

Electronic Service Delivery

Online Service

e-government

Internet Extranet Intranet

XML

Information Management

Free Text Retrieval

e-Business

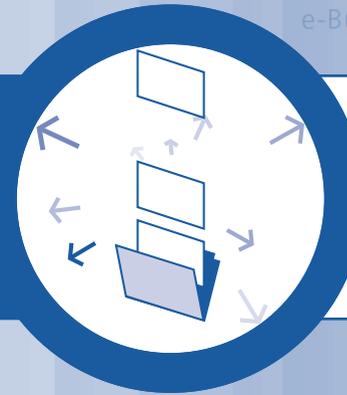
 **information into intelligence**[®]

10th Floor
21 New Fetter Lane
London EC4A 1AJ
t: +(44) (0)20 7427 0660
f: +(44) (0)20 7427 0661

Tontine House
8 Gordon Street
Glasgow G1 3PL
t: +(44) (0)141 574 1900
f: +(44) (0)141 574 1901

e: find-out-more@i-documentsystems.com

www.i-documentsystems.com
www.ukplanning.com
www.planex.co.uk



i-documentsystems group plc

**Interim Report
& Accounts**

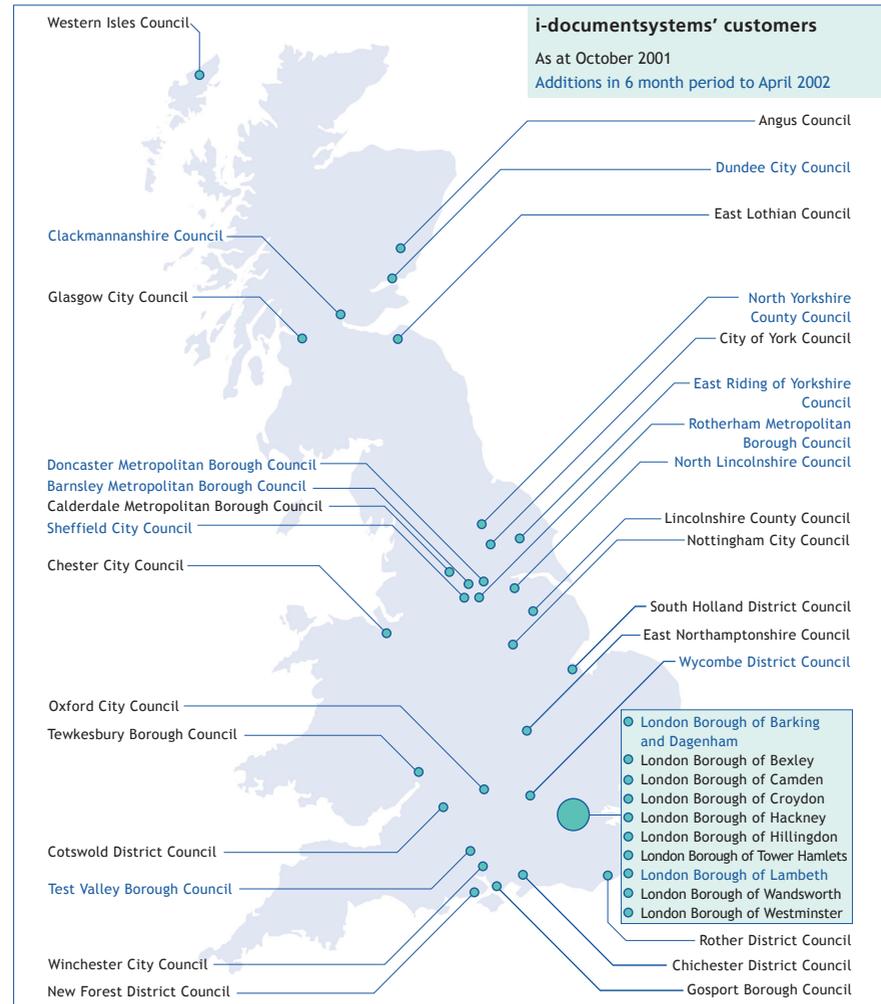
Half Year Ended 30 April 2002

 **information into intelligence**[®]

Company Information

i-documentsystems group plc is an established and rapidly expanding company dedicated to providing innovative e-government solutions.

