



i-documentssystemsgroup plc

Annual Report & Accounts 2003

Company Information and Contents

Directors:	J M Wisbey A G Fraser 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 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 144 West George Street Glasgow G2 2HG
Company registration number:	3984070

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Highlights

For the year ended 31 October 2003

Financial and Operating Highlights

- Turnover up 48% to £4.47 million (2002: £3.02 million), in line with expectations
- Cash of £2.65 million as at 31 October 2003 (2002: £2.54 million)
- Three consecutive months of profitable trading, consistent with projection
- Loss lower than expected at £0.59 million (2002: loss of £1.48 million)
- Annualised recurring revenue of £2.25 million (2002: £1.20 million)
- Successful acquisition and integration of Mandoforms
- Raised £1.22 million from new and existing investors
- Strengthened market position by winning both new customers and expanding within local authorities
- Pipeline opportunities continue to increase both in quantity and quality

Chairman's Statement

For the year ended 31 October 2003

The year 2003 represents an important milestone for i-documentssystemsgroup plc (IDOX). The Group has not only met its targets but, for the first time, has also recorded three consecutive months of profitable trading, consistent with our stated aim of becoming a profitable and cash generative company. The Board feels that the Group is now close to achieving critical mass in the Local Government sector, in line with its chosen strategy.

Revenues, in line with market expectations, have risen 48% from £3.02 million to £4.47 million. As a result of tight cost controls, losses for the full year are lower than expected at £0.59 million (2002: loss of £1.48 million). The loss for the second half of the financial year was £0.13 million. Cash reserves stand at approximately £2.65 million.

We are particularly pleased that we have increased our recurring revenue from software maintenance, longer term managed service contracts and information subscriptions. Some £2.25 million of annualised recurring revenues were achieved by the end of the year compared with £1.20 million at the end of 2002 and £1.51 million at the interim stage this year. This underpins our long term growth and will help to improve our quality of earnings.

During the period under review, IDOX acquired Nettgain Solutions Limited, the online forms specialist, trading as Mandoforms. The acquisition has provided IDOX with market-leading electronic forms technology enabling the Group to offer significantly enhanced services to existing and potential customers. This acquisition has proved highly successful and is already earnings enhancing.

We were pleased to welcome Peter Lilley MP to the IDOX Board at the start of the year. His experience of government has given us breadth of understanding of the marketplace and is of significant benefit in assisting with our future strategic direction.

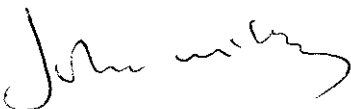
IDOX is now successfully positioned as an important provider of software, information and managed services to Local Government. The Group's offering is unparalleled in the sector and would be exceedingly difficult to replicate. The Group has increased its portfolio of local authority software implementations to over 100 through both organic growth and the acquisition of Mandoforms. The overall number of local authority clients exceeds 160 as of today. IDOX is now winning an increasing number of contracts to supply software into multiple departments, even across entire councils and by moving outside its traditional heartland of the Planning department, thus increasing its share of existing customers' business.

This year's results continue the successful implementation of our strategy as outlined at the time of our AIM flotation in 2000. Our adherence to this strategy, coupled with a robust business pipeline, heralds a solid platform for expansion, both organically and through acquisitions.

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.

The Group has increasingly become known as IDOX, its core product brand as well as its AIM stock symbol, and accordingly the Board intends to recommend to shareholders at the next AGM that the Group change its name to IDOX plc during 2004. In anticipation of this event, the Group's web site has become www.idoxplc.com.

Finally, I would like to extend my gratitude to our employees, customers, suppliers and shareholders whose respective commitments to IDOX represent an integral aspect of our continued success. The staff at IDOX, in London and Glasgow as well as those in our recently acquired Manchester office, have all worked hard to maintain the Group's high reputation in the marketplace and deserve considerable recognition and thanks for their excellent achievements.



John Wisbey
Chairman

5 December 2003

Chief Executive's Report

For the year ended 31 October 2003

Financial Review

The Group's revenues rose from £3.02 million to £4.47 million, a 48% gain, for the year ended 31 October 2003. The Group reduced its losses from £1.48 million in 2002 to £0.59 million, with the majority of the loss incurred in the first half of the year. This equates to a loss per share of 0.42 pence (2002: loss per share of 1.11 pence). The gross margin improved to 86% (2002: 78%) for the period. Net cash as at 31 October 2003 amounted to £2.65 million (2002: £2.54 million) following the acquisition of Mandoforms.

I am delighted to report that, for the last three months of the financial year, the Group has been trading profitably as forecast at this time last year.

Throughout the year, we greatly increased our annualised recurring revenue, giving the Group a solid base of long term contracts on which to build. Annualised recurring revenues increased from £1.20 million at the end of October 2002 to £1.51 million at the half year, and £2.25 million at year end. While in the first year of a managed service contract we receive less revenue than we would for an outright sale of the software, we believe that the creation of strong recurring revenue streams will give the Group a higher quality of earnings and greater visibility in the future.

