

Electronic Service Delivery

Online Service

Information Services

e-government

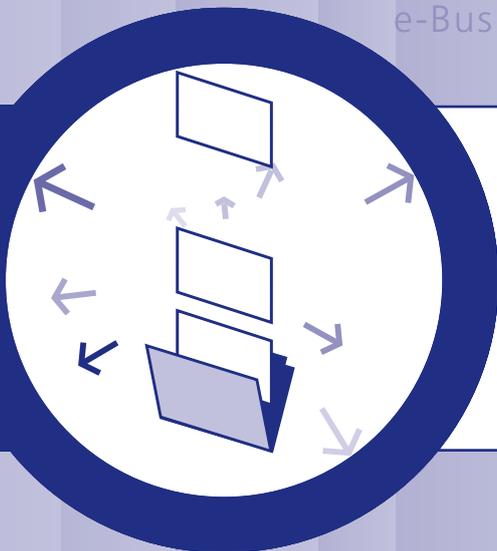
Internet Extranet Intranet

XML

Information Management

Free Text Retrieval

e-Business



i-documentsystems group plc

Annual Report & Accounts 2002

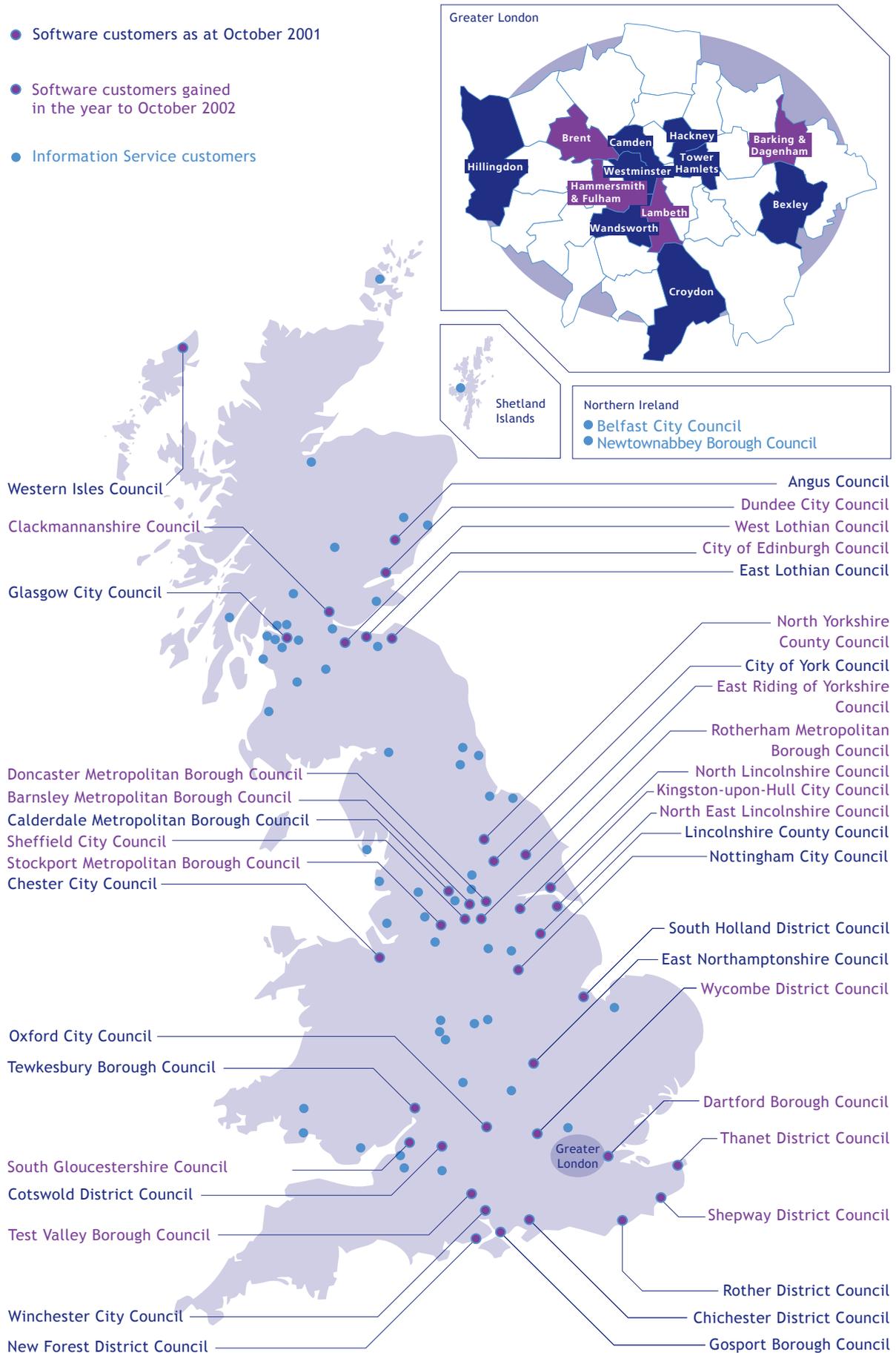


information into intelligence[®]

SOFTWARE • INFORMATION • MANAGED SERVICES

Local Authority Customers

- Software customers as at October 2001
- Software customers gained in the year to October 2002
- Information Service customers



Company Information and Contents

Directors:	J M Wisbey (Chairman) A G Fraser I R Peacock T J E Bowen C Wright Rt. Hon. P B Lilley MP
Secretary:	T J E Bowen
Registered office:	10th Floor, 21 New Fetter Lane London EC4A 1AJ
Nominated Advisor and Nominated Broker:	Noble & Company Limited 1 Frederick's Place London EC2R 8AB
Auditors:	Grant Thornton Grant Thornton House Melton Street, Euston Square London NW1 2EP
Solicitors:	Memery Crystal 31 Southampton Row London WC1B 5HT
Registrars:	Park Circus Registrars James Sellars House 2nd Floor, 144 West George Street Glasgow G2 2HG
Company registration number:	3984070

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Highlights

For the year ended 31 October 2002

Financial and Operating Highlights

- Turnover up 151% to £3.02 million (2001: £1.20 million)
- Cash of £2.54 million as at 31 October 2002 (2001: £2.37 million)
- Raised £1.43 million from new and existing investors
- Strengthening of market position as a leading e-Government solutions provider by winning 24 new council software customers during the year
- Successful acquisition and integration of The Planning Exchange
- Further development of strategic marketing alliances: Serco and BT Syntegra
- Pipeline opportunities continue to increase both in quantity and quality
- Pathfinder Planning solution delivered for Wandsworth - the first of its kind in the UK



The Accounting Reference Date of the Group was changed from 31 March to 31 October in 2000 and therefore whilst the 31 March year end dates have been audited, the re-presentation of results to 31 October as shown above have not.

Chairman's Statement

For the year ended 31 October 2002

Overview

I am pleased to report that i-documentsystems group plc, the e-Government solutions provider, has continued to meet its targets for the year ended 31 October 2002. Revenues are up 151% from £1.20 million to £3.02 million and the Group has increased its customer base using its software products from 27 to 51 local authority clients. i-documentsystems has successfully built a reputation for its software and managed services in the Local Government market and is now well positioned to reap the benefits of the considerable investment made in their development.

In the period under review, the Group also acquired the business and assets of The Planning Exchange and successfully integrated the business into the Group via a new subsidiary, IDOX Information Services Ltd. We believe this business is the most comprehensive information service on Local Government matters in the UK including economic development, education, housing, planning, transport and social services. The acquisition brings with it more than 300 customers of which approximately 70 are UK local authorities. Other clients include Government departments and agencies, consulting firms, housing organisations, research bodies and universities.

This acquisition enables i-documentsystems to be an important provider of information as well as software to Local Government. This offering is unparalleled and difficult to replicate. It will enable the Group to provide a more comprehensive service and will generate considerable cross-selling opportunities.