We fulfil this objective by using our unique software technology to supply and manage an information service reflecting good practice in all aspects of local government. We continue to develop our expertise to improve the efficiency and effectiveness of our clients' electronic customer service delivery.



Products and Services

More and more information is being produced. Busy people are overwhelmed with paper and a daunting choice of sources, not least the Internet. For most of us, time seems to be an increasingly scarce resource.

The i-documentsystems Information Service gathers and manages a vast library. We believe it is the most comprehensive information service on economic, environmental and physical regeneration and development in the U.K. Each day hundreds of pages of information are sifted through, both in hard copy and electronic format, with the most useful and relevant material being filtered out. Typically, this amounts to some 200 documents a week. The key information is then abstracted and a summary supplied to Local Authorities and other subscribers. When it is in this convenient form, organisations are able to ensure their busy executives keep abreast of the latest thinking and legislation.

This service is enhanced through our customisable software. The suite of Image-Gen software modules integrates and automates the process of information management. It allows organisations to create structure for their internal information and gain access to our vast library across the Internet.

The Image-Gen product suite has been designed to co-ordinate and manage information from multiple sources such as e-mail, electronic forms, voice recordings, video, electronic documents and, of course, scanned versions of traditional paper documents. This information can be accessed through the Internet via a standard web browser on a PC, a PDA or even a Digital TV.

A unique example of our offering is the UKPlanning managed service. This, we believe, is the UK's first interactive planning service, integrating information with software to facilitate 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 administrative 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.

Highlights

For the six months ended 30 April 2002

- Turnover up by 152% to £1.16m (2001: £459,379)
- Cash of £1.94m as at 30 April 2002 (rising to £3.13m on 10 May 2002 post fund-raising and acquisition of The Planning Exchange)
- Strengthening of market position as a leading e-government solution provider by winning 13 new council customers during the six months taking the total to 40
- Commencement of UKPlanning (business process outsourcing and information solution) rollout
- Further development of strategic marketing alliances
- Pathfinder Planning solution delivered for Wandsworth – the first of its kind in the U.K.
- Pipeline opportunities continue to increase both in quantity and quality
- Placing of new shares and acquisition of The Planning Exchange, completed in May 2002

Chairman's Statement

For the six months ended 30 April 2002

I am pleased to report that i-documentsystems group plc ("the Group") has made considerable progress during the first six months of the current year, illustrated by the fact that revenue has more than doubled to £1.158 million compared with the same period a year ago. The Group continues to build on and strengthen its position as a lead player in its chosen sectors of e-government.

Through its Image-Gen software, the Group has successfully built upon its position in the Local Government market. Image-Gen is now used by 40 local authority clients compared with 19 at the end of April 2001 and 27 at 31 October 2001. The number of potential contracts in the pipeline is increasing and the Group's partnerships with major systems integrators will open up additional new business channels.

An important milestone in the period was winning, and completing in April 2002, a Pathfinder project from Wandsworth Council for our UKPlanning product. The Pathfinder initiative is a Central Government-backed project to demonstrate the cutting edge of e-government delivery. We believe it is the only such project in the U.K. and has high visibility in U.K. Local Government circles. It has already led to a significant number of word of mouth inspired enquiries.

Towards the end of the half year the Group announced its intention to acquire The Planning Exchange in Glasgow. This acquisition was completed at the beginning of May, concurrent with a successful fund-raising of over £1.4 million by the Group.

Operating and Financial Review

The Group incurred a loss of £559,437 (2001: £474,551) for the six months to 30 April 2002 on a turnover of £1.16 million (2001: £459,379). This equates to a loss per share of 0.46 pence (2001: 0.41 pence). The gross margin increased slightly to 75% for the period (2001: 72%).

The results were in line with expectations, with the increased loss due to a planned rise in staff costs from £534,634 to £1.01 million reflecting the full cost of staff recruited towards the end of the previous financial year. Net cash as at 30 April 2002 amounted to £1.94 million compared with £3.16 million as at 30 April 2001. At 10 May 2002, following the acquisition of The Planning Exchange and the capital raising, net cash stood at £3.13 million.