Market Place and Market Dynamics

One of the key issues facing local authorities is the handling and sourcing of the vast quantities of information they generate and store, and how they can make best use of this information to improve services to their customers – the public. An increasing amount of legislation and Government directives in recent years are aimed to help local authorities to:

- store their information in a more structured and accessible format (Records Management)
- share information across service areas and also with other authorities and partner organisations (Joined-Up Government)
- give the public access to all relevant information (Freedom of Information and Data Protection)
- restructure their systems and streamline their processes using technology (e-Government)
- use the experiences of other authorities to improve their own operations (Best Practice, Pathfinder and Beacon councils).

In addition, the Government is encouraging local authorities not just to add technology on top of their existing processes, but to re-evaluate those processes themselves completely in order to fully support e-services. It is clear that local authorities are struggling to understand how to manage and use the wealth of information around them. IDOX aims to take a more comprehensive approach than its competitors by providing the information, the tools to handle the information and the expertise to implement and manage the process. 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.

In the 2003 financial year we have won a number of corporate contracts where our software and services will be rolled out across the entire council as the backbone of its IT systems, rather than being limited to a single department. These include the Borough of Poole, where the council required an integrated system to bring online forms, document management and workflow together. Education, Housing and Planning have already been installed, and a further 23 business units will be linked to our systems over the course of the project. We have also expanded our footprint in existing clients, for instance at the London Borough of Hillingdon where our existing installation has been joined by new implementations within the Human Resources and Education departments. We have nearly doubled the number of implementations in Corporate Services, and increased our penetration in Housing, Community Services and Education.

Our UKPlanning managed service, which makes planning information available on the Internet both within the council and to citizens, has been especially successful this year, growing its customer base from 5 councils last year to 15 councils at the end of 2003. We are particularly pleased with our success in Kent, where Thanet District Council's good experience of the system since it joined UKPlanning in July 2002 has encouraged three other local councils to sign up. Now that we have demonstrated the value of the service, we expect to see further strong growth in the number of councils taking up the offering. The number of online searches being carried out has also increased to nearly 40,000 a month, a strong validation this e-Government service is meeting citizens' needs.

While more firms have attempted to enter the local authority marketplace, 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. Reference sites remain crucial to the sales effort and create a substantial barrier to entry. Although the sales lead-time in the local authority marketplace

Chief Executive's Report (continued)

For the year ended 31 October 2003

continues to be lengthy, local authorities are under considerable pressure to meet the requirements of the implementation of the Freedom of Information Act in 2005 and to achieve the Government's target of improving the delivery of services through the use of technology by the same deadline.

Acquisition and Placing

In the period under review, IDOX acquired the entire issued share capital of the online forms specialist, Nettgain Solutions Limited, trading as Mandoforms, for a consideration of approximately £1,500 in cash and £0.18 million in deferred contingent cash consideration. In addition, IDOX assumed net liabilities of up to £0.81 million.

Mandoforms was founded as an e-commerce consultancy developing sophisticated Java-based software solutions for online data capture and data processing to generate fast, simple, safe and secure online forms. Since 2000, Mandoforms has established a significant presence in the UK local authority marketplace. Mandoforms' core product has gained wide acceptance within the local authority market due to its ease of use and its ability to enable councils to build their own forms. As at 31 October 2003, Mandoforms had supplied its products and services to 47 UK local authorities.

This acquisition provides IDOX with market leading electronic forms technology to meet the needs of existing and potential customers. Furthermore, with only 5 customers in common as at 31 October 2003, the acquisition presents IDOX with considerable cross-selling opportunities in respect of its unique e-Government solutions offerings encompassing software, information and managed services. An excellent team of people at Mandoforms has further strengthened the existing IDOX team.

Funding for the transaction was arranged via a placing of new ordinary shares in the Company. Noble & Company, acting as agent for the Group, placed a total of 11,500,000 ordinary shares of 1p each on behalf of the Group, raising £1.15 million before issue expenses, at a price of 10p per share. The proceeds were used towards the acquisition of the entire issued share capital of Mandoforms, the settlement of certain liabilities of Mandoforms and to augment the Group's existing working capital. The resulting new ordinary shares rank *pari passu* with the existing ordinary shares of the Group and represent 7.48% of the enlarged issued share capital of the Group at that time. Dealings in the new ordinary shares commenced on 4 September 2003.

IDOX Product and Service Offerings

The Group's business base comprises three core elements: software, information and managed services, combined under the strapline of 'Information into Intelligence'. All three divisions within the Group have made considerable progress during the period. IDOX is now successfully positioned not only as an important provider of information and software to Local Government but increasingly as an information management company providing information, software and professional expertise in the handling of information. The Directors believe this represents a unique offering in the local authority and wider public sector marketplace.

