally planned whilst maintaining the original share price. Demand for shares in OverNet Data has subsequently remained strong and this has been reflected in the Company's share price.

Some £3,156,000 of funds (net of issue expenses) was raised for the Company and this has significantly strengthened the Group's financial position as shown in the proforma net assets statement.

As stated in our prospectus, these funds will be used to invest in our business of developing and marketing real-time, interactive wireless data and mobile commerce solutions for WAP-enabled mobile phones and next generation handheld devices such as smartphones and wireless personal digital assistants (PDAs).

Prior to the flotation of OverNet Data, as detailed in the Company's prospectus, the Company was appointed a Business Partner of Vodafone Corporate Limited, recruited an experienced Board and established a strong Advisory Board.

Financial Results The financial results for the six months to 30 June 2000, showed a loss before taxation of £425,000 (1999: £27,000) and reflected an increase in recruitment and research and development costs.

As detailed in the Prospectus, the Company does not expect to pay dividends for the foreseeable future and no interim dividend is therefore declared.

Sales and Marketing Since flotation, the Company has focused on building its sales organisation and marketing activities in order to drive future growth as a systems integrator and a wireless application service provider (WASP).

Early success has been achieved with the finalisation of a portfolio of standardised WAP-based applications that are announced today. OverNet Data's first WAP WASPs have been specifically designed for businesses with mobile workforces who need access to corporate information remotely. This provides a cost-effective solution for such companies who wish to use these services and represents a development of the Group's WASPs offering. Its initial WAP WASP product offering provides corporate customers with applications such as:

- OND Phonebook – provides a way for corporate customers to upload and manage an internal phonebook on a server that is accessible to a closed user group of WAP compatible phones used by their own employees
- OND Stock Level – gives companies a way to provide their remote workers with access to their stock records from WAP compatible phones
- OND Job Allocation – enables corporate customers to manage job allocation for a defined group of remote workers using WAP compatible phones

OverNet Data has established arrangements with third parties for WASPs to be hosted on remotely located servers with high speed telecommunications connections. This will assist customers wanting rapid implementation of OverNet Data's services.

OverNet Data, which is a Business Partner of Vodafone Corporate Limited, has recently concluded arrangements for the launch of its WAP WASP products which will be unveiled in conjunction with Vodafone Corporate at TMA2000, The Telecommunications Managers Association annual exhibition in October.

Proforma net assets statement

	Balance sheet as at 30 June 2000 £000	Adjustments £000	Proforma £000
Tangible fixed assets	7	–	7
Debtors	54	–	54
Cash	183	3,156	3,339
Net current liabilities	(200)	–	(200)
Creditors due after one year	(31)	–	(31)
Net assets	13		3,169
Share capital	1,392	609	2,001
Share premium account	–	2,547	2,547
Merger reserve	(844)	–	(844)
Profit and loss account	(535)	–	(535)
	13		3,169

Basis of preparation of proforma statement explained in note 9 of the attached accounts.

In the short to medium-term, a significant proportion of the Group's revenues is expected from systems integration project work. Over the last few weeks, with the Company's increasing profile, it has begun to see a significant number of unsolicited enquiries and tenders have been submitted to a number of large organisations.

The Group is also increasing its efforts to forge strategic relationships with other industry participants to develop further its influence in this market and, to this purpose, recently joined both the WAP Forum and the Mobile Data Association.

Research and Development OverNet Data's technical staff recruitment programme has continued and the Group has strengthened its core skills and broadened its technology base.

Work on the company's initial WAP WASPs has now been successfully completed. The software incorporates functionality which is designed to facilitate rapid deployment to customers. The team is focused on meeting demand for both systems and integration projects and the development of further WASP applications as the market develops.

The Company's financial resources also enable it to recruit more staff than initially envisaged to accelerate further development of its proprietary technology, BALI™ ahead of widespread availability of GPRS services next year.

Premises We are also pleased to have now located all our staff in our new premises in Central London, providing a professional environment to attract and retain new staff and to meet corporate customers.

Outlook Despite the uncertain nature of the markets at the time OverNet Data floated, the Company raised additional funds as stated above. The Board has therefore taken the decision to increase materially its expenditure on the further development of its technology and marketing of its products to corporate customers. This will enable the Group to accelerate progress and to maximise the significant opportunities presented to it in its high growth markets.

Professor Henry J Beker, Chairman
25 September 2000

Consolidated profit and loss account

for the six months ended 30 June 2000

	Note	Unaudited six months ended 30 June 2000 £000	Neither audited nor reviewed six months ended 30 June 1999 £000	Audited year ended 31 December 1999 £000
Turnover	2	3	–	–
Cost of sales		–	–	–
Gross profit		3	–	–
Net operating expenses		(433)	(27)	(118)
Operating loss		(430)	(27)	(118)
Investment income		5	–	–
Loss on ordinary activities before taxation		(425)	(27)	(118)
Tax on loss on ordinary activities	3	–	–	–
Loss on ordinary activities after taxation		(425)	(27)	(118)
Dividends		–	–	–
Retained loss for the period		(425)	(27)	(118)
Earnings per ordinary share – Basic	4	(3.3p)	(0.3p)	(1.3p)
– Diluted	4	(3.3p)	(0.3p)	(1.2p)
– Adjusted	4	(6.6p)	(0.6p)	(2.4p)

The group's turnover and operating loss arise from continuing operations in both the current and preceding periods. There were no recognised gains or losses other than those recognised in the profit and loss account above.