It should be noted that the Group's accounting policy remains to write off in full all R&D expenditure as soon as it is incurred. There has been no capitalisation of expenses on any assets created internally.

Local Authority Business

The Group achieved its target of 40 local authority customers for Image-Gen by the end of the six months under review. A total of 50 local authority clients for Image-Gen remains the target for the end of the financial year. However, the nature of our local authority relationships is evolving rapidly. The Group is now winning contracts in a range of local authority departments, such as housing, social services and education, some of which are significantly different (both higher and lower) in scale and nature from the planning department contracts which accounted for much of i-documentsystems' turnover last year. The Planning Exchange adds approximately 70 further local authority clients to the customer list.

Chairman's Statement (continued)

For the six months ended 30 April 2002

The niche of local authority planning departments remains our prime sales target as it allows potential entry into other departments. There are 468 local authorities in the U.K., all of which are expected to comply with the Prime Minister's directive to ensure that all appropriate Local Government services are available electronically by 2005. Reinforcing this pressure from Central Government, there is a strong cost saving and efficiency argument for electronic availability of documents in planning departments. The Group continues to believe that it is well placed to gain significant additional contracts from the remainder of the U.K. local authorities. Our Pathfinder solution for Wandsworth has demonstrated to other councils how e-government within planning can be best delivered. Our participation in relevant trade shows continues to prove highly successful, resulting in a significant number of sales opportunities.

Strategy and Alliances

The Board believes that significant opportunity exists to provide e-government solutions for the range of tasks carried out by Environmental Services departments within local authorities.

The Group will continue to seek strategic partnerships where appropriate in order to widen its offering to other local authority departments and Central Government to facilitate the opening of new markets. Last year the Group entered such partnerships with Hyder Business Services (HBS) and MVM Consultants plc, a subsidiary of Anglian Water plc.

During the past six months, the Group has reached a three-year distribution agreement with Serco for its Image-Gen suite of e-government products and services. Under the agreement Serco will integrate Image-Gen with their own software (using XML for the integration of data) and market the combined product in their own core markets, including the substantial U.K. policeforce marketplace. This is a clear indication that the Group's software is highly adaptable and is scalable to meet varying demands. Discussions are also being held with other potential partners.

Banking and Financial Business

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

Product Development

There have been significant developments in our core suite of products.

Additional capability at our new Glasgow office has speeded our development of both Image-Gen and UKPlanning. We have deliberately built functionality into UKPlanning so that it can be used with the traditional Image-Gen product suite allowing for enhancements to our i-portal and i-xml servers. Functionality was a major factor in the success of the Wandsworth Pathfinder project. This required the integration of intelligent electronic planning and building control forms with on-line payment, address databases and CAD drawings. XML data was also passed into the application system for further processing. This level of integration enabled Wandsworth to achieve significant reductions in the costs of processing applications. This, we believe, is the first fully integrated submission mechanism to be implemented within Local Government in the U.K.

Chairman's Statement (continued)

For the six months ended 30 April 2002

Image-Gen development has included J2EE server compliance, completion of an XML/SOAP server interface compatible with Microsoft.NET, further development of internally submitted forms functionality, electronic records management capabilities, general improvements to the usability of the product, and an interface to enable the public display of committee records on a council website. Improvements have also been made to the scalability of the product to facilitate its rollout to potentially thousands of users across an organisation.

UKPlanning

The Group has developed further the UKPlanning system via an ASP (Application Service Provider) model designed to enable local authorities to store and index planning documents in order to make them available for public inspection on the internet. The Group provides this service on an outsourced basis using its existing Image-Gen technology, reducing the need for each council to develop separate expertise. This allows each participating council's planning applications to be accessed through a single internet portal (www.ukplanning.com).

People

Staff numbers increased to 47 (25 as at 30 April 2001) during the period under review. This expansion has been centred on the sales and marketing areas and in the Glasgow office where we continue to take advantage of a highly skilled and competitive pool of information technology talent available in Scotland. Technical and sales support for Scotland and much of the North of England is handled from Glasgow.