IDOX continues to make rapid progress in winning contracts in departments outside its original expertise of Planning, such as Education, Chief Executive's and Social Services departments. As providers of corporate solutions, the Group is exploring a broad range of further opportunities in National and Local Government and in non-Government markets. IDOX Software is now being implemented within departments such as Housing and Revenues & Benefits, where vendors of traditional transactional systems have historically enjoyed a strong foothold. As a result of the move to single solutions for multiple departments, IDOX is now being awarded larger "corporate solution" type contracts, and is also seeing significant revenues from increasing penetration within existing customers. The Group continues to strengthen further its Revenues & Benefits solutions.

Mandoforms has taken steps this year to expand into the mobile electronic forms market. Two implementations, one at Teignbridge District Council and one at Leicestershire County Council, have seen the installation of benefits and social services forms on hand held PC Tablets, enabling officers to capture information in citizens' homes. The captured information is integrated directly into their back office benefits systems.

Recent Project Wins

The combination of IDOX's software and information provision was instrumental in the Group's winning a number of information projects over the past year, including:

- Building and maintaining a searchable web based database of labour market intelligence for Futureskills Scotland. Research material is sourced from over 100 journals and a similar number of web sites around the globe (www.futureskillscotland.org.uk)

Chief Executive's Report (continued)

For the year ended 31 October 2003

- Creating a searchable database of regeneration projects in the North East of England for the Regeneration Exchange in Newcastle
- Undertaking a content development project for the North East regional pages of renewal.net, the Government's key web service supporting thousands of urban regeneration practitioners; a service which IDOX manages under a long term contract (www.renewal.net).

Product and Service Development

IDOX continues to invest in the development of its products and services to meet the needs of its current and future customers, and during 2003 over £1 million was invested in product research and development.

Developments in IDOX Software over the past year have included improvements to process workflow to improve the Group's offering in areas such as Revenues & Benefits, increased functionality in management reporting functions to help managers in all departments and the development of a records management module to meet the requirements of the Freedom of Information Act, Data Protection Act and the requirements of The National Archives (formerly Public Records Office). The National Archives has updated its Electronic Records Management compliance standards and IDOX is at the final stages of development of software to meet these latest requirements. To this end, IDOX has made the formal application for testing under the approval scheme. The development of the Electronic Records Management component of IDOX Software has been a major effort, including a new state-of-the-art architecture based around the Sun J2EE architecture. We have also had excellent initial user feedback in terms of its look-and-feel and useability.

A key improvement to the IDOX Information Service has been the extension of functionality to the online search facility of the database. It is now possible for members to search the complete library database, and to order many more items in full text online. Hypertext links also guide members to relevant online items where appropriate. In addition to this work, areas of interest to members are reviewed regularly for updating of titles, journals and web references held. The Group has recently reviewed the entire Environmental Services subject area and has extended its service offering to ensure that comprehensive coverage is provided.

People

Our workforce grew from 80 at 31 October 2002 to 94 at the end of this financial year. The Group possesses a team and infrastructure capable of delivering and managing rapid business growth, so that increasing revenue can be accommodated within a stable cost base. At the same time the Group continues to exercise tight internal financial control in order to meet its financial goals.

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.

Strategy and Outlook

This year the Group fulfilled its primary financial objective of enjoying regular profitability on a monthly basis by the end of the financial year. The Board's goal now is to build on this progress thereby ensuring profitability for 2004, while increasing its revenues and improving its market share. While it remains difficult to predict the timing of contract signings, the pipeline is strong, and a number of new contracts have already been secured since the end of the year. The Group's recurring revenue streams from maintenance, information services and UKPlanning form a secure underpinning for our business and we remain conservatively optimistic about next year's growth plans.

The Group will continue to seek to increase its market share, revenue and profitability, both through organic growth and through appropriate acquisitions. The Board remains committed to fulfilling the best interests of our shareholders while securing a leading place within the Local Government market.



Andrew Fraser
Chief Executive
5 December 2003

Board of Directors

For the year ended 31 October 2003

Non-Executive Chairman: John Wisbey (Aged 47)

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. 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 46)

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 39)

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 47)

Christopher Wright was Global Head of Dresdner Kleinwort Capital (1995-2002) and subsequently Senior Adviser to Allianz Private Equity until June 2003. He is now a Director of Merifin Capital and Advisory Director of Campbell Lutyens and Co. He is also a Non-Executive Director of Lombard Risk Management plc, Roper Industries Inc and other public and private companies in the USA and elsewhere.

Non-Executive Director: Rt. Hon. Peter Lilley MP (Aged 60)

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.

Directors' Report

For the year ended 31 October 2003

The Directors are pleased to submit their report and audited accounts for the year ended 31 October 2003.