Financial Review

The Group's revenues rose from £1.20 million to £3.02 million, a 151% gain. Excluding revenues from the acquired business, The Planning Exchange (now IDOX Information Services Ltd), revenues would still have increased by 82%.

The Group incurred a loss of £1.48 million (2001: £1.18 million) for the year ended 31 October 2002. This equates to a loss per share of 1.11 pence (2001: 0.97 pence). Net cash as at 31 October 2002 amounted to £2.54 million (2001: £2.37 million) following the acquisition of The Planning Exchange and the capital raising exercise in May 2002.

A total of 11,986,668 New Ordinary 1p Shares were placed on behalf of the Group in May 2002 with new and existing institutional investors, at a price of 12p per share. The New Ordinary Shares rank *pari passu* with the Group's existing Ordinary Shares and represent 8.54% of the Group's enlarged issued share capital. The Placing raised £1.43 million before issue expenses, the proceeds of which were used towards the acquisition of the business and assets of The Planning Exchange and to augment the Group's existing working capital. The acquisition was completed on 7 May 2002. The New Ordinary Shares started trading on 10 May 2002 on the Alternative Investment Market (AIM) of the London Stock Exchange.

Services to Local Authorities

There are 468 local authorities in the UK, all of which are expected to comply with the Prime Minister's directive to deliver the majority of Local Government services electronically by 2005. In addition to this pressure from Central Government, there are strong cost saving and efficiency arguments for the electronic availability of documents and the need to comply fully with the Freedom of Information Act, also by 2005. Consequently the Group continues to believe that it is well placed to gain significant additional contracts from the remainder of the UK local authorities, as well as additional business from existing local authority customers.

Our AIM flotation business plan, drawn up in the second half of 2000, has proved a relatively accurate prediction of our development, although differences have inevitably emerged. It is particularly encouraging for the Group's future revenue growth that revenues per existing client have been greater than predicted, and penetration of non-Planning Local Government departments has also been better than expected. However, our internet portal, UKPlanning, has not advanced as quickly as we expected. This is in part due to the portal concept taking time to become fully accepted within its market. The core functionality of UKPlanning is now fully operational and attracting new customers. The technology developed for UKPlanning has been incorporated into our software offering, ensuring standardisation of delivery for all our customers. Prospects for UKPlanning remain positive as the benefits of the service become tangible to the early adopters.

Chairman's Statement (continued)

For the year ended 31 October 2002

The Group's business base now comprises three core elements: software, managed services and information services. We have combined these three distinct areas under the strapline of 'Information into Intelligence', with the products and services being positioned as sub-elements. This is important because the name of the individual products or even the company name could limit the perception of its various offerings.

All three core services have made substantial progress during the year. Local authority Planning Departments have remained the key market, but we have made faster progress than originally anticipated in winning contracts in other local authority departments, such as Education, Revenues and Benefits, Chief Executive's Department and Social Services. Although we believe that Planning will remain a valuable and very important long-term market for us, well beyond the 2005 deadline for online Local Government, as providers of corporate solutions we perceive a broad range of further opportunities in National and Local Government and in non-Government markets. The Group is evaluating the options available to strengthen further its Revenues and Benefits offering.

Pathfinder Project and Awards

An important milestone in the period was winning, and completing in April 2002, a Pathfinder project from Wandsworth Council for our UK Planning product. The Pathfinder initiative is a Central Government-backed project to demonstrate to other councils the cutting edge of e-Government delivery. We believe this to be the only such project in the UK with high visibility in UK Local Government circles. This has led to a significant number of enquiries, of which some have already resulted in fee-earning business.

Although i-documentsystems is principally a web/Java development company, it has been awarded the coveted Microsoft Gold Partnership. In addition to receiving complimentary licences for Microsoft programmes, this enables us to work in co-operation with Microsoft on mutually beneficial business projects.

In addition, i-documentsystems has achieved ISO9001 status. While the company has always had very high standards of quality control, this external recognition is important as the company moves toward larger contracts with substantial players who demand proof of high standards of quality.

In December 2002 the Group won the Knowledge Management Project Award at the IM2002 awards ceremony in partnership with City of York Council. This was in respect of an innovative trading standards application which used IDOX Software document and knowledge management technology for identifying illegal traders.

Strategy and Alliances

The Group will continue to sell directly to the local authority market using its own sales force and work in partnership whenever the need arises. It is our intention to continue to enhance our product and service offerings to meet the demands of the new departments we are beginning to penetrate such as Social Services, Housing and Revenues and Benefits. This is a significant part of the Group's development to meet the needs of a corporate-wide solution, the preferred procurement route for many council tenders at present.

i-documentsystems continues to seek strategic alliances in order to widen its offering and facilitate its access to new markets. In October, the Group won an eight-year contract with Syntegra, BT's systems integration business, to supply City of Edinburgh Council with our award-winning software for document and information management.

Earlier in the year, the Group also reached a three-year distribution agreement with Serco for its suite of e-Government products and services. Under the agreement, Serco will integrate i-documentsystems' software with its own and market the combined product in its core markets, including the substantial UK police force market.

This is a clear indication that the Group's software is highly adaptable and is scaleable to meet varying demands. Discussions are also being held with other potential partners to facilitate the opening of new markets. Last year the Group entered into such partnerships with Hyder Business Services (HBS) and MVM Consultants plc, a subsidiary of Anglian Water plc.

Chairman's Statement (continued)

For the year ended 31 October 2002

Although the Group's emphasis is not on the financial services sector, the Group retains a number of banking customers. The Group may develop this market further through partnerships and reseller arrangements should the market opportunity broaden.

Product Development

The product enhancements carried out this year have been designed to reinforce the Group's current leadership position as well as extending opportunities to take on additional areas of business.

Additional functionality was built for the successful implementation of the Wandsworth Pathfinder project. This provides the customer with one of the most advanced and feature rich e-Government implementations. It encompasses online electronic forms, electronic payment, CAD (Computer Aided Design) file conversion, integration with online GIS (Geographical Information System) and XML (eXtensible Markup Language) integration with an existing application system, all delivered on time and to budget.

Enhancements to the electronic document handling capabilities of the product have included check-in and check-out functionality direct from Microsoft Office and other applications. This includes the use of 'WebDAV', a recent industry development for the authoring of electronic documents over the internet. This enables customers to combine the use of a web browser for document distribution, with the ease of Microsoft Office type applications.

Other internet-related developments included the recent implementation of an online committee minutes system, designed in conjunction with Lincolnshire County Council and HBS. This enables full public participation, using the internet, in the committee process.

Facilities available with the UKPlanning offering for the provision of electronic services to Planning Departments have been considerably enhanced, including the introduction of online form submission from the UKPlanning web site and the IDOX Information Service online.

On 30 September 2002, the software development team released version 3.7 of the core software product, including a new interface. This incorporated many enhancements to respond to customer demands, and essential changes required to ease the rollout of the product to large corporate clients. The release of this product coincided with the branding of our core software product as IDOX Software, rather than Image-Gen. The Image-Gen brand has held the Group in good stead for many years, however it is no longer appropriate for expressing the range and depth of our product offerings. Initial reactions to this change from our customer and partner base have been positive.

Directorate Changes

The Rt. Hon. Peter Lilley MP joined the Board as a Non-Executive Director on 31 October 2002. As a former Secretary of State for Social Security, Secretary of State for Trade and Industry, and Economic Secretary to the Treasury, and a period as Shadow Chancellor of the Exchequer, he brings with him a wealth of experience of Central and Local Government which we believe will be of considerable benefit to the Group, especially as it seeks to achieve an increasingly strategic role with both Local and Central Government. This is in addition to his financial skills as a former director of Greenwell Montagu Ltd.