Our overall staff strategy has been to build a team capable of delivering and managing our rapid business growth and help us to take advantage of business opportunities.

With the acquisition of The Planning Exchange in May we have acquired an additional 27 staff, taking overall staff numbers to 74 as at 10 May 2002. Other than for a limited number of potential key new positions, most of the additional staff earmarked for the UKPlanning business to business and business to commerce phases have effectively been already gained through the acquisition of The Planning Exchange.

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.

Recent developments and outlook

Acquisition of The Planning Exchange

As mentioned earlier, since the period under review, the Group (via its 100% owned subsidiary Idox Information Services Limited) acquired the business and assets of The Planning Exchange for £442,725. The Planning Exchange provides content and information services to the planning and wider community relating to economic, environmental and physical regeneration and development in the U.K. The acquisition brings with it more than 300 customers of which approximately 70 are U.K. local authorities. Other clients include government departments, consulting firms, housing organisations and research bodies.

Chairman's Statement (continued)

For the six months ended 30 April 2002

This acquisition has the potential to be far more significant to the Group than its size might suggest and allows us to be an important provider of information as well as software to local government. As the market evolves, this combination is likely to have considerable strategic value. Not only will it enable us to provide a more comprehensive service and achieve cross-selling opportunities, but it also means that in certain areas it will be very difficult for any competitor to replicate our offering. We are pleased with the cultural and business combination and have high expectations of what we can achieve together in our common marketplace.

Funding of the acquisition

A total of 11,986,668 new ordinary 1 penny 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 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.

The Placing raised £1.44 million before expenses of the issue, the proceeds of which were used towards the acquisition of The Planning Exchange and to augment the Group's existing working capital. The acquisition was completed on 7 May 2002. The new shares started trading on 10 May 2002 on the Alternative Investment Market (AIM) of the London Stock Exchange.

Outlook

Overall, the first half of the financial year to 31 October 2002 was in line with our expectations to more than double revenue compared with the corresponding period of 2001. The Board believes that very significant revenue growth is likely to be achieved for the full year to October 2002, excluding the additions to revenue that will arise from The Planning Exchange.

The Board's primary focus remains to continue to build market share, having put in place much of the necessary management and infrastructure. As a result of mounting brand awareness and new opportunities, orders in the pipeline continue to register healthy growth. The Board is encouraged by these developments and believes the Group is on track to achieve its stated aim of reaching profitability for the year ending October 2003.

The staff of i-documentsystems have all worked very hard and deserve considerable recognition and thanks, both in Glasgow and in London, for achieving over 100% organic revenue growth while managing the Group's first acquisition. We are delighted to welcome the staff of The Planning Exchange to the Group; it is very encouraging that post merger integration is being accomplished very swiftly and so effectively.

John Wisbey
Chairman

5 July 2002

The interim report was approved by the Board of Directors on 5 July 2002.

Consolidated Profit and Loss Account

For the six months ended 30 April 2002

	Note	6 months to 30 April 2002 (unaudited) £	6 months to 30 April 2001 (unaudited) £	12 months to 31 October 2001 (audited) £
Turnover		1,158,948	459,379	1,201,192
External charges		(291,575)	(126,847)	(431,730)
		<u>867,373</u>	<u>332,532</u>	<u>769,462</u>
Staff costs		(1,011,130)	(534,634)	(1,296,372)
Other operating charges		(450,233)	(348,645)	(800,885)
		<u>(593,990)</u>	<u>(550,747)</u>	<u>(1,327,795)</u>
Operating loss		(593,990)	(550,747)	(1,327,795)
Net interest		34,553	76,196	146,522
		<u>(559,437)</u>	<u>(474,551)</u>	<u>(1,181,273)</u>
Loss on ordinary activities before taxation		(559,437)	(474,551)	(1,181,273)
Tax on loss on ordinary activities		0	0	0
		<u>(559,437)</u>	<u>(474,551)</u>	<u>(1,181,273)</u>
Loss for the period transferred from reserves		(559,437)	(474,551)	(1,181,273)
		<u>(559,437)</u>	<u>(474,551)</u>	<u>(1,181,273)</u>
Loss per share (pence)				
Basic and diluted	(3)	(0.46)	(0.41)	(0.97)