Principal Activities and Review of Business

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

Results and Dividends

The audited accounts for the year ended 31 October 2003 are set out on pages 13 to 28. The Group's loss for the year after tax amounted to £595,060 (2002: £1,483,473). 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 Company's Ordinary share capital at 31 October (or date of resignation) were as follows:

	2003	2002
J M Wisbey*	26,918,212	47,039,601
A G Fraser	14,655,300	14,655,300
T F Bowen	2,300,000	1,863,500
C Wright	222,222	Nil
Re. Hon. P B Lilley MP	Nil	Nil
I R Peacock	Resigned 31 January 2003 533,800	533,800

*19,500,000 of these shares are held in a trust in which John Wisbey has an interest and 6,968,212 are held by Lombard Risk Management plc, a company controlled by John 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 1,375,000 ordinary shares. Full details of these options are given in the Report on Remuneration on page 9.

In accordance with the articles of association, John Wisbey and Andrew Fraser retired by rotation and were re-elected at the Annual General Meeting held on 30 January 2003. Tim Bowen and Christopher Wright are due to retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. Ian Peacock resigned from the Board after the Annual General Meeting held on 30 January 2003. Peter Lilley's appointment to the Board on 31 October 2002 was approved at the same meeting.

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

Buy Back of Deferred Ordinary Shares

Details of the buy back of deferred ordinary shares is set out in note 14.

Substantial Shareholdings

As at 3 December 2003 the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of Shares	% Holding
J M Wisbey	19,950,000	12.98
A G Fraser	14,655,300	9.54
ISIS Equity Partners	13,333,334	8.68
Herald Investment Trust plc	12,416,667	8.08
Dresdner Kleinwort Wasserstein Limited	7,812,500	5.08
Invesco Perpetual Smaller Company Core Fund	7,500,000	4.88
Lombard Risk Management plc	6,968,212	4.53
Merifin Capital N.V.	6,520,833	4.24
P M Woodrow	5,258,300	3.42

Charitable and Political Donations

The Group made no charitable or political donations during the year (2002:nil).

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 41 days (2002: 54 days).

Health, Safety and Environmental Policies

The Group recognises and accepts its responsibilities 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 compliance with best practice and 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 company'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 Company.

By order of the Board

Tim Bowen
Company Secretary
5 December 2003

Registered Office
21 New Fetter Lane
London
EC4A 1AJ

Report on Remuneration

For the year ended 31 October 2003

Remuneration Committee

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

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, bonus, money purchase pension contributions and benefits in kind. The benefits include car allowance, private medical cover, life cover and critical illness cover. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee. This criteria includes targets for turnover, operating losses and for bank balances. Included in bonuses paid to Tim Bowen, was an amount of £19,935 which was capitalised as part of the investment in Nettgain Solutions Limited.

Directors' Remuneration

	Salary	Bonus	Benefits	Total 2003	Total 2002	Pension 2003	Pension 2002
	£	£	£	£	£	£	£
Executive Directors							
Andrew Fraser	117,700	52,964	11,064	181,728	160,887	3,852	2,247
Tim Bowen	96,300	63,270	10,636	170,206	133,709	3,197	1,865
Non Executive Directors							
John Wisbey	33,000	-	-	33,000	32,199	-	-
Ian Pearlock	4,125	-	-	4,125	15,875	-	-
Christopher Wright	16,500	-	-	16,500	9,625	-	-
Peter Lilley	16,544	-	-	16,544	-	-	-
	<u>284,169</u>	<u>116,234</u>	<u>21,700</u>	<u>422,103</u>	<u>352,295</u>	<u>7,049</u>	<u>4,112</u>

Non-Executive Directors

The Board, based on a recommendation by the Non-Executive Chairman or, in the case of the Non-Executive Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors. The Non-Executive Directors do not currently participate in the Group's pension scheme or receive share options.

Service Contracts

The Executive Directors have entered into Service Contracts with the Group that are terminable by either party on 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 Company 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 Company:

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	-	5p	Nov 2000	Nov 2010
Tim Bowen	1,500,000	-	-	1,500,000	12.75p	Nov 2001	Jun 2010
Tim Bowen	500,000	-	-	500,000	11p	Apr 2004	Oct 2012
Andrew Fraser	500,000	-	-	500,000	11p	Apr 2004	Oct 2012

The mid market price of the Group's shares at close of business on 31 October 2003 was 11.5p and the high and low share prices during the year were 13.0p and 9.5p respectively. Tim Bowen exercised options over 1,375,000 shares on 4 September 2003. The market price on this date was 10p. The aggregate notional gain was £68,750.

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 2003

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 FSA 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 a 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.2.1 whereby given the small size of the Board the Remuneration Committee be comprised of independent Non-Executive Directors.
- Code provision D.3.1 whereby given the small size of the Board the Audit Committee comprises two Non-Executives rather than three as recommended.

The Board is reviewing the new Combined Code and will report on compliance next year.

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 at least monthly.
- A structured approval process based on assessment of risk and value 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 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.

