



*information into intelligence*<sup>®</sup>  
from i - documentsystems

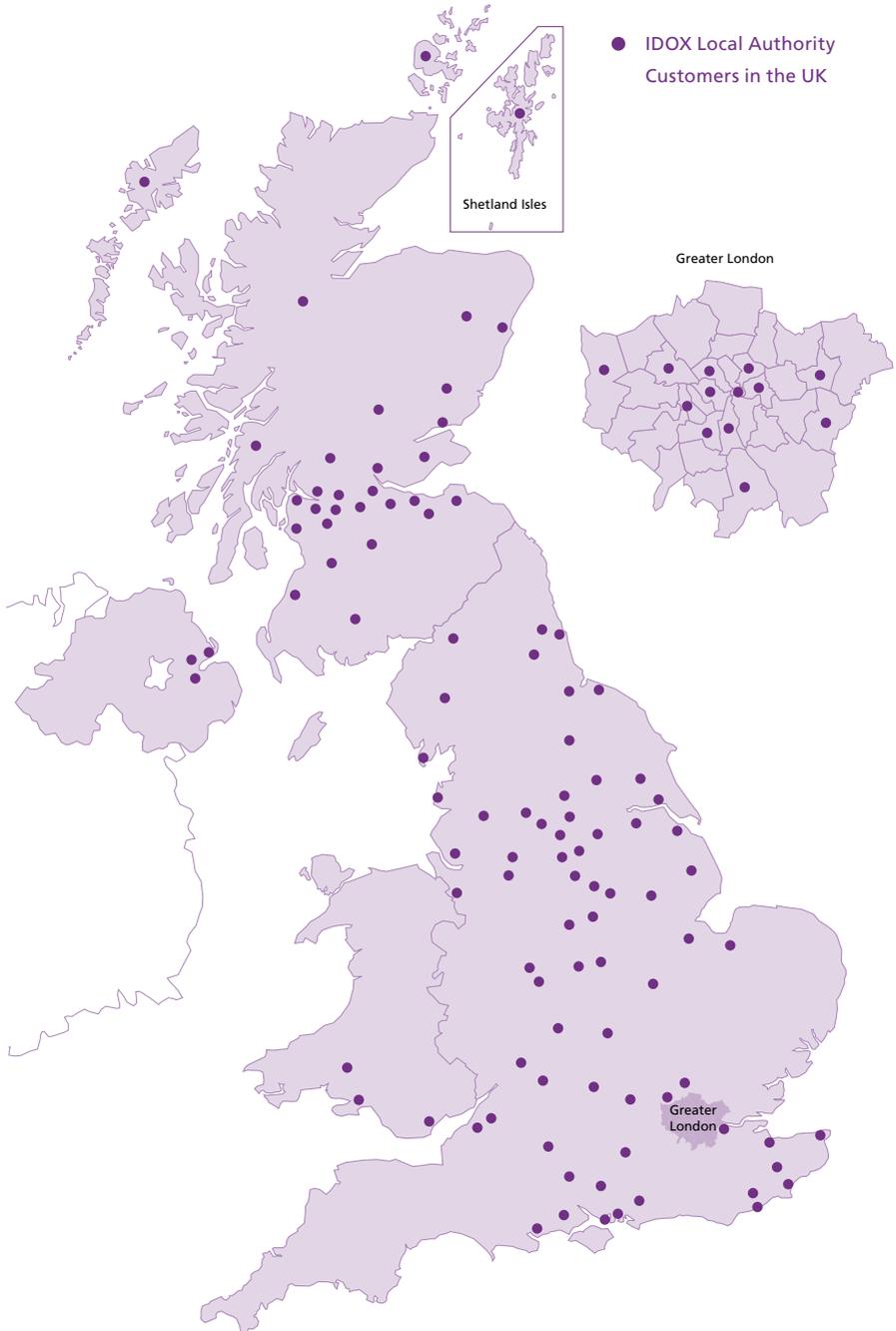
# i-documentsystems group plc

Interim Report & Accounts

Half Year Ended 30 April 2003

# Local Authority Customers

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## Highlights

For the six months ended 30 April 2003

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- **Turnover up 64% to £1.90 million (2002: £1.16 million)**
- **Loss before tax of £0.46 million (2002: £0.56 million)**
- **Loss per share reduced to 0.33 pence (2002: 0.46 pence)**
- **Cash of £2.15 million as at 30 April 2003 (2002: £1.94 million)**
- **Recurring annualised revenue £1.51 million (2002: £0.32 million)**
- **Gross margin of 87% (2002: 75%)**
- **117 Local Authority customers (2002: 40 Local Authority customers)**
- **11 UKPlanning customers as at 30 April 2003 (2002: 1 UKPlanning customer)**
- **Pipeline opportunities continue to increase both in quantity and quality**
- **Strengthened market position by winning both new customers and expanding horizontally within Local Authorities**
- **On track to achieve profitability on a regular monthly basis by the year end in October 2003**

## Chairman's Statement

For the six months ended 30 April 2003

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I am pleased to announce the results for the six months ending 30 April 2003 which were in line with expectations.

Turnover increased by 64% to £1.90 million (2002: £1.16 million). The Group incurred a loss of £0.46 million (2002: £0.56 million), which equates to a loss per share of 0.33 pence (2002: 0.46 pence). The gross margin improved to 87% (2002: 75%) for the period. Net cash as at 30 April 2003 amounted to £2.15 million compared with £1.94 million at 30 April 2002.

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 therefore do not recommend the payment of a dividend.

All three divisions within the Group have made considerable progress during the period. Our software offerings continue to be rolled out across new departments of existing Local Authority customers as well as being supplied to new Councils. Our principal managed service offering, UKPlanning, is now attracting considerable interest. After more than two years in development we now have 11 contracted Local Authorities using the service compared with only one a year ago. The considerable investment the Group has made in UKPlanning now appears to be fully justified as recurring revenues increase from the early adopters. The Information Services division has been fully integrated into the Group and the combination of information and software is attracting a significant level of interest in the form of projects for Central Government bodies.