Ian Peacock, who has been a Non-Executive Director since 2000, will be standing down immediately after the Annual General Meeting on 30 January 2003. Mr Peacock's recent appointment to the Chairmanship of Mothercare plc, in addition to his Chairmanship of MFI Furniture Group plc and Deputy Chairmanship of Lombard Risk Management plc, has led him to review his other business commitments. I would like to thank Ian for his considerable contribution to i-documentsystems over almost three years covering a period of rapid growth by the Group and its flotation on AIM.

Tim Bowen has been appointed Chief Operating Officer of the Group. He will fulfil this role alongside his current position as Chief Financial Officer.

Chairman's Statement (continued)

For the year ended 31 October 2002

People

With the acquisition of The Planning Exchange in May 2002, the Group has acquired an additional 27 staff, taking overall staff numbers to 80 as at 31 October 2002 (2001: 45). Other than for a limited number of new positions, no further staff expansion is expected in the next year. During the year under review i-documentsystems has built a highly skilled team capable of delivering and managing services to existing clients and taking advantage of prospective business opportunities.

Dividend

In line with stated policy, earnings for the foreseeable future will be re-invested to finance the growth of the Group's business. The Directors do not recommend the payment of a dividend.

Outlook

The Group has more than doubled revenue compared with the previous year and exceeded the target of 50 IDOX Software local authority clients. The Board is confident that there will be significant revenue growth in the year to October 2003 with no diminution of demand from the UK local authority market.

The Group's primary financial goal now is to become a profitable cash-generative business with continued strong revenue growth. The speed at which this is achieved is dependent upon the rate at which Local Authorities can gear themselves up to reach the Government's target to improve the delivery of all services using electronic technology by 2005. The Board believes, however, that by the end of the current financial year we should be starting to enjoy regular profitability on a monthly basis. This will be achieved through strong and steady rises in revenue over the financial year with only marginal extra cost increases necessary in 2003 to support the business over the same period. The latter is realistic because the key staff and infrastructure costs to support the business have already been put in place.

In the past the greatest difficulty in forecasting the Group's financial progress has not been the winning of new business but the variation in length of time between serious expression of interest and contract award, which can be more than a year. This will continue to remain a risk factor for timing of revenues, but the Board hopes that the Group will continue its record at being adept in this environment.

The Board is fiercely committed to securing the best interests of our shareholders and to driving forward profitability through increased market share both organically and by acquisition. The efforts of our team, together with increased brand awareness, continue to produce a strong pipeline of new opportunities.

The Board would like to thank all the staff of i-documentsystems, both in Glasgow and in London, for their considerable hard work and the successful and swift integration of IDOX Information Services Ltd. There is considerable strategic value in the combination of our two businesses and the Board has high expectations of what can be achieved.

John Wisbey

Chairman

13 December 2002

Board of Directors

For the year ended 31 October 2002



Chairman: John Wisbey (Aged 46)

John Wisbey has been Chairman of i-documentsystems since its formation in 1994. He is also Chairman and Group CEO of Lombard Risk Management plc, the holding company of a group he founded in 1988. Before founding Lombard Risk he was previously employed by Kleinwort Benson in various commercial banking and trading positions that included being head of option trading and a Director of the Swaps Group of Kleinwort Benson Securities.



Chief Executive Officer: Andrew Fraser (Aged 45)

Andrew Fraser was appointed CEO of i-documentsystems early in 1999. He has held senior sales and marketing positions with a number of multinational blue-chip IT companies including Wang, Unisys and Honeywell. Andrew has considerable IT knowledge and experience, having been involved in information technology since the 1970s.



Chief Financial Officer & Chief Operating Officer: Tim Bowen (Aged 38)

Tim Bowen joined i-documentsystems in June 2000 and is responsible for the finance and operational functions within the Group. He is also Company Secretary. Tim has held Board positions in fast growing IT service related businesses (public and private) since 1995. He is a graduate of Accounting and Financial Management and a Fellow of the Chartered Institute of Management Accountants.



Non-Executive Director: Christopher Wright (Aged 45)

Christopher Wright was Head of the Global Private Equity business at Dresdner Kleinwort Capital until March 2002. He is currently Senior Advisor to Allianz in private equity matters and Chairman of various investment committees and funds managed by its affiliate, Dresdner Kleinwort Capital. He is a Non-Executive Director of Lombard Risk Management plc and a Director of a number of businesses (public and private) based both in the USA and Europe.



Non-Executive Director: Rt. Hon. Peter Lilley MP (Aged 59)

Peter Lilley, MP for Hitchin and Harpenden, held two major cabinet posts in the last Conservative Government. He was Parliamentary Private Secretary to Ministers for Local Government from 1983-84. He was appointed Secretary of State for Trade and Industry from 1990-92, becoming Secretary of State for Social Security from 1992-97. He was previously a Director of Greenwell Montagu Ltd. He is currently a Non-Executive Director of Flemings Claverhouse Investment Trust and a Member of the Advisory Board of the School of Management at the University of Southampton.



Non-Executive Director: Ian Peacock (Aged 55)

Ian Peacock is Chairman of MFI Furniture Group plc, and was appointed Chairman of Mothercare plc on 1 November 2002. Ian is also Deputy Chairman of Lombard Risk Management plc and a Non-Executive Director of the Norwich and Peterborough Building Society. Ian Peacock is stepping down as a Director after the forthcoming Annual General Meeting.

Directors' Report

For the year ended 31 October 2002

The Directors are pleased to submit their report and audited accounts for the year ended 31 October 2002.

Principal Activities and Review of Business

The principal activities of the Group are the development and supply of computer software, related consulting services and information management for local authorities and related bodies. A more detailed review of the business can be found in the Chairman's Statement on pages 3 to 6.

Results and Dividends

The audited accounts for the year ended 31 October 2002 are set out on pages 13 to 28. The Group's loss for the year after tax amounted to £1,483,473. (2001: £1,181,273). The Directors do not propose a dividend for the year.

Directors and their Interests

The Directors who served during the year and their beneficial interests in the Group's ordinary share capital were as follows:

	Number of Shares 2002	Number of Shares 2001
J M Wisbey*	47,039,601	53,819,600
A G Fraser	14,655,300	14,655,300
T J E Bowen	1,863,500	1,363,500
I R Peacock	533,800	533,800
C Wright	Nil	Nil
P Lilley	Appointed 31 October 2002	Nil

*20,000,000 of these shares are held in a trust in which J M Wisbey has an interest and 26,989,601 are held by Lombard Risk Management plc, a company controlled by J M Wisbey.

In addition to the shareholdings listed above, Andrew Fraser and Tim Bowen have been granted options over ordinary shares. During the year, Tim Bowen exercised options over 500,000 ordinary shares. Full details of these options are given in the Report on Remuneration on page 9.

In accordance with the articles of association, Ian Peacock and Tim Bowen retired by rotation and were re-elected at the Annual General Meeting held on 31 January 2002. John Wisbey and Andrew Fraser are due to retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. Ian Peacock has announced his intention to stand down immediately after the next Annual General Meeting. Peter Lilley was appointed to the Board on 30 October 2002 and this appointment will be put forward for approval at the next Annual General Meeting on 30 January 2003.

Details of the Directors' Service Contracts can be found in the Report on Remuneration on page 9.

Charitable and Political Donations

The Group made no charitable or political donations during the year (2001:nil).

Substantial Shareholdings

As at 11 December 2002 the Group was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of Shares	% Holding
Lombard Risk Management plc	26,989,601	19.17
J M Wisbey	20,050,000	14.24
A G Fraser	14,655,300	10.41
Herald Investment Trust plc	12,416,667	8.81
ISIS Equity Partners	8,333,334	5.91
Dresdner Kleinwort Wasserstein Ltd	7,812,500	5.55
Invesco Perpetual Smaller Company Core Fund	7,500,000	5.35
P M Woodrow	5,258,300	3.73

Payment of Creditors

It is the Group's practice to agree credit terms with all suppliers and to pay all approved invoices within these agreed terms. The average trade creditor days for the year was 54 days (2001: 35 days).