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. 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 Group's 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

Corporate Governance Report (continued)

For the year ended 31 October 2003

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 has commenced work on the implementation of International Financial Reporting Standards, in accordance with the European Union requirements. This work will be ongoing until all of the new standards have been published. A fuller statement regarding their adoption will be included in next year's report and accounts.

Board of Directors

The Board, comprising two Executive Directors, a Non-Executive Chairman and two Non-Executive Directors, is responsible for the overall strategy and direction of i-documentsystems 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 if required. The Board monitors exposure to key business risks and reviews the strategic direction of the Group, the annual budgets as well as their 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-documentsystems group 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 Annual General Meeting, where participation is encouraged and where the Board is available to answer questions. i-documentsystems group plc maintains up-to-date information on the Investor Relations section of its website www.idoxplc.com.

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-documentsystems group plc strives to give 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 member is John Wisbey who is the Non-Executive Chairman. The Committee meets at least three times 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. Additionally the Audit Committee also ensure the independence and objectivity of the external auditors and also review the provision of non-audit services by external auditors.

The Remuneration Committee

The Remuneration Committee is chaired by Peter Lilley and comprises all 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 2004 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.

Report of the Independent Auditors

to the members of i-documentsystems group plc

We have audited the financial statements of i-documentsystems group plc for the year ended 31 October 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements 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 Company 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 including the Corporate Governance Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Report, the Directors' Report, 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 affairs of the Company and the Group at 31 October 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON

5 December 2003

Registered Auditors
Chartered Accountants
London

Consolidated Profit and Loss Account

For the year ended 31 October 2003

	Note	2003 £	2002 £
Turnover			
Continuing		4,211,401	3,017,602
Acquisitions		260,904	-
		<u>4,472,305</u>	<u>3,017,602</u>
External charges			
Continuing		(611,361)	(667,161)
Acquisitions		-	-
		<u>(611,361)</u>	<u>(667,161)</u>
		3,860,944	2,350,441
Staff costs			
Continuing		(3,099,052)	(2,524,671)
Acquisitions		(125,097)	-
	3	<u>(3,224,149)</u>	<u>(2,524,671)</u>
Other operating charges			
Continuing		(1,272,430)	(1,386,671)
Acquisitions		(33,287)	-
		<u>(1,305,717)</u>	<u>(1,386,671)</u>
Operating (loss)/profit			
Continuing		(771,442)	(1,560,901)
Acquisitions		102,520	-
	2	<u>(668,922)</u>	<u>(1,560,901)</u>
Interest receivable		<u>73,862</u>	<u>77,428</u>
Loss on ordinary activities before taxation		(595,060)	(1,483,473)
Tax on loss on ordinary activities	4	-	-
Loss for the period transferred from reserves	15	<u>(595,060)</u>	<u>(1,483,473)</u>
Loss per share (pence)	6	(0.42)p	(1.11)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 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	7	1,703,513	696,906
Tangible assets	8	255,561	259,727
Investments	9	28,344	28,344
		<u>1,987,418</u>	<u>984,977</u>
Current assets			
Debtors	10	1,530,906	1,167,227
Cash at bank and in hand		2,646,695	2,537,752
		<u>4,177,601</u>	<u>3,704,979</u>
Creditors: amounts falling due within one year	11	<u>(2,840,376)</u>	<u>(1,949,553)</u>
Net current assets		<u>1,337,225</u>	<u>1,755,426</u>
Total assets less current liabilities		<u>3,324,643</u>	<u>2,740,403</u>
Creditors: amounts falling due after more than one year	12	(30,000)	(40,000)
Net assets		<u>3,294,643</u>	<u>2,700,403</u>
Capital and reserves			
Called up share capital	14	1,536,789	1,408,039
Deferred share capital	14	-	1,112,014
Capital redemption reserve	15	1,112,014	-
Share premium account	15	5,159,088	4,098,538
Other reserves	15	1,294,745	1,294,745
Profit and loss account	15	<u>(5,807,993)</u>	<u>(5,212,933)</u>
Shareholders' funds	15	<u>3,294,643</u>	<u>2,700,403</u>

The accounts were approved by the Board of Directors on 5 December 2003.



Andrew Fraser
Chief Executive Officer



Tim Bowen
Chief Financial Officer &
Chief Operating Officer

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

Company Balance Sheet

At 31 October 2003

	Note	2003 £	2002 £
Fixed assets			
Investments	9	2,386,147	2,111,857
Current assets			
Debtors due after one year	10	5,470,599	4,555,589
		<u>5,470,599</u>	<u>4,555,589</u>
Creditors: amounts falling due within one year	11	-	-
Net current assets		<u>5,470,599</u>	<u>4,555,589</u>
Total assets less current liabilities		<u>7,856,746</u>	<u>6,667,446</u>
Capital and reserves			
Called up share capital	14	1,536,789	1,408,039
Deferred share capital	14	-	1,112,014
Capital redemption reserve	15	1,112,014	-
Share premium account	15	5,159,088	4,098,538
Profit and loss account	15	48,855	48,855
Shareholders' funds	15	<u>7,856,746</u>	<u>6,667,446</u>

The accounts were approved by the Board of Directors on 5 December 2003.