Overall, we believe that the Group has delivered a highly creditable performance in market conditions that have been challenging for so many other firms. Our clear focus on our chosen market sectors has resulted in the Group emerging as one of the UK's major e-Government solution providers. The Group supplies products and services to 117 UK Local Authorities and now has several examples of Councils rolling out our software as a corporate solution.

The pipeline and order book continues to grow and the Group is on track to achieve its stated aim of achieving profitability on a regular monthly basis by the financial year end in October 2003.

The Board remains committed to maximising shareholder value by achieving ongoing profitability through increasing market share, both organically and by acquisition. The sustained efforts of our team, together with a heightened brand awareness, have further developed the strong pipeline of opportunities. I would again like to take this opportunity to thank all of our staff for their ongoing dedication and hard work.

**John Wisbey**  
Chairman

6 June 2003

## Chief Executive's Report

For the six months ended 30 April 2003

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I am pleased to report that i-documentsystems group plc (IDOX) has continued to meet its targets for the six month period ended 30 April 2003. The Group has successfully built upon its ability to deliver effective business solutions to the Local Authority marketplace and is well placed to reap the rewards of the considerable investment made in their development.

### Operating Review

The Group's business now comprises three core elements: Software, Managed Services and Information Services. The re-branding of the entire product range under the concept of "information into intelligence" was completed during the period under review.

Early indications would suggest that this concept is being well received amongst the Group's target market of UK Local Authorities as well as other Central Government bodies. Recent contracts with Futureskills Scotland (part of Scottish Enterprise) and the Neighbourhood Renewal Unit (part of the Office of the Deputy Prime Minister) are examples of how the Group's information resource have been exploited into both project revenue and recurring income streams.

As the product range becomes more diverse and the scale of contracts from existing customers increase, the number of new Local Authorities contracted in a period is no longer the prime measure of the Group's performance. The Group's remit has broadened from originally only providing solutions to planning departments, to supplying many other Council departments such as social services, education, trading standards and the chief executive's office, thereby deriving additional rewards from the existing customer base. IDOX is also competing in revenues and benefits departments, where vendors of transactional systems have traditionally enjoyed a strong foothold. The effect of now having solutions installed in multiple departments within a typical Local Authority is that IDOX is now being awarded larger "corporate solution" type tenders.