Health, Safety and Environmental Policies

The Group recognises and accepts its responsibility for health, safety, and the environment (H,S&E) and has a dedicated team which provides advice and support in this area. The team members regularly attend external H,S&E courses. Internal reviews are performed on a regular basis to ensure best practice and compliance with all relevant legislation.

Employee Consultation

The policy of informing and consulting with employees is maintained by means of regular team briefs and meetings as well as a monthly update report. Employees are encouraged to present their views and suggestions in respect of the Group's performance. In addition, the Group has introduced an intranet which facilitates faster and more effective communication.

Post Balance Sheet Events

No circumstances have arisen since the balance sheet date in respect of matters which would require adjustment or disclosure in the accounts.

Auditors

A resolution to re-appoint Grant Thornton as auditors and to authorise the Directors to agree their remuneration will be placed before the forthcoming Annual General Meeting of the Group.

By order of the Board

Tim Bowen
Company Secretary
13 December 2002

Registered Office

10th Floor
21 New Fetter Lane
London EC4A 1AJ

Report on Remuneration

For the year ended 31 October 2002

Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises the Chairman and two other Non-Executive Directors. It is chaired by Ian Peacock.

Remuneration Policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key staff. The packages are designed to be competitive in value to those offered to the directors of similar sized public companies in the technology sector. The components of the Executive Directors' remuneration packages are currently a basic salary, a performance bonus, pension contributions and benefits in kind. The benefits include car allowance, private medical cover, life cover and critical illness cover. The package has included this year, for the first time, a bonus element and a pension contribution entitlement in accordance with the staff scheme. The Remuneration Committee is considering various long term incentive plans and, if appropriate, will present these to shareholders at the next available AGM.

Directors' Remuneration

	Salary	Bonus	Benefits	Total	Total	Pension	Pension
	£	£	£	2002	2001	2002	2001
	£	£	£	£	£	£	£
Executive Directors							
Andrew Fraser	114,492	35,310	11,085	160,887	122,272	2,247	-
Tim Bowen	93,675	28,890	11,144	133,709	99,040	1,865	-
Non Executive Directors							
John Wisbey	31,750	-	449	32,199	30,423	-	-
Ian Peacock	15,875	-	-	15,875	15,345	-	-
Christopher Wright	9,625	-	-	9,625	-	-	-
Peter Lilley	-	-	-	-	-	-	-
	<u>265,417</u>	<u>64,200</u>	<u>22,678</u>	<u>352,295</u>	<u>267,080</u>	<u>4,112</u>	<u>-</u>

Non-Executive Directors

The Board, based on a recommendation by the Non-Executive Chairman or, in the case of the Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors.

Service Contracts

The Executive Directors have entered into Service Contracts with the Group that are terminable by either party on not less than six months prior notice.

Share Options

The Directors believe it is important to incentivise key management and employees generally by granting them options over shares in the Group to allow them to participate over time in any increase in value of the Group. The following options have been granted to the Executive Directors over Ordinary 1p shares in the Group:

Director	At start of year	Granted during the year	Exercised	At end of year	Exercise price	Exercise date From	Exercise date To
Tim Bowen	1,375,000	-	-	1,375,000	5.00p	Nov 2000	Nov 2010
Tim Bowen	1,500,000	-	-	1,500,000	12.75p	Nov 2001	June 2010
Tim Bowen	500,000	-	500,000	-	5.00p	Dec 2000	Dec 2005
Tim Bowen	-	500,000	-	500,000	11.00p	Apr 2004	Oct 2012
Andrew Fraser	-	500,000	-	500,000	11.00p	Apr 2004	Oct 2012

The mid market price of the Group's shares at close of business on 31 October 2002 was 11.75p and the high and low share prices during the year were 18.30p and 10.50p respectively.

A Director exercised options over 500,000 shares on 30 October 2002. The market price on this date was 10.50p. The aggregate notional gain made by the Director on the exercise of share options during the year was £27,500. Subject to Inland Revenue approval, the date by which all options granted by the Group must be exercised has been extended from five to ten years from date of grant. In addition, where appropriate, the employer's National Insurance liability has been transferred from the option holder to the Group.

Directors' Share Interest

The Directors' shareholding in the Group is listed in the Directors' Report on page 8.

Corporate Governance Report

For the year ended 31 October 2002

Combined Code

The Group is committed to applying the highest principles of corporate governance commensurate with its size. The Group complies with the principles of the Combined Code annexed to the Listing Rules of the London Stock Exchange except in relation to:

- Code provision A.2.1 and A.3.2 whereby given the small size of the Board, the Group has not identified the senior independent Non-Executive Director.
- Code provision A.5.1 whereby given the small size of the Board it is not considered necessary to constitute a separate Nominations Committee. The whole Board will act as the Nominations Committee.
- Code provision B.1.4 whereby the Remuneration Committee has not set up any proportion of the Executive Directors' remuneration to be performance related.
- Code provision B.2.1 whereby the Remuneration Committee be comprised of independent Non-Executive Directors.
- Code provision D.3.1 whereby the Audit Committee comprised only two Non-Executive Directors for part of the year rather than three as recommended. No members of the Audit Committee are independent.

Internal Controls

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially of financial control, can only provide reasonable, not absolute, assurance that no material loss or misstatement has occurred.

The key features of the system of internal control are set out below:

- i-documentsystems group plc has established an operational management structure with clearly defined responsibilities and regular performance reviews.
- The Group operates a financial reporting system, where actual results are monitored against budgets, forecasts and other performance indicators with action dictated accordingly.
- A structured approval process based on assessment of risk and value has been delivered.
- Sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management.
- The Group has an ongoing process for identifying, evaluating and managing the significant risks that it

faces. This process has been in place for the year and is periodically reviewed by the Board.

- The Group has established a quality management workshop that meets three times a year to review procedures and working methods, making recommendations where appropriate for improvement.

The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties which need to be disclosed in the accounts. The Board has considered the need for an internal audit function and concluded there is no current need for such a function within the Group. Following publication of Internal Control: Guidance for Directors on the Combined Code (the Turnbull Guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year under review and up to the date of approval of the Annual Review and Accounts. This process is regularly reviewed by the Board and is consistent with the Turnbull Guidance.

The Glasgow office, which was established in October 2001, as well as the business acquired in May 2002 now trading as IDOX Information Services Ltd, have both been fully integrated into the Group's procedures and controls.

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance Report (continued)

For the year ended 31 October 2002

The Directors are responsible for ensuring that the Directors' Report and other information included in the annual report is prepared in accordance with United Kingdom company law. They are also responsible for ensuring that the annual report includes information required by the AIM Rules.

The maintenance and integrity of the web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and the dissemination of the accounts and other information included in annual reports may differ from legislation in other jurisdictions.

Accounting Policies

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies and estimation techniques are prudent in particular in relation to income recognition, research and development and deferred expenses.

The Board intends to develop a plan for the Implementation of International Financial Reporting Standards, in accordance with the European Union requirements, during the financial year ending 31 October 2003.

Board of Directors

The Board, comprising two Executive Directors, a Non-Executive Chairman and three Non-Executive Directors, is responsible for overall strategy and direction of i-documentssystemsgroup plc as well as for approving potential acquisitions, major capital expenditure items and financing matters. The Board has a formal schedule of business reserved to it and meets regularly during the year. The Board is supplied in a timely manner with information in a form, and of a suitable quality, appropriate to enable it to discharge its duties. Advice from independent sources is available. The Board monitors exposure to key business risks and reviews the strategic direction of the Group and the annual budgets as well as progress against those budgets.

The Board members and their roles are described on page 7. The Executive Directors have service contracts which are terminable upon six months' notice. In accordance with the Company's Articles of Association, one third of the Directors are required to retire by rotation at the Annual General Meeting.