Andrew Fraser
Chief Executive Officer



Tim Bowen
Chief Financial Officer &
Chief Operating Officer

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

Consolidated Cash Flow Statement

For the year ended 31 October 2003

		2003	2002
	Note	£	£
Net cash outflow from operating activities	17	(624,388)	(843,324)
Returns on investments and servicing of finance			
Interest received		71,825	77,143
Net cash inflow from returns on investments and servicing of finance		<u>71,825</u>	<u>77,143</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(210,810)	(236,377)
Sale of tangible fixed assets		3,026	-
Purchase of investment		-	(28,344)
Net cash outflow from capital expenditure and financial investment		<u>(207,784)</u>	<u>(264,721)</u>
Acquisitions			
Purchase of company		(89,591)	(418,601)
Net cash balances acquired with the company		(230,419)	181,481
Net cash outflow from acquisitions		<u>(320,010)</u>	<u>(237,120)</u>
Financing			
Issue of shares		1,189,300	1,434,016
Net cash inflow from returns on investments and servicing of finance		<u>1,189,300</u>	<u>1,434,016</u>
Increase in cash	18	<u>108,943</u>	<u>165,994</u>

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

Notes to the Accounts

For the year ended 31 October 2003

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.

Basis of Consolidation

The Group consolidates the accounts of the Company and its subsidiary undertakings (see note 9) drawn up to 31 October 2003. The Group's subsidiary, i-documentsystems Limited, has been consolidated using merger accounting in accordance with FRS 6. 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 the 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 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.

Contributions to Defined Contribution Pension Schemes

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

Notes to the Accounts (continued)

For the year ended 31 October 2003

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 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is stated after charging:

	2003 £	2002 £
Auditor's remuneration:		
Audit services	28,500	21,500
Non-audit services (review of Interim Report and tax advice)	8,245	6,996
Goodwill amortisation	81,669	30,250
Loss on foreign exchange translation	130	132
Operating lease rentals – hire of plant and machinery	288	7,550
Operating lease rentals – buildings	126,270	71,350
Research and development	1,050,610	1,001,362
Depreciation:		
Inangible fixed assets, owned	216,644	150,029
and after crediting:		
Government grants	(266,160)	-

In addition, during the year the auditors provided services in connection with the acquisition of the share capital of Nettgain Solutions Limited totalling £17,500. This amount was capitalised as part of the cost of acquiring the investment.

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	2,853,989	2,244,057
Social security costs	294,656	242,967
Pension costs	75,504	37,647
	<u>3,224,149</u>	<u>2,524,671</u>

Notes to the Accounts (continued)

For the year ended 31 October 2003

The average number of employees of the company during the year was 86 (2002:63):

	2003	2002
	No	No
Office and administration (including Directors of the company and its subsidiary undertakings)	15	11
Sales	16	14
Software development	17	15
Training	2	2
Support	11	10
Information services	25	11
	<u>86</u>	<u>63</u>

Remuneration in respect of Directors was as follows:

	2003	2002
	£	£
Emoluments	422,103	352,295
Pension contributions	7,049	4,112
	<u>429,152</u>	<u>356,407</u>

Included within these amounts was a bonus of £19,935 payable to Tim Bowen which was capitalised as part of the cost of acquiring the investment in Nettgain Solutions Limited. The aggregate gain on the exercise of share options by Tim Bowen was £68,750.

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2003	2002
	£	£
Aggregate emoluments	181,728	160,887
Pension contributions	3,852	2,247
	<u>185,580</u>	<u>163,134</u>

Details of the remuneration for each Director are included in the Remuneration Report which can be found on page 9 but which do not form part of the audited accounts.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

There was no charge for taxation for the year ended 31 October 2003 (2002: nil) due to operating losses in the current year.

Unrelieved trading losses of £4,492,620 (2002: £2,658,543), amounting to £1,347,786 (2002: £797,563), calculated at the standard rate of corporation tax in the UK of 30%, remain available to offset against future taxable trading profits in certain companies within the Group. Factors affecting tax losses available for carry forward in the period are:

	2003	2002
	£	£
Loss on ordinary activities before taxation	<u>(595,060)</u>	<u>(1,483,473)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(178,518)	(445,042)
Effects of:		
expenses not deductible for tax purposes	4,034	21,048
Depreciation in excess of capital allowances	23,366	45,005
Capital expenditure in revenue	-	1,753
General provision	6,333	5,577
Increase in tax losses	<u>144,785</u>	<u>371,659</u>
	-	-

Total unrecognised deferred tax asset amounts to £1,384,575 (2002: £793,023). The Directors consider that it is unlikely that this deferred tax asset will crystallise in the foreseeable future.