In March 2003, IDOX finalised a contract with the Borough of Poole for the supply, installation and implementation of a corporate e-Government solution. The speed and breadth of implementation could mean that Poole will be the first Local Authority in the UK to provide all its services online. The contract is for an integrated system which brings together electronic online forms, document management and workflow at the core of office automation. It also has knowledge and content management, with information being supplied from our Information Service, all accessed through a web browser. The Group believes this is a unique combination in the Local Authority arena.

Another major success during this period was the winning of the Corporation of London contract in conjunction with our partner ESRI/CAPS. This win further strengthens our London base with more than 40% of Councils within the Greater London area now using our software or services.

The IDOX offering, a unique blend of software and content, has earned the Group recognition as a major player within the Local Government marketplace. This is evidenced by the Group's increasing success and appearance on Local Authority tender shortlists.

## Chief Executive's Report (continued)

For the six months ended 30 April 2003

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Whilst the number of firms attempting to enter the Local Authority marketplace has increased of late, the only real impact on the Group has been that Councils have taken longer to evaluate tenders as a result of an increase in volume of responses. Substantial barriers to entry into this marketplace remain primarily due to the necessity of having suitable reference sites.

Although the sales lead time in the Local Authority marketplace continues to be lengthy, Local Authorities are under considerable pressure to meet the Government's target of improving the delivery of services through the use of electronic technology by 2005.

### Managed Services

Our principal managed service offering, UKPlanning, is currently attracting an increasing number of new customers following a relatively slow initial response. During the period under review, new Local Authority customers include Watford, Ashford, Hastings, Shepway, Swale and Thanet. This brings the total number of UKPlanning clients to 11.

The technology developed for UKPlanning has been incorporated into the software offering, ensuring standardisation of delivery for all customers. Prospects for UKPlanning remain positive as the benefits and cost savings of the service become evident to customers. Whilst the upfront revenues gained from UKPlanning sales are far lower than for our traditional software sales, the UKPlanning model provides strong recurring revenue streams.

### Strategy and Alliances

The Group will continue to seek strategic partnerships, where appropriate, in order to widen its offering to other markets, Local Authority departments and Central Government. To date, IDOX has entered into such partnerships with HBS, MVM Consultants (a subsidiary of AWG), and BT Syntegra. It has also reached a three-year distribution agreement with Serco for its IDOX Software products and services. Discussions are regularly held with other potential partners.

### Product Development

IDOX has continued to make enhancements across its entire product range to meet the needs of its customers; this process has been achieved in part through the commitment of a well-supported user group.

The new Process Workflow module has been enhanced with specific workflow processes being built to meet the demands of differing Local Authority departments. In particular, significant progress has been made within the revenues and benefits area where improved functionality has enabled the Group to tender for and win corporate solution rollouts.

The demand for electronic forms continues to increase. IDOX has developed a substantially more sophisticated solution with the ability to validate converted CAD (computer aided design) files visually, when forms are submitted online. This is a real-time conversion allowing an applicant to view the

## Chief Executive's Report (continued)

For the six months ended 30 April 2003

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submitted drawing in CAD form and see the conversion in a viewable format. The number of electronic forms developed for Councils has now increased significantly.

The development of the new Records Management module is on schedule. This product is necessary to enable IDOX Software to meet the Public Records Office 2002 specification which is fast becoming a pre-requisite to conforming with the requirements of the Freedom of Information Act and other legislation with which our customers must comply.

The integration of the Group's software skills into its information projects has proved successful, particularly for creating structured databases used for information sharing across the internet. This facility was a development requirement for our own Information Services division. It will be of significant benefit for external projects such as Futureskills and the Government Office of the North East. It is believed that this will enhance IDOX's offering to its existing Information Service subscribers and particularly to those Local Authorities who wish to improve the dissemination of relevant content to their citizens through this type of technology. This facility is a key differentiator in our chosen market.