Consolidated Balance Sheet

At 30 April 2002

	At 30 April 2002 (unaudited) £	At 30 April 2001 (unaudited) £	At 31 October 2001 (audited) £
Fixed assets			
Tangible assets	142,518	62,755	124,094
	<u>142,518</u>	<u>62,755</u>	<u>124,094</u>
Current assets			
Debtors	1,015,337	659,764	797,096
Cash at the bank and in hand	1,938,552	3,161,742	2,371,758
	<u>2,953,889</u>	<u>3,821,506</u>	<u>3,168,854</u>
Creditors: amounts falling due within one year	(988,758)	(510,437)	(625,862)
	<u>1,965,131</u>	<u>3,311,069</u>	<u>2,542,992</u>
Net current assets	1,965,131	3,311,069	2,542,992
	<u>1,965,131</u>	<u>3,311,069</u>	<u>2,542,992</u>
Net assets	2,107,649	3,373,824	2,667,086
	<u>2,107,649</u>	<u>3,373,824</u>	<u>2,667,086</u>
Capital and reserves			
Called up share capital	1,283,172	1,283,172	1,283,172
Deferred share capital	1,112,014	1,112,014	1,112,014
Share premium account	2,789,389	2,789,405	2,789,389
Other reserves	1,239,471	1,239,471	1,239,471
Profit and loss account	(4,316,397)	(3,050,238)	(3,756,960)
	<u>2,107,649</u>	<u>3,373,824</u>	<u>2,667,086</u>
Equity shareholders' funds	2,107,649	3,373,824	2,667,086
	<u>2,107,649</u>	<u>3,373,824</u>	<u>2,667,086</u>

Consolidated Cash Flow Statement

For the six months ended 30 April 2002

	Note	6 months to 30 April 2002 (unaudited) £	6 months to 30 April 2001 (unaudited) £	12 months to 31 October 2001 (audited) £
Net cash outflow from operating activities	(4)	(389,540)	(712,298)	(1,477,539)
Returns on investment and servicing of finance				
Interest received		32,291	76,196	145,439
Net cash inflow from returns on investments and servicing of finance		32,291	76,196	145,439
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(75,957)	(47,835)	(142,921)
Sale of tangible fixed assets		0	0	1,116
Net cash outflow from capital expenditure and financial investment		(75,957)	(47,835)	(141,805)
Financing				
Issue of share capital		0	3,115,913	3,115,897
Net cash inflow from financing		0	3,115,913	3,115,897
(Decrease)/increase in cash		(433,206)	2,431,976	1,641,992

Notes on the Interim Report

For the six months ended 30 April 2002

1

Basis of Preparation

The interim financial information has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The principal accounting policies of the Group are set out in the Group's 2001 annual report and financial statements. The policies remain as stated in the annual report for the year ended 31 October 2001. The Group has implemented FRS19 Deferred Tax.

The called up share capital and other reserves at 30 April 2001 have been re-presented for consistency with the balance sheets at 31 October 2001 and 30 April 2002. There has been no alteration to the total amount of capital and reserves at 30 April 2001.

The financial information set out in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 31 October 2001 have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

The interim financial statements have been reviewed by the company's auditors. A copy of the auditors' review report is attached to the interim report.

2

Post Balance Sheet Events

On 7 May 2002, Idox Information Services Limited, a newly formed subsidiary of i-documentsystems group plc, acquired the assets and liabilities of The Planning Exchange. The Planning Exchange provides content and information services to the planning and wider community on aspects of economic, environmental and physical regeneration and development in the U.K. to a client base of over 300 subscribers, of which approximately a quarter are local authorities. Other clients include government departments, consulting firms, housing organisations and research bodies. The total consideration is £442,725.

On 10 May 2002, the Group placed a total of 11,986,668 new ordinary 1 penny shares ("New Ordinary Shares") with new and existing institutional investors, at a price of 12 pence per share. The Placing raised £1,438,400 before expenses. The proceeds were used towards the acquisition of the trade and net assets of The Planning Exchange as well as to augment the Group's existing working capital. 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. Dealings in the New Ordinary Shares commenced on Friday 10 May 2002.

