

To all shareholders in
Surfcontrol Plc

UK Shareholders Association
BM UKSA
London
WC1N 3XX

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Surfcontrol – Should they Pay a Dividend or Continue to Buy Back Shares?

Do you question why you have never received a dividend from your shareholding in Surfcontrol? If not you should do.

Surfcontrol has had substantial cash in the bank for several years. For example at the last year end they had cash on the balance sheet of \$58 million (£33 million). In addition they have been generating substantial cash from operations - \$23 million in the last financial year – and have no significant debts. But Surfcontrol has never paid a dividend during its 8 years as a public company.

What has the company been doing with the surplus cash that it has been generating? Investing in acquisitions or new business ventures? Not to any significant extent – in fact much of it has been used to buy back shares in the open market.

The United Kingdom Shareholders Association believes that companies that can do so should pay dividends, and we do not consider there should be any exceptions for technology businesses (after all even Microsoft is now paying a dividend). We are not opposed to open market share buy backs in all circumstances, but one without the other makes no sense to us. Our full arguments on this issue are the subject of a recent 6 page report by UKSA which we will send to you if you return the enclosed reply slip.

The United Kingdom Shareholders Association (UKSA) represents the interests of private shareholders and we would like the policy of Surfcontrol in respect of dividends to be changed.

If you support our views on this matter, please do the following:

- Return the reply slip on the following page so that we can send you more information on this issue and what you can do to support our campaign (or send an email to uksa@uksa.org.uk).
- Look at the benefits of membership in UKSA. By joining UKSA you will gain many personal benefits and promote the interests of all shareholders.

Otherwise, if you have any questions on this matter, or on UKSA membership, please contact me by email, telephone or post to the above address.

Yours sincerely



Roger Lawson
Communications Director

UKSA Campaign Response Form

Yes I am interested in supporting your campaign to change the dividend and share buy-back policies of Surfcontrol Plc. Please send me the report on this subject. Note: if you fill in an email address below, then it will be sent as a pdf document. Please supply an email address if possible as it saves us a considerable amount of money when UKSA is a non-profit making organisation with very limited funds.

Name: _____

Address: _____

Postcode: _____

Tick here to receive communications from UKSA via email

Email Address *(please write clearly in capitals):*

Telephone *(optional):* _____

Return to the UK Shareholders Association, UK Shareholders Association, BM UKSA,
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