Shareholder Relations

i-documentssystemsgroup plc is committed to open communication with all its shareholders. The Directors hold regular meetings with institutional shareholders to discuss and review the Group's activities and objectives. Communication with private shareholders is principally through the AGM, where participation is encouraged and where the Board is available to answer questions. i-documentssystemsgroup plc maintains current information on the Investor Relations section of its web site .

Every shareholder receives a full annual report each year-end and at the half-year they receive an interim report. Care is taken to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements.

i-documentssystemsgroup plc strives to give a full, timely and realistic assessment of its business in a balanced way, in all price-sensitive reports and presentations.

Audit Committee

The Audit Committee is formally constituted with terms of reference. The Committee is chaired by Christopher Wright, who is a Non-Executive Director, and the other members are John Wisbey who is Chairman and Ian Peacock who is a Non-Executive Director of the Group. The Committee meets at least twice a year and receives reports from the Group's auditors. The Committee also reviews the interim and final accounts prior to approval by the Board.

The Remuneration Committee

The Remuneration Committee is chaired by Ian Peacock and comprises two other Non-Executive Directors. This committee determines the remuneration and benefits packages for the Executive Directors and any changes to their service contracts. The committee also approves any share related incentive schemes within the Group.

Going Concern

The Directors have reviewed the Group's budget and cash flows for 2003 and the medium term plan produced to the year 2005 and are satisfied that it is appropriate to prepare the accounts on a going concern basis.

Independent Auditors' Report to the members of i-documentsystems group plc

For the year ended 31 October 2002

We have audited the financial statements of i-documentsystems group plc for the year ended 31 October 2002 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of the Directors and Auditors

The Directors' responsibilities for preparing the annual report and accounts in accordance with United Kingdom law and 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 Group 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 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 Chairman's Statement, the Report on Remuneration and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's Corporate Governance procedures or its Risk and Control Procedures. Our responsibilities do not extend to any other information.

Basis of 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 the Group's and the Company's affairs as at 31 October 2002 and of the loss for the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON

13 December 2002

Registered Auditors
Chartered Accountants
London

Consolidated Profit and Loss Account

For the year ended 31 October 2002

	Note	2002 £	2001 £
Turnover			
Ongoing		2,186,429	1,201,192
Acquisitions		831,173	-
		<u>3,017,602</u>	<u>1,201,192</u>
Cost of sales			
Ongoing		(543,495)	(431,730)
Acquisitions		(123,666)	-
		<u>(667,161)</u>	<u>(431,730)</u>
		2,350,441	769,462
Staff costs			
Ongoing		(2,195,943)	(1,296,372)
Acquisitions		(328,728)	-
		<u>(2,524,671)</u>	<u>(1,296,372)</u>
Other operating charges			
Ongoing		(1,059,913)	(800,885)
Acquisitions		(326,758)	-
		<u>(1,386,671)</u>	<u>(800,885)</u>
Operating (loss)/profit			
Ongoing		(1,612,922)	(1,327,795)
Acquisitions		52,021	-
	2	<u>(1,560,901)</u>	<u>(1,327,795)</u>
Net interest	4	<u>77,428</u>	<u>146,522</u>
Loss on ordinary activities before taxation			
		(1,483,473)	(1,181,273)
Tax on loss on ordinary activities	5	-	-
Loss for the period transferred from reserves	16	<u>(1,483,473)</u>	<u>(1,181,273)</u>
Loss per share (pence)	7	(1.11)p	(0.97)p

All operations are attributable to continuing operations.

There are no recognised gains or losses other than those set out above.

The accompanying accounting policies and notes form an integral part of these accounts.

Consolidated Balance Sheet

At 31 October 2002

	Note	2002 £	2001 £
Fixed assets			
Intangible fixed assets	8	696,906	-
Tangible fixed assets	9	259,727	124,094
Investments	10	28,344	-
		<u>984,977</u>	<u>124,094</u>
Current assets			
Debtors	11	1,167,227	797,096
Cash at bank and in hand		2,537,752	2,371,758
		<u>3,704,979</u>	<u>3,168,854</u>
Creditors: amounts falling due within one year	12	<u>(1,949,553)</u>	<u>(625,862)</u>
Net current assets		1,755,426	2,542,992
Creditors: amounts falling due after more than one year	13	(40,000)	-
Net assets		<u>2,700,403</u>	<u>2,667,086</u>
Capital and reserves			
Called up share capital	15	1,408,039	1,283,172
Deferred share capital	15	1,112,014	1,112,014
Share premium account	16	4,098,538	2,789,389
Other reserves	16	1,294,745	1,239,471
Profit and loss account	16	(5,212,933)	(3,756,960)
Shareholders' funds	16	<u>2,700,403</u>	<u>2,667,086</u>

The accounts were approved by the Board of Directors on 13 December 2002.

Andrew Fraser
Chief Executive Officer

Tim Bowen
Chief Financial Officer

The accompanying accounting policies and notes form an integral part of these accounts.

Company Balance Sheet

At 31 October 2002

	Note	2002 £	2001 £
Fixed assets			
Investments	10	2,111,857	2,111,853
Current assets			
Debtors due after one year	11	4,555,589	1,928,612
Cash at bank and in hand		-	1,206,744
		<u>4,555,589</u>	<u>3,135,356</u>
Creditors: amounts falling due within one year	12	-	(13,779)
Net current assets		<u>4,555,589</u>	<u>3,121,577</u>
Net assets		<u>6,667,446</u>	<u>5,233,430</u>
Capital and reserves			
Called up share capital	15	1,408,039	1,283,172
Deferred share capital	15	1,112,014	1,112,014
Share premium account	16	4,098,538	2,789,389
Profit and loss account	16	48,855	48,855
Shareholders' funds	16	<u>6,667,446</u>	<u>5,233,430</u>

The accounts were approved by the Board of Directors on 13 December 2002.

Andrew Fraser
Chief Executive Officer

Tim Bowen
Chief Financial Officer

The accompanying accounting policies and notes form an integral part of these accounts.

Consolidated Cash Flow Statement

For the year ended 31 October 2002

	Note	2002 £	2001 £
Net cash outflow from operating activities	18	(843,324)	(1,477,539)
Returns on investments and servicing of finance			
Interest received		77,143	145,439
Net cash inflow from returns on investments and servicing of finance		77,143	145,439
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(236,377)	(142,921)
Sale of tangible fixed assets		-	1,116
Purchase of investment		(28,344)	-
Net cash outflow from capital expenditure and financial investment		(264,721)	(141,805)
Acquisitions			
Purchase of trade and assets		(418,601)	-
Net cash balances acquired with trade and assets		181,481	-
Net cash outflow from acquisitions		(237,120)	-
Financing			
Issue of shares		1,434,016	3,115,897
Net cash inflow from returns on investments and servicing of finance		1,434,016	3,115,897
Increase in cash	19	165,994	1,641,992

The accompanying accounting policies and notes form an integral part of these accounts.

Notes to the Accounts

For the year ended 31 October 2002

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The policies have remained unchanged from the previous period except that FRS 19 "Deferred Taxation" is adopted for the first time. The adoption of this standard has no impact on the reporting of the current or previous year's results.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings (see note 10) drawn up to 31 October 2002. The Group's subsidiary i-documentsystems Limited has been consolidated using merger accounting in accordance with FRS 6 "Acquisitions and Mergers". All other acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Turnover and income recognition

Turnover represents the amounts receivable in respect of goods and services provided during the year, stated net of value added tax. Turnover and pre-tax profits are wholly attributable to the principal activity. Analysis of turnover by geographical market is not disclosed because in the opinion of the Directors the majority of the turnover arises in the United Kingdom and overseas sales are not material. Where services are invoiced in advance that proportion of revenue relating to future periods is deferred.

Goodwill

Purchased goodwill representing the excess of the fair value of the consideration paid over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over a period of 10 years, being its estimated useful life.