### People

Employees totalled 78 at 30 April 2003, compared with 80 at 31 October 2002 and 47 at 30 April 2002. The Group now possesses a team and infrastructure capable of delivering and managing rapid business growth. The anticipated higher revenue flows for the second half of the financial year can be accommodated within a stable cost base. The staff at IDOX have all worked hard to maintain the Group's high reputation in the marketplace and deserve considerable recognition and thanks, both in London and Glasgow, for the achievements that have been recorded. This is against a backdrop of tight internal financial control.

The Group received the Investor in People award in March 2003, having achieved ISO9001 status last year. The benefit of such accreditations is not only that they act as a useful audit of our internal policies and procedures, but that they further enhance our eligibility to participate successfully in the Local Authority tender process.

### Outlook

The results for the six months ended 30 April 2003 were in line with expectations. The groundwork has been carried out to enable significant organic revenue growth during the second half of the financial year. This augurs well for the Group to achieve its stated aim of reaching profitability on a regular monthly basis by the end of the current financial year.

### Andrew Fraser

Chief Executive

6 June 2003

The Interim Report was approved by the Board of Directors on 6 June 2003

## Consolidated Profit and Loss Account

For the six months ended 30 April 2003

|  | Note | 6 months to<br>30 April 2003<br>(unaudited)<br>£ | 6 months to<br>30 April 2002<br>(unaudited)<br>£ | 12 months to<br>31 October 2002<br>(audited)<br>£ |
|--|------|--|--|---|
| <b>Turnover</b>  |      | 1,903,078  | 1,158,948  | 3,017,602   |
| External charges   |      | <u>(245,344)</u>                                 | <u>(291,575)</u>                                 | <u>(667,161)</u>                                  |
|  |      | 1,657,734  | 867,373  | 2,350,441   |
| Staff costs  |      | (1,554,171)                                      | (1,011,130)                                      | (2,524,671)                                       |
| Other operating charges                                  |      | <u>(599,813)</u>                                 | <u>(450,233)</u>                                 | <u>(1,386,671)</u>                                |
| <b>Operating loss</b>                                    |      | (496,250)  | (593,990)  | (1,560,901)                                       |
| Net interest   |      | <u>37,068</u>                                    | <u>34,553</u>                                    | <u>77,428</u>                                     |
| <b>Loss on ordinary activities<br/>before taxation</b>   |      | (459,182)  | (559,437)  | (1,483,473)                                       |
| Tax on loss on ordinary activities                       |      | <u>-</u>   | <u>-</u>   | <u>-</u>  |
| <b>Loss for the period transferred<br/>from reserves</b> |      | <u>(459,182)</u>                                 | <u>(559,437)</u>                                 | <u>(1,483,473)</u>                                |
| <b>Loss per share (pence)</b>                            | (2)  | (0.33)p  | (0.46)p  | (1.11)p   |