Consolidated balance sheet

as at 30 June 2000

	Unaudited six months ended 30 June 2000	Neither audited nor reviewed six months ended 30 June 1999 £000	Audited year ended 31 December 1999 £000
Note	£000	£000	£000
Fixed assets			
Tangible assets	7	–	–
Current assets			
Debtors	54	1	262
Cash at bank and in hand	183	23	2
	237	24	264
Creditors: amounts falling due within one year	(200)	(50)	(26)
Net current assets/(liabilities)	37	(26)	238
Total assets less current liabilities	44	(26)	238
Creditors: amounts falling due after more than one year	(31)	–	–
Net assets/(liabilities)	13	(26)	238
Capital and reserves			
Called up share capital	5	1,392	1
Share premium account	6	–	347
Merger reserve	6	(844)	–
Profit and loss account	6	(535)	(110)
Equity shareholders' funds/(deficit)	13	(26)	238

Consolidated cash flow statement

for the six months ended 30 June 2000

	Unaudited six months ended 30 June 2000 £000	Neither audited nor reviewed six months ended 30 June 1999 £000	Audited year ended 31 December 1999 £000
Net cash (outflow)/inflow from operating activities	(310)	(27)	(84)
Returns on investments and servicing of finance	5	–	–
Taxation	–	–	–
Capital expenditure	(8)	–	–
Financing	494	50	86
Increase in cash in the period	181	23	2

Reconciliation of operating loss to net cash outflow from operating activities

	Unaudited six months ended 30 June 2000 £000	Neither audited nor reviewed six months ended 30 June 1999 £000	Audited year ended 31 December 1999 £000
Operating loss	(430)	(27)	(118)
Depreciation on tangible fixed assets	2	–	–
Net decrease in working capital	118	–	26
Warrant to acquire shares	–	–	8
Net cash (outflow)/inflow from operating activities	(310)	(27)	(84)

Reconciliation of movement in shareholders funds

	Unaudited six months ended 30 June 2000 £000	Neither audited nor reviewed six months ended 30 June 1999 £000	Audited year ended 31 December 1999 £000
Retained loss for the period	(425)	(27)	(118)
New share capital subscribed	1,044	1	348
Warranty to acquire equity shares	–	–	8
Merger difference	(844)	–	–
Net (reduction)/addition to shareholders' funds	(225)	(26)	238
Opening shareholders' funds	238	–	–
Closing shareholders' funds	13	(26)	238

Notes to the interim report

1 Accounting policies

Basis of preparation

The interim report has been prepared using accounting policies consistent with those set out in OverNet Data (UK) Limited Annual Report and Accounts for the year ended 31 December 1999 as adjusted for the following points:

OverNet Data plc was incorporated on 19 May 2000. OverNet Data plc acquired the entire share capital of OverNet Data (UK) Limited in a share for share transaction on 11 July 2000 as explained in the prospectus dated 26 July 2000.

The consolidated accounts have been prepared using merger accounting. In order to assist the balance sheet at 30 June 2000 providing meaningful financial information the consolidated interim statement as at that date has been prepared as if the share transaction took place at 30 June 2000.

The interim report has been prepared on a going concern basis which the directors believe to be appropriate for the following reasons:

Additional funds have been raised following the flotation of OverNet Data plc on AIM on 27 July 2000.

The directors have prepared forecasts for the group to 31 December 2002. The forecasts incorporate the funds raised in the flotation. On the basis of these forecasts, the directors are confident that the company is a going concern.

The comparative figures for the financial year ended 31 December 1999 are not the group's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The interim report for the six months to 30 June 2000 was approved by the Board on 25 September 2000.

2 Turnover and segmental reporting

Turnover is attributable to the one continuing activity of the provision of interactive data services to corporate customers over GSM cellular networks. Turnover in the six months ended 30 June 2000 was wholly derived from the UK.

3 Taxation

No credit for taxation benefits arising from the subsequent utilisation of taxable losses has been provided in the accounts.

4 Loss per share

	Six months ended 30 June 2000 pence	Six months ended 30 June 1999 pence	Year ended 31 December 1999 pence
Earnings per ordinary share – Basic	(3.3)	(0.3)	(1.3)
– Diluted	(3.3)	(0.3)	(1.2)
– Adjusted	(6.6)	(0.6)	(2.4)

Loss per ordinary share is based on the Group's loss for the financial period of (£425,000) (December 1999: (£118,000) and June 1999: (£27,000)).