Tangible fixed assets and depreciation

Depreciation is provided using the following rates and bases so as to write off the cost or valuation of tangible fixed assets over their expected useful lives. The rates generally applicable are:

Computer hardware	50% straight line
Computer software	100% straight line
Fixtures, fittings and equipment	25% straight line
Library books and journals	33.33% straight line

Investments

Investments are included at cost less the amounts written off.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Notes to the Accounts (continued)

For the year ended 31 October 2002

Contributions to Group Personal Pension Plans

Contributions paid to the Group personal pension plans of employees are charged to the profit and loss account in the period in which they become payable.

Research and development

Research and development costs are written off to the profit and loss account as they are incurred.

Financial instruments

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Government grants

Where Government grants are received in respect of capital expenditure, these are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets when it is reasonably certain that they will not become repayable.

Where Government grants are received in respect of revenue expenditure, these are credited to the profit and loss account in the same period as the related expenditure when it is reasonably certain they will not become repayable.

Operating leases

Amounts paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£	£
The loss on ordinary activities is stated after:		
Auditors' remuneration:		
Audit services	21,500	13,000
Non-audit services	6,996	14,875
Goodwill amortisation	30,250	-
Loss on foreign exchange translation	132	(2,189)
Operating lease rentals – hire of plant and machinery	7,550	-
Operating lease rentals – buildings	71,350	-
Depreciation:		
Tangible fixed assets, owned	150,029	50,674

During the year the auditors provided services in connection with the acquisition of the assets and liabilities of The Planning Exchange totalling £8,376. This amount was capitalised as part of the investment.

Notes to the Accounts (continued)

For the year ended 31 October 2002

3 DIRECTORS AND EMPLOYEES

	2002	2001
	£	£
Staff costs during the year were as follows:		
Wages and salaries	2,244,057	1,160,756
Social security costs	242,967	122,273
Pension costs	37,647	13,343
	<u>2,524,671</u>	<u>1,296,372</u>

At 31 October 2002 the Group had 80 employees. The average number of employees of the company during the year was 63 (2001:27):

	2002	2001
	£	£
Office and administration (including Directors of the Company and its subsidiary undertakings)	11	6
Sales	14	5
Software development	15	9
Training	2	6
Support	10	1
Information services	11	-
	<u>63</u>	<u>27</u>

	2002	2001
	£	£
Remuneration in respect of directors was as follows:		
Aggregate emoluments	352,295	267,080
Pension contributions	4,112	-
	<u>356,407</u>	<u>267,080</u>

	2002	2001
	£	£
The amounts set out above include remuneration in respect of the highest paid director as follows:		
Aggregate emoluments	160,887	122,272
Pension contributions	2,247	-
	<u>163,134</u>	<u>122,272</u>

Details of the remuneration for each director are included in the remuneration report which can be found on page 9.

4 NET INTEREST

	2002	2001
	£	£
Interest receivable	<u>77,428</u>	<u>146,522</u>

Notes to the Accounts (continued)

For the year ended 31 October 2002

5 TAX ON LOSS ON ORDINARY ACTIVITIES

There was no charge for taxation for the year ended 31 October 2002 (2001: £nil) due to operating losses in the current year. Unrelieved tax losses of £797,563 (2001:£425,904) remain available to offset against future taxable trading profits.

Factors affecting tax losses available for carry forward in the period:

	2002 £	2001 £
Loss on ordinary activities before taxation	(1,483,473)	(1,181,273)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(445,042)	(354,382)
Effects of: Expenses not deductible for tax purposes	21,048	2,261
Depreciation in excess of capital allowances	45,005	15,202
Capital expenditure in revenue	1,753	1,888
General provision	5,577	7,689
Increase in tax losses	371,659	327,342
Current year tax charge	-	-

6 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was nil (2001: £48,855).

7 LOSS PER SHARE

The loss per ordinary share is calculated by reference to the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period, as follows:

	2002 £	2001 £
Loss for the year	(1,483,473)	(1,181,273)
Weighted average number of shares in issue	133,976,939	122,139,763
Loss per share	(1.11)p	(0.97)p

The deferred ordinary shares and options are anti dilutive under FRS 14.

Notes to the Accounts (continued)

For the year ended 31 October 2002

8 INTANGIBLE FIXED ASSETS

The Group	Purchased goodwill £
Cost	
At 1 November 2002	-
Additions	727,156
At 31 October 2002	<u>727,156</u>
Amortisation	
At 1 November 2002	-
Provided in the year	30,250
At 31 October 2002	<u>30,250</u>
Net book amount at 31 October 2002	<u>696,906</u>
Net book amount at 31 October 2001	<u>-</u>

Goodwill arose on the acquisition of the trade and net assets of The Planning Exchange as set out in note 20.

9 TANGIBLE FIXED ASSETS

The Group	Computer hardware £	Fixtures, fittings and equipment £	Computer software £	Library books and journals £	Total £
Cost					
At 1 November 2001	265,865	79,028	33,805	-	378,698
Assets of business acquired	20,509	6,707	-	94,831	122,047
Additions	174,461	34,468	14,722	12,726	236,377
At 31 October 2002	<u>460,835</u>	<u>120,203</u>	<u>48,527</u>	<u>107,557</u>	<u>737,122</u>
Depreciation					
At 1 November 2001	190,182	40,147	24,275	-	254,604
Assets of business acquired	12,851	3,809	-	56,102	72,762
Provided in the year	101,101	15,005	18,633	15,290	150,029
At 31 October 2002	<u>304,134</u>	<u>58,961</u>	<u>42,908</u>	<u>71,392</u>	<u>477,395</u>
Net book amount at 31 October 2002	<u>156,701</u>	<u>61,242</u>	<u>5,619</u>	<u>36,165</u>	<u>259,727</u>
Net book amount at 31 October 2001	<u>75,683</u>	<u>38,881</u>	<u>9,530</u>	<u>-</u>	<u>124,094</u>

10 INVESTMENTS

The Group	Investment in own shares £
Cost	
At 1 November 2001	-
Additions	28,344
At 31 October 2002	<u>28,344</u>
Amounts written off	
At 1 November 2001 and 31 October 2002	<u>-</u>
Net book amount	
At 31 October 2002	<u>28,344</u>
At 31 October 2001	<u>-</u>

Notes to the Accounts (continued)

For the year ended 31 October 2002

Investment in own shares represents 250,000 ordinary shares of 1p each in i-documentsystems group plc held at cost by an employee share ownership trust, established for the purpose of satisfying obligations for the benefit of the Group's employees, which is administered by i-documentsystems Trustees Ltd.

The trust was set up as an incentive for the benefit of the officers and employees of the Group. The trust may distribute these shares at its own discretion. During the year no shares were allocated to employees.

The market value of these shares at 31 October 2002 was £29,375 (2001: nil).

	Shares in group undertakings £
The Company	
Cost	
At 1 November 2001	2,111,853
Additions	4
At 31 October 2002	<u>2,111,857</u>
Amounts written off	
At 1 November 2001 and 31 October 2002	-
Net book amount	
At 31 October 2002	<u>2,111,857</u>
At 31 October 2001	<u>2,111,853</u>

The additions are in respect of the following newly incorporated subsidiaries: IDOX Information Services Ltd, IDOX Ltd, Information into Intelligence Ltd, and The Planning Exchange Ltd.

At 31 October 2002 the company held more than 10% of the allotted share capital of the following companies:

	Country of registration	Class of share held	Proportion held	Nature of business
i-documentsystems Ltd	England	Ordinary	100%	Software services
IDOX Information Services Ltd	England	Ordinary	100%	Information services
IDOX Ltd	England	Ordinary	100%	Dormant company
Information into Intelligence Ltd	England	Ordinary	100%	Dormant company
The Planning Exchange Ltd	England	Ordinary	100%	Dormant company
i-documentsystems Trustees Ltd	England	Ordinary	100%	Corporate trustee of employee share ownership trust

All subsidiaries have been consolidated in the accounts.