An unaudited pro forma balance sheet showing the effect the placing and acquisition would have had if they had occurred on 30 April 2002 is shown on the next page:

Notes on the Interim Report (continued)

For the six months ended 30 April 2002

2 Post Balance Sheet Events (continued)

	Balance sheet at 30 April 2002 (unaudited) £	Aquisition and placing (unaudited) £	Pro forma balance sheet (unaudited) £
Fixed assets			
Tangible	142,518	49,285	191,803
Intangible		727,156	727,156
	<u>142,518</u>	<u>776,441</u>	<u>918,959</u>
Current assets			
Debtors	1,015,337	363,327	1,378,664
Cash at bank and in hand	1,938,552	1,191,730	3,130,282
	<u>2,953,889</u>	<u>1,555,057</u>	<u>4,508,946</u>
Creditors: amounts falling due within one year	<u>(988,758)</u>	<u>(928,524)</u>	<u>(1,917,282)</u>
Net current assets	<u>1,965,131</u>	<u>626,533</u>	<u>2,591,664</u>
Net assets	<u>2,107,649</u>	<u>1,402,974</u>	<u>3,510,623</u>
Capital and reserves			
Called up share capital	1,283,172	119,867	1,403,039
Deferred share capital	1,112,014		1,112,014
Share premium account	2,789,389	1,288,999	4,078,388
Other reserves	1,239,471		1,239,471
Profit and loss account	<u>(4,316,397)</u>	<u>(5,892)</u>	<u>(4,322,289)</u>
Equity shareholders' funds	<u>2,107,649</u>	<u>1,402,974</u>	<u>3,510,623</u>

Notes on the Interim Report (continued)

For the six months ended 30 April 2002

3 Loss Per Share

The loss per 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:

	6 months to 30 April 2002 (unaudited) £	6 months to 30 April 2001 (unaudited) £	12 months to 31 October 2001 (audited) £
Loss for the period (£)	(559,437)	(474,551)	(1,181,273)
Weighted average numbers of shares in issue	122,139,763	115,962,000	122,139,763
Loss per share (pence)	<u>(0.46)</u>	<u>(0.41)</u>	<u>(0.97)</u>

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted loss per ordinary share are identical to those used for basic loss per ordinary share. This is because the conversion of preference shares or exercise of options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of FRS 14 Earnings per Share.

4 Net Cash Outflow from Operating Activities

	6 months to 30 April 2002 (unaudited) £	6 months to 30 April 2001 (unaudited) £	12 months to 31 October 2001 (audited) £
Operating loss	(593,990)	(550,747)	(1,327,795)
Depreciation	57,533	16,926	50,674
Loss on disposal of tangible fixed assets	0	1,117	0
Increase in debtors	(215,979)	(414,938)	(551,187)
Increase in creditors	<u>362,896</u>	<u>235,344</u>	<u>350,769</u>
Net cash outflow from operating activities	<u>(389,540)</u>	<u>(712,298)</u>	<u>(1,477,539)</u>

5 Reconciliation of Net Cash Flow to Movement in Net Funds

	6 months to 30 April 2002 (unaudited) £	6 months to 30 April 2001 (unaudited) £	12 months to 31 October 2001 (audited) £
(Decrease)/increase in cash in the period, being movement in net funds in the period	(433,206)	2,431,976	1,641,992
Net funds at 1 November 2001	<u>2,371,758</u>	<u>729,766</u>	<u>729,766</u>
Net funds at 30 April 2002	<u>1,938,552</u>	<u>3,161,742</u>	<u>2,371,758</u>

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 April 2002, which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, and the notes to the interim report. We have read the other information contained in the Interim Report, which comprises only the Chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

Directors' Responsibilities

The Interim Report including the financial information contained therein is the responsibility of, and has been approved by, the directors. They are responsible for preparing the Interim Report and ensuring that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

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

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 April 2002.

GRANT THORNTON
CHARTERED ACCOUNTANTS

LONDON
5 July 2002