Notes to the Accounts (continued)

For the year ended 31 October 2003

5 LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The Company's loss for the year was nil (2002: nil).

6 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:

	2003	2002
	£	£
Loss for the year	(595,060)	(1,483,473)
Weighted average number of shares in issue	142,805,965	133,976,939
Loss per share	(0.42)p	(1.11)p

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

7 INTANGIBLE FIXED ASSETS

The Group	Purchased goodwill
£	£
Cost	
At 1 November 2002	727,156
Additions	1,088,276
At 31 October 2003	<u>1,815,432</u>
Amortisation	
At 1 November 2002	30,250
Provided in the year	81,669
At 31 October 2003	<u>111,919</u>
Net book amount at 31 October 2003	<u>1,703,513</u>
Net book amount at 31 October 2002	<u>696,906</u>

The additions to purchased goodwill relate to the acquisition of Nettgain Solutions Limited as set out in note 20.

Notes to the Accounts (continued)

For the year ended 31 October 2003

8 TANGIBLE FIXED ASSETS

The Group	Computer hardware	Computer software	Fixtures, fittings and equipment	Library books and journals	Total
Cost	£	£	£	£	£
At 1 November 2002	460,835	48,527	120,203	107,557	737,122
Assets of business acquired	49,021	-	16,487	-	65,508
Additions	109,721	20,277	23,943	56,869	210,810
Disposals	(3,752)	-	-	-	(3,752)
At 31 October 2003	<u>615,825</u>	<u>68,804</u>	<u>160,633</u>	<u>164,426</u>	<u>1,009,688</u>
Depreciation					
At 1 November 2002	304,134	42,908	58,961	71,392	477,395
Assets of business acquired	45,926	-	15,722	-	61,648
Provided in the year	146,441	11,811	23,434	34,958	216,644
Disposals	(1,560)	-	-	-	(1,560)
At 31 October 2003	<u>494,941</u>	<u>54,719</u>	<u>98,117</u>	<u>106,350</u>	<u>754,127</u>
Net book amount at 31 October 2003	<u>120,884</u>	<u>14,085</u>	<u>62,516</u>	<u>58,076</u>	<u>255,561</u>
Net book amount at 31 October 2002	<u>156,701</u>	<u>5,619</u>	<u>61,242</u>	<u>36,165</u>	<u>259,727</u>

9 INVESTMENTS

The Group	Investment in own shares
Cost	£
At 1 November 2002	28,344
Additions	-
At 31 October 2003	<u>28,344</u>
Amounts written off	
At 1 November 2002 and 31 October 2003	-
Net book amount	
At 31 October 2003	<u>28,344</u>
At 31 October 2002	<u>28,344</u>

Investment in own shares represents 250,000 ordinary shares of 1p each in i-documentssystemsgroup 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-documentssystemsgroup Trustees Limited.

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. To comply with new accounting rules, in future these shares will be treated as a debit to shareholders' funds.

The market value of these shares at 31 October 2003 was £28,750 (2002: £29,375).

Notes to the Accounts (continued)

For the year ended 31 October 2003

	Shares in group undertakings £
The Company	
Cost	
At 1 November 2002	2,111,857
Additions	274,290
At 31 October 2003	<u>2,386,147</u>
Amounts written off	
At 1 November 2002 and 31 October 2003	-
Net book amount	
At 31 October 2003	2,386,147
At 31 October 2002	<u>2,111,857</u>

The Directors consider that the carrying values of the shares in the Group undertakings have not been impaired.

The additions are in respect of the following newly acquired subsidiaries: Nettgain Solutions Limited and Mandoforms Limited. At 31 October 2003 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-document systems Limited	England	Ordinary	100%	Software services
Nettgain Solutions Limited	England	Ordinary	100%	Software services
IDOX Information Services Limited	England	Ordinary	100%	information services
i-document systems Trustees Limited	England	Ordinary	100%	Corporate trustee of employee share ownership trust
IDOX Limited	England	Ordinary	100%	Dormant company
Information into Intelligence Limited	England	Ordinary	100%	Dormant company
The Planning Exchange Limited	England	Ordinary	100%	Dormant company
Mandoforms Limited	England	Ordinary	100%	Dormant company

All subsidiaries have been consolidated in the accounts.

10 DEBTORS

	The Group 2003 £	The Group 2002 £	The Company 2003 £	The Company 2002 £
Trade debtors	1,367,752	970,330	-	-
Amounts owed by group undertakings	-	-	5,470,599	4,555,589
Other debtors	8,350	6,650	-	-
Prepayments and accrued income	154,804	190,247	-	-
	<u>1,530,906</u>	<u>1,167,227</u>	<u>5,470,599</u>	<u>4,555,589</u>

Included in the above for the Company is £5,470,599 (2002:£4,555,589) 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 2003

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2003 £	The Group 2002 £	The Company 2003 £	The Company 2002 £
Trade creditors	399,512	311,700	-	-
Social security and other taxes	297,263	174,300	-	-
Other creditors	91,700	12,544	-	-
Deferred consideration	10,000	10,000	-	-
Accruals and deferred income	2,041,901	1,441,009	-	-
	<u>2,840,376</u>	<u>1,949,553</u>	<u>-</u>	<u>-</u>

Included in accruals and deferred income is £90,625 (2002:£135,000) of unamortised Government grants.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group 2003 £	The Group 2002 £	The Company 2003 £	The Company 2002 £
Deferred consideration	<u>30,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>

13 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. The Group's objective in respect of financial instruments is to minimise risk through effective management of working capital, and placing surplus funds with major financial institutions.