11 DEBTORS

	The Group		The Company	
	2002 £	2001 £	2002 £	2001 £
Trade debtors	970,330	547,317	-	-
Amounts owed by group undertakings	-	-	4,555,589	1,921,759
Other debtors	6,650	13,325	-	3,511
Prepayments and accrued income	190,247	236,454	-	3,342
	<u>1,167,227</u>	<u>797,096</u>	<u>4,555,589</u>	<u>1,928,612</u>

Included in the above for the company is £4,555,589 (2001: £1,928,612) which is due after more than one year. The directors consider this loan to be recoverable.

Notes to the Accounts (continued)

For the year ended 31 October 2002

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2002	2001	2002	2001
	£	£	£	£
Trade creditors	311,700	241,966	-	13,779
Social security and other taxes	174,300	96,895	-	-
Other creditors	12,544	58,493	-	-
Deferred consideration	10,000	-	-	-
Accruals and deferred income	1,441,009	228,508	-	-
	<u>1,949,553</u>	<u>625,862</u>	<u>-</u>	<u>13,779</u>

Included in accruals and deferred income is £135,000 of Government grants. In accordance with the Group's accounting policy none of these amounts will be recognised within the profit and loss account until it is reasonably certain that they will not be repayable.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2002	2001	2002	2001
	£	£	£	£
Deferred consideration	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

14 FINANCIAL INSTRUMENTS

The Group does not trade in financial instruments. As permitted by FRS 13, short term debtors and creditors have been excluded from disclosures, other than the currency risk disclosures.

Interest Rate Risk

	Fixed rate financial assets £	Floating rate financial assets £	Financial assets on which no interest is paid £	Total financial assets £
Sterling Financial Assets at 31 October 2002	<u>-</u>	<u>2,537,752</u>	<u>-</u>	<u>2,537,752</u>
Sterling Financial Assets at 31 October 2001	<u>-</u>	<u>2,371,758</u>	<u>-</u>	<u>2,371,758</u>

The benchmark interest rate for determining receipts for floating rate Sterling financial assets is the Bank of England base rate. Any funds over and above the current working capital requirements of the Group are invested in high interest deposit accounts.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group has no financial liabilities other than short term creditors and accruals.

Currency Risk

There are no material net monetary assets or liabilities that are not denominated in Sterling.

Notes to the Accounts (continued)

For the year ended 31 October 2002

15 SHARE CAPITAL

	2002	2001
	£	£
Authorised:		
297,000,000 ordinary shares of 1p each	2,970,000	2,970,000
103,000,000 deferred ordinary shares of 1p each	1,030,000	1,030,000
	<u>4,000,000</u>	<u>4,000,000</u>
Allotted, called up and fully paid		
140,803,900 ordinary shares of 1p each	1,408,039	1,283,172
111,201,400 deferred ordinary shares of 1p each	1,112,014	1,112,014
	<u>2,520,053</u>	<u>2,395,186</u>

Movement in Issued Share Capital in the Year

A total of 11,986,668 new ordinary 1p shares (New Ordinary Shares) were placed on behalf of the Group with new and existing institutional investors, at a price of 12 pence per share. The shares issued were made to enable the Group to acquire The Planning Exchange (see note 20) and to provide the Group with additional working capital. The difference of £1,318,533 between the total consideration of £1,438,400 and the total nominal value of £119,867 has been credited to the share premium account. The New Ordinary Shares rank pari passu with the existing ordinary shares of the Group and represent 8.54 per cent of the enlarged issued share capital of the Group at that time. The new shares started trading on 10 May 2002 on the Alternative Investment Market (AIM) of the London Stock Exchange.

In addition, Tim Bowen exercised options on 500,000 ordinary shares at a price of 5p per share on 30 October 2002. The difference of £20,000 between the total consideration of £25,000 and the total nominal value of £5,000 has been credited to the share premium account.

Deferred Ordinary Shares

The aggregate nominal value of the deferred ordinary shares of 1p in issue exceeds the amount of authorised share capital for that class. Resolutions are being proposed at the forthcoming Annual General Meeting for the Company to buy-in these deferred ordinary shares following which they will be cancelled from its share capital.

Rights attaching to Deferred Ordinary Shares

Since the conversion rates for the conversion of preference shares into ordinary shares did not convert into exact number of shares, the deferred ordinary shares were created. The holders thereof are not entitled to any dividend or other distribution nor to receive notice of or attend or vote at any General Meeting of the Company or, on a return of capital (in a winding up or otherwise), to the repayment of the amount paid up on such deferred ordinary shares until after repayment of the capital paid up on the ordinary share together with the payment of a further £1,000,000 on each ordinary share. The deferred ordinary shares shall not be capable of transfer at any time other than with the consent of the directors.

These shares are non-equity shares and the shareholders funds attributable to the holders of these shares is nil.

Notes to the Accounts (continued)

For the year ended 31 October 2002

Share Options

Details of share options over the Company's ordinary shares are as follows:

At start of year	Granted during year	Exercised	Lapsed in year	At end of year	Exercise price	Exercise date from	Exercise date to
1,375,000	-	-	-	1,375,000	5.00p	Nov 2000	Nov 2010
1,500,000	-	-	-	1,500,000	12.75p	Dec 2001	Jun 2010
500,000	-	500,000	-	-	5.00p	Dec 2000	Dec 2005
1,166,667	-	-	-	1,166,667	12.00p	Dec 2003	Dec 2013
2,500,000	-	-	-	2,500,000	12.00p	Jun 2002	Dec 2012
1,290,320	-	-	129,032	1,161,288	15.00p	Jul 2004	Jul 2014
1,032,258	-	-	-	1,032,258	15.00p	Jan 2003	Jul 2013
-	2,322,581	-	258,065	2,064,516	15.50p	Feb 2005	Feb 2015
-	2,727,273	-	-	2,727,273	11.00p	Apr 2004	Oct 2014
<u>9,364,245</u>	<u>5,049,854</u>	<u>500,000</u>	<u>387,097</u>	<u>13,527,002</u>			

Subject to Inland Revenue approval, the date by which all options granted by the Group must be exercised has been extended from five to ten years from date of grant. In addition, where appropriate, the employer's National Insurance liability has been transferred from the option holder to the Group.

16 SHARE PREMIUM ACCOUNT AND RESERVES

	Issued share capital	Deferred share capital	Share premium account	Other reserves	Profit and loss account	Total
The Group	£	£	£	£	£	£
At 1 November 2001	1,283,172	1,112,014	2,789,389	1,239,471	(3,756,960)	2,667,086
New shares issued	124,867	-	1,338,533	-	-	1,463,400
Costs for issue	-	-	(29,384)	-	-	(29,384)
Provision for issue costs released	-	-	-	55,274	-	55,274
Share options exercised	-	-	-	-	27,500	27,500
Loss for the year	-	-	-	-	(1,483,473)	(1,483,473)
At 31 October 2002	<u>1,408,039</u>	<u>1,112,014</u>	<u>4,098,538</u>	<u>1,294,745</u>	<u>(5,212,933)</u>	<u>2,700,403</u>

	Issued share capital	Deferred share capital	Share premium account	Other reserves	Profit and loss account	Total
The Company	£	£	£	£	£	£
At 1 November 2001	1,283,172	1,112,014	2,789,389	-	48,855	5,233,430
New share issue	124,867	-	1,338,533	-	-	1,463,400
Cost of issue	-	-	(29,384)	-	-	(29,384)
Retained profit for the year	-	-	-	-	-	-
At 31 October 2002	<u>1,408,039</u>	<u>1,112,014</u>	<u>4,098,538</u>	<u>-</u>	<u>48,855</u>	<u>6,667,446</u>

The balance on the share premium account and other reserves may not be distributed under section 263 of the Companies Act 1985.

The notional gain arising on the exercise of share options during the year has been recharged to i-documentsystems Ltd, a wholly owned subsidiary of the Company. In accordance with UITF 17, this charge has been credited to that company's profit and loss reserves.