## Consolidated Balance Sheet

At 30 April 2003

|  | At<br>30 April 2003<br>(unaudited)<br>£ | At<br>30 April 2002<br>(unaudited)<br>£ | At<br>31 October 2002<br>(audited)<br>£ |
|--|---|---|---|
| <b>Fixed assets</b>  |   |   |   |
| Intangible fixed assets  | 660,606                                 | -                                       | 696,906                                 |
| Tangible assets  | 285,818                                 | 142,518                                 | 259,727                                 |
| Investments  | 28,344                                  | -                                       | 28,344                                  |
|  | <u>974,768</u>                          | <u>142,518</u>                          | <u>984,977</u>                          |
| <b>Current assets</b>  |   |   |   |
| Debtors  | 1,427,078                               | 1,015,337                               | 1,167,227                               |
| Cash at the bank and in hand                                       | 2,148,311                               | 1,938,552                               | 2,537,752                               |
|  | <u>3,575,389</u>                        | <u>2,953,889</u>                        | <u>3,704,979</u>                        |
| <b>Creditors:<br/>amounts falling due within one year</b>          | <u>(2,268,936)</u>                      | <u>(988,758)</u>                        | <u>(1,949,553)</u>                      |
| <b>Net current assets</b>  | 1,306,453                               | 1,965,131                               | 1,755,426                               |
| <b>Creditors:<br/>amounts falling due after more than one year</b> | <u>(40,000)</u>                         | <u>-</u>                                | <u>(40,000)</u>                         |
| <b>Net assets</b>  | <u>2,241,221</u>                        | <u>2,107,649</u>                        | <u>2,700,403</u>                        |
| <b>Capital and reserves</b>  |   |   |   |
| Called up share capital  | 1,408,039                               | 1,283,172                               | 1,408,039                               |
| Deferred share capital   | -                                       | 1,112,014                               | 1,112,014                               |
| Share premium account  | 4,098,538                               | 2,789,389                               | 4,098,538                               |
| Other reserves   | 2,406,759                               | 1,239,471                               | 1,294,745                               |
| Profit and loss account  | (5,672,115)                             | (4,316,397)                             | (5,212,933)                             |
| <b>Equity shareholders' funds</b>                                  | <u>2,241,221</u>                        | <u>2,107,649</u>                        | <u>2,700,403</u>                        |

## Consolidated Cash Flow Statement

For the six months ended 30 April 2003

|   | Note | 6 months to<br>30 April 2003<br>(unaudited)<br>£ | 6 months to<br>30 April 2002<br>(unaudited)<br>£ | 12 months to<br>31 October 2002<br>(audited)<br>£ |
|---|------|--|--|---|
| <b>Net cash outflow from operating activities</b>                           | (3)  | (295,756)  | (389,540)  | (843,324)   |
| <b>Returns on investments and servicing of finance</b>                      |      |  |  |   |
| Interest received   |      | 36,031   | 32,291   | 77,143  |
| <b>Net cash inflow from returns on investments and servicing of finance</b> |      | 36,031   | 32,291   | 77,143  |
| <b>Capital expenditure and financial investment</b>                         |      |  |  |   |
| Purchase of tangible fixed assets   |      | (129,716)  | (75,957)   | (236,377)   |
| Purchase of investment  |      | -  | -  | (28,344)  |
| <b>Net cash outflow from capital expenditure and financial investment</b>   |      | (129,716)  | (75,957)   | (264,721)   |
| <b>Acquisitions</b>   |      |  |  |   |
| Purchase of trade and assets  |      | -  | -  | (418,601)   |
| Net cash balances acquired with trade and assets                            |      | -  | -  | 181,481   |
| <b>Net cash outflow from acquisitions</b>                                   |      | -  | -  | (237,120)   |
| <b>Financing</b>  |      |  |  |   |
| Issue of share capital  |      | -  | -  | 1,434,016   |
| <b>Net cash inflow from financing</b>                                       |      | -  | -  | 1,434,016   |
| <b>(Decrease)/increase in cash</b>  | (4)  | <b>(389,441)</b>                                 | <b>(433,206)</b>                                 | <b>165,994</b>                                    |

## Notes on the Interim Report

For the six months ended 30 April 2003

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### 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 2002 annual report and financial statements. The policies remain as stated in the annual report for the year ended 31 October 2002.

At the Annual General Meeting held on 31 January 2003 resolutions were passed permitting the Company to buy-back all the deferred ordinary shares and cancel them from its issued share capital. This has now been completed.

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 2002 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 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<br>30 April 2003<br>(unaudited) | 6 months to<br>30 April 2002<br>(unaudited) | 12 months to<br>31 October 2002<br>(audited) |
|---|---|---|--|
| Loss for the period (£)                     | (459,182)                                   | (559,437)                                   | (1,483,473)                                  |
| Weighted average numbers of shares in issue | 140,470,273                                 | 122,139,763                                 | 133,976,939                                  |
| Loss per share (pence)                      | (0.33)p                                     | (0.46)p                                     | (1.11)p                                      |