The weighted average number of shares used in the calculation is – basic 13,002,500 (December 1999: 9,241,000 and June 1999: 7,761,400); diluted 13,002,500 (December 1999.: 9,441,000 and June 1999: 7,761,400). They have been calculated assuming the subdivision and exchange of share capital described in note 5 had taken place in respect of those shares outstanding at the relevant dates up to and including 30 June 2000.

The weighted average number of share used in the calculation of the adjusted earnings per ordinary share has been calculated assuming the share consolidation described in note 8 had taken place in respect of those shares outstanding at the relevant dates up to and including 30 June 2000.

5 Called up share capital

	Six months ended 30 June 2000 £000	Six months ended 30 June 1999 £000	Year ended 31 December 1999 £000
Authorised			
Equity: Ordinary shares of 1p each	–	1	2
Equity: Ordinary shares of 10p each	2,000	–	–
Allotted, called up and fully paid			
Equity: Ordinary shares of 1p each	–	1	1
Equity: Ordinary shares of 10p each	1,392	–	–

On 17 March 2000 2,731 1p shares were issued at par under the share option scheme. On the same date 6,060 1p shares were issued at £16.50 per share. Additionally there was a subscription for convertible loan notes which are convertible into 3,030 1p ordinary shares at a price of £16.50 per a share on a sale or listing.

Notes to the interim report

(continued)

5 Called up share capital (continued)

On 19 May 2000 OverNet Data plc issued 2 ordinary shares of £1 each at par.

On 1 June 2000 3,030 1p shares were issued at £16.50 per share by OverNet Data (UK) Limited.

On 30 June 2000 the convertible loan notes subscribed on 17 March 2000 were converted into 3,030 1p ordinary shares by OverNet Data (UK) Limited.

On 6 July 2000 the share capital of OverNet Data plc was subdivided into shares of 10p each.

On 11 July 2000 the existing issued and unissued ordinary shares of 1p in OverNet Data (UK) Limited were subdivided into 100 ordinary shares of 0.01p each and OverNet Data plc issued a further 13,925,680 ordinary shares of 10p with a nominal value of £1,392,568. The 13,925,700 10p ordinary shares of OverNet Data plc were exchanged for the entire issued share capital of OverNet Data (UK) Limited. As explained in note 1, those July share issues have been incorporated into the figures reported as at 30 June 2000.

At the period end there were outstanding share options for 1,201,000 10p shares.

6 Share premium and reserves

	Share premium account £	Merger Reserve £	Profit and loss reserve £
At beginning of the period	347	–	(110)
Retained loss for the year	–	–	(425)
Premium on issue of shares	200	–	–
Adjustment for share for share exchange	(547)	(844)	–
At 30 June 2000	–	(844)	(535)

7 Reconciliation of net cash flow to movement in net funds

	Six months ended 30 June 2000 £	Six months ended 30 June 1999 £	Six months ended 31 December 1999 £
Increase in cash in the year	181	23	2
Change in net funds resulting from cash flows	181	23	2
Net funds at start of the year	2	–	–
Net funds at the end of the year	183	23	2

8 Post balance sheet events

OverNet Data plc entered into certain transactions during July 2000 as explained in its prospectus dated 26 July 2000 which has been filed with the Registrar of Companies.

On 11 July 2000 the existing issued and unissued ordinary shares of 1p in OverNet Data (UK) Limited were subdivided into 100 ordinary shares of 0.01p each and OverNet Data plc issued a further 13,925,680 ordinary shares of 10p with a nominal value of £1,392,568. The 13,925,700 10p ordinary shares of OverNet Data plc were exchanged for the entire issued share capital of OverNet Data (UK) Limited.

On 26 July 2000, the share capital was consolidated into 20p ordinary shares.

On 26 July a further 303,000 20p ordinary shares were issued, bringing the consolidated issued share capital to 7,265,850 ordinary shares of 20p each. OverNet Data plc raised £3,156,000 (net of expenses of £344,000) on a Placing of 3,043,500 shares of 20p each on its admission to the Alternative Investment Market on 27 July 2000.

9 Proforma statement

The proforma statement has been prepared to show the adjustment to net assets that would have been required had the Placing of OverNet Data plc shares, which raised £3,156,000 (net of expenses of £344,000) as explained in Note 8, taken place at the balance sheet date.

Independent review report by KPMG Audit Plc to OverNet Data plc

Introduction

We have been instructed by the company to review the financial information set out on pages 4 to 11 and 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 Listing Rules of the London Stock Exchange 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 they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of Interim financial information issued by the Auditing Practices Board. 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 is substantially less in scope than an audit performed in accordance with 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. We did not perform a review of the comparative six months ended 30 June 1999.

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 30 June 2000.

KPMG Audit Plc

Chartered Accountants

25 September 2000

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