Notes to the Accounts (continued)

For the year ended 31 October 2002

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Loss for the financial year	(1,483,473)	(1,181,273)
Issue of shares	1,434,016	3,115,897
Provision for issue costs released	55,274	-
Share options exercised	27,500	-
Net increase in shareholders' funds	33,317	1,934,624
Shareholders' funds at 1 November 2001	2,667,086	732,462
Shareholders' funds at 31 October 2002	2,700,403	2,667,086

18 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating loss	(1,560,901)	(1,327,795)
Depreciation	150,029	50,674
Goodwill amortisation	30,250	-
Other non cash items	27,500	-
Increase in debtors	(14,150)	(551,187)
Decrease in creditors	523,948	350,769
Net cash outflow from operating activities	(843,324)	(1,477,539)

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002	2001
	£	£
Increase in cash in the year	165,994	1,641,992
Movement in net funds in the year	165,994	1,641,992
Net funds at 1 November 2001	2,371,758	729,766
Net funds at 31 October 2002	2,537,752	2,371,758

20 ACQUISITIONS

On 7 May 2002 the Group acquired the trade and assets of The Planning Exchange, a company limited by guarantee, for a consideration of £442,725 in cash and deferred consideration. The purchase of the trade and assets of The Planning Exchange has been accounted for by the acquisition method of accounting.

Notes to the Accounts (continued)

For the year ended 31 October 2002

The assets and liabilities of The Planning Exchange acquired were as follows:

	Book value £	Accounting policy adjustment £	Other adjustment £	Fair value £
Tangible assets	67,142		(17,857)	49,285
Current assets				
Debtors	355,696			355,696
Bank and cash	181,481			181,481
Total assets	<u>604,319</u>	<u>-</u>	<u>(17,857)</u>	<u>586,462</u>
Creditors				
Trade creditors	38,022			38,022
Deferred income	109,269	635,511		744,780
Accruals	28,929			28,929
Pensions	6,402			6,402
Taxation	26,884			26,884
Total liabilities	<u>209,506</u>	<u>635,511</u>	<u>-</u>	<u>845,017</u>
Total net assets / (liabilities)	<u>394,813</u>	<u>(635,511)</u>	<u>(17,857)</u>	<u>(258,555)</u>
Goodwill				<u>727,156</u>
				<u>468,601</u>
Satisfied by:				
Cash consideration				392,725
Expenses arising from acquisition				25,876
Sub total				<u>418,601</u>
Deferred contingent cash consideration				<u>50,000</u>
				<u>468,601</u>

Fair value adjustments were made for changing the deferred income policy, and the depreciation rates, to be brought into line with the Group's accounting policies.

The deferred consideration is to be paid in five equal annual instalments and is dependent on the existing customers renewing their subscriptions.

The trade and assets acquired during the year made the following contribution to, and utilisation of, group cash flow	£
Net cash inflow from operating activities	798,305
Returns on investment and servicing of finance	1,079
Capital expenditure and financial investment	(121,860)
Acquisitions and disposals	(287,120)
Increase in cash	<u>390,404</u>
Analysis of net cash outflow in respect of the unincorporated business	£
Cash at bank and in hand acquired	181,481
Expenses arising from acquisition	(25,876)
Cash consideration	(392,725)
	<u>(237,120)</u>

Notes to the Accounts (continued)

For the year ended 31 October 2002

21 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Nov 2001 £	Cash flow £	Acquisition £	At 31 Oct 2002 £
Cash in hand and at bank	2,371,758	(224,410)	390,404	2,537,752
	<u>2,371,758</u>	<u>(224,410)</u>	<u>390,404</u>	<u>2,537,752</u>

22 OPERATING LEASE COMMITMENTS

Operating lease payments amounting to £120,050 (2001: £37,750) are due within one year. The leases to which these relate, expire as follows:

	2002 Land and buildings	2001 Land and buildings	2002 Plant & machinery	2001 Plant & machinery
Less than one year	-	-	15,100	-
Between two and five years	37,750	37,750	-	-
Greater than five years	67,200	-	-	-
	<u>104,950</u>	<u>37,750</u>	<u>15,100</u>	<u>-</u>

23 CAPITAL COMMITMENTS

The Group had no material capital commitments at 31 October 2002 or 31 October 2001.

24 CONTINGENT LIABILITIES

The Company has agreed to provide continuing financial support to its subsidiary undertakings, i-documentsystems Limited and IDOX Information Services Ltd. There were no material Group contingent liabilities at 31 October 2002 or 31 October 2001. The deferred contingent consideration for the acquisition of the trade and assets of The Planning Exchange has been provided for in the accounts.

25 PENSIONS

Contributions paid to a Group Personal Pension plan, which all qualifying employees are entitled to join, are charged to the profit and loss account in the period in which they become payable.

26 TRANSACTIONS WITH RELATED PARTIES

The following amounts were re-charged to the Group by Lombard Risk Management plc and its subsidiaries:

	2002 £	2001 £
Management and service charges	<u>109,484</u>	<u>152,382</u>

The balance owed to Lombard Risk Management plc and its subsidiaries at 31 October 2002 was £846 (2001: £6,925)

Lombard Risk Management plc is a related party by virtue of its shareholding in the Company. Furthermore, John Wisbey is the Chairman and controlling shareholder of Lombard Risk Management plc and Ian Peacock and Christopher Wright are directors of that company.

27 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

Company Information

i-documentsystems group plc is an innovative e-government solutions provider selling software, information and managed services to local government. The Group is ideally suited to deliver on the e-Government requirement where this market represents a significant opportunity with deadlines for delivery by 2005. i-documentsystems has a leading position in putting the Local Government Planning process onto the internet and anticipates growth in delivering other services, both in the public and private sector, electronically. The company was successfully launched on the Alternative Investment Market of the London Stock Exchange in December 2000.

Products and Services

More and more information is being produced. Busy people are overwhelmed with paper and the daunting choice of information sources, not least the internet. For most of us, time seems to be an increasingly scarce resource. With the acquisition of The Planning Exchange in May 2002, i-documentsystems now has a range of products that allows it to provide both information in a form that is useful and succinct, and the software and services to handle this information, and a client's own stores of information, within any organisation.

IDOX Software (previously known as Image-Gen) is an innovative suite of **web applications** that has been designed, using the very latest technologies, to deliver platform-independent solutions for **document management and workflow** with proven content management, records management and knowledge management capabilities. Stored information can be retrieved via a standard web browser on a PC, a PDA or even interactive TV. IDOX Software has the facility to handle **all types of documentation** including multimedia (voice, video, photographs), electronic documents and email, or scanned images from paper. More recently **electronic forms** have also been developed. The **workflow** component distributes information and documents around an organisation on a people-driven basis, mimicking the way in which paper would normally be distributed and actioned. It also tracks, controls and monitors the progress of the information. The **XML forms** and **XML server** components allow end-to-end integration of data from the internet.

Included with the suite of software is access to the **IDOX Information Service** – a library and information service built up over 25 years. We believe this business is the most comprehensive information service on Local Government matters in the UK including economic development, education, housing, planning, transport and social services. Around 500 journals and 100 other sources of materials are sifted through on a daily basis, both in hard copy and electronic format, with the most useful and relevant material being identified for extraction. The key information is then abstracted and recorded in a database for access by members. Organisations are able to ensure their busy executives keep abreast of the latest thinking and legislation.

A unique example of the benefits that can be gained from bringing information and the software together is the **UKPlanning** managed service. This, we believe, is the UK's **first interactive planning service**, integrating information with software to facilitate the processing of both paper and online planning applications. The aim is to meet the many different information needs of citizens, the broader community and all those participating in the planning process. A citizen can submit and pay for an application online, comment on, or track the progress of a neighbour's application, or ask detailed questions about the planning process. We also reduce the administration burden on the Council through the provision of an outsourced service which is specifically designed to save time and money and improve the planning process.

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