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

## Notes on the Interim Report

For the six months ended 30 April 2003

### 3 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

|  | 6 months to<br>30 April 2003<br>(unaudited)<br>£ | 6 months to<br>30 April 2002<br>(unaudited)<br>£ | 12 months to<br>31 October 2002<br>(audited)<br>£ |
|--|--|--|---|
| Operating loss                             | (496,250)  | (593,990)  | (1,560,901)                                       |
| Depreciation                               | 103,625  | 57,533   | 150,029   |
| Goodwill amortisation                      | 36,300   | -  | 30,250  |
| Other non cash items                       | -  | -  | 27,500  |
| Increase in debtors                        | (258,814)  | (215,979)  | (14,150)  |
| Increase in creditors                      | 319,383  | 362,896  | 523,948   |
| Net cash outflow from operating activities | <u>(295,756)</u>                                 | <u>(389,540)</u>                                 | <u>(843,324)</u>                                  |

### 4 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

|   | 6 months to<br>30 April 2003<br>(unaudited)<br>£ | 6 months to<br>30 April 2002<br>(unaudited)<br>£ | 12 months to<br>31 October 2002<br>(audited)<br>£ |
|---|--|--|---|
| (Decrease)/increase in cash in the period,<br>being movement in net funds in the period | (389,441)  | (433,206)  | 165,994   |
| Net funds at 1 November 2002  | <u>2,537,752</u>                                 | <u>2,371,758</u>                                 | <u>2,371,758</u>                                  |
| Net funds at 30 April 2003  | <u>2,148,311</u>                                 | <u>1,938,552</u>                                 | <u>2,537,752</u>                                  |

# Independent Review Report to i-documentsystems group plc

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## Introduction

We have been instructed by the company to review the financial information for the six months ended 30 April 2003 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 4 to the Interim Report. We have read the other information contained in the Interim Report which comprises only the Chairman's statement and Chief Executive's report and considered whether they contain any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company those matters we are required to state to it in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

## 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 are 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 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 2003.

**GRANT THORNTON**  
**CHARTERED ACCOUNTANTS**

London  
6 June 2003

## Shareholder Information

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|                                   |  |
|-----------------------------------|--|
| Company registration number:      | 3984070  |
| Secretary and registered office:  | T J E Bowen<br>10th Floor<br>21 New Fetter Lane<br>London EC4A 1AJ                                   |
| Nominated Advisor and Broker:     | Noble & Company Limited<br>1 Frederick's Place<br>London EC2R 8AB                                    |
| Auditors:                         | Grant Thornton<br>Grant Thornton House<br>Melton Street<br>Euston Square<br>London NW1 2EP           |
| Corporate Solicitors:             | Memery Crystal<br>31 Southampton Row<br>London WC1B 5HT  |
| Registrars:                       | Park Circus Registrars<br>James Sellars House<br>2nd Floor, 144 West George Street<br>Glasgow G2 2HG |
| Public Relations:                 | Cardew Chancery<br>12 Suffolk Street<br>London SW1Y 4HG  |
| <b>Financial calendar</b>         |  |
| Announcement of results for 2003: | December 2003  |
| Annual General Meeting:           | January 2004   |

## Company Information

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i-documentsystems group plc is an innovative provider of public sector information, e-Government software and information management solutions to Local Government. The Group is ideally suited to deliver on the e-Government requirement, under which the Government has set targets for Local Authorities to improve the delivery of services through the use of technology by 2005. The Group's products and services have been specifically developed to enable Local Authorities to meet their targets. i-documentsystems has a leading position in putting the Local Government planning process onto the internet and is experiencing growth in delivering other services electronically, both in the public and private sectors. The Group was successfully admitted to the Alternative Investment Market of the London Stock Exchange in December 2000. (Stock ticker code: IDOX).

## Products and Services

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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. i-documentsystems has a range of products that provide information in a format that is useful and succinct, as well as the software and services to handle both external and internal information within an 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, 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 module provides two options – people-orientated and process-driven workflow. People-orientated workflow 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. Process-driven is the more traditional style of workflow, with mapped and predetermined distribution of documentation and tasks around an organisation. 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. This is believed to be 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 then able to ensure their busy executives are kept 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 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. This reduces 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.

## i-documentsystems group plc

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