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 2003	-	2,646,695	-	<u>2,646,695</u>
Sterling Financial Assets at 31 October 2002	-	2,537,752	-	<u>2,537,752</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.

Fair values are not materially different from book values.

Notes to the Accounts (continued)

For the year ended 31 October 2003

14 SHARE CAPITAL

	2003 £	2002 £
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>
Alotted, called up and fully paid		
154,673,903 ordinary shares of 1p each (2002: 140,803,903)	1,536,789	1,408,039
111 deferred ordinary shares of 1p each (2002: 111,201,400)	-	1,112,014
	<u>1,536,789</u>	<u>2,520,053</u>

Movement in Issued Share Capital in the Year

On 4 September 2003, a total of 11,500,000 new ordinary 1p shares (New Ordinary Shares) were placed on behalf of the Company with new and existing institutional investors, at a price of 10p per share. The share issues were made to enable the Group to acquire Nettgain Solutions Limited (see note 20) and to provide the Group with additional working capital. The difference between the total consideration of £1,150,000 and the total nominal value of £115,000 has been credited to the share premium account (£1,035,000). The New Ordinary Shares rank pari passu with the existing ordinary shares of the Company and represent 7.48% of the enlarged issued share capital of the Company at that time. The new shares started trading on 4 September 2003 on the Alternative Investment Market of the London Stock Exchange.

In addition, Tim Bowen exercised options on 1,375,000 ordinary shares at a price of 5p per share on 4 September 2003. The difference between the total consideration of £68,750 and the total nominal value of £13,750 has been credited to the share premium account (£55,000).

Deferred Ordinary Shares

At the Annual General Meeting held on 30 January 2003 the entire deferred ordinary share capital was bought-in in exchange for one ordinary 1p share. They were then cancelled from the share capital.

Share Options

Details of share options over 1p 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	Nov 2001	Jun 2010
1,166,667	-	-	-	1,166,667	12.00p	Dec 2003	Dec 2010
2,500,000	-	-	833,333	1,666,667	12.00p	Jun 2002	Dec 2010
1,161,288	-	-	129,032	1,032,256	15.50p	Jul 2004	Jul 2011
1,032,258	-	-	-	1,032,258	15.50p	Jan 2003	Jul 2011
2,064,516	-	-	129,032	1,935,484	15.50p	Feb 2005	Feb 2012
2,727,273	-	-	-	2,727,273	11.00p	Apr 2004	Oct 2012
-	1,652,175	-	-	1,652,175	11.50p	Oct 2006	Oct 2012
<u>13,527,002</u>	<u>1,652,175</u>	<u>1,375,000</u>	<u>1,091,397</u>	<u>12,712,780</u>			

Notes to the Accounts (continued)

For the year ended 31 October 2003

15 SHARE PREMIUM ACCOUNT AND RESERVES

	Issued share capital	Deferred share capital	Capital redemption reserve	Share premium account	Other reserves	Profit and loss account	Total
The Group	£	£	£	£	£	£	£
At 1 November 2002	1,408,039	1,112,014	-	4,098,538	1,294,745	(5,212,933)	2,700,403
New share issue	128,750	-	-	1,090,000	-	-	1,218,750
Cost of issue	-	-	-	(29,450)	-	-	(29,450)
Shares cancelled	-	(1,112,014)	1,112,014	-	-	-	-
Loss for the year	-	-	-	-	-	(595,060)	(595,060)
At 31 October 2003	<u>1,536,789</u>	<u>-</u>	<u>1,112,014</u>	<u>5,159,088</u>	<u>1,294,745</u>	<u>(5,807,993)</u>	<u>3,294,643</u>

Other reserves relate to the issued share capital and share premium account in the Company's subsidiary undertaking, i-documentsystems Limited, and has been treated in accordance with FRS 6.

	Issued share capital	Deferred share capital	Capital redemption reserve	Share premium account	Other reserves	Profit and loss account	Total
The Company	£	£	£	£	£	£	£
At 1 November 2002	1,408,039	1,112,014	-	4,098,538	-	48,855	6,667,446
New share issue	128,750	-	-	1,090,000	-	-	1,218,750
Cost of issue	-	-	-	(29,450)	-	-	(29,450)
Shares cancelled	-	(1,112,014)	1,112,014	-	-	-	-
At 31 October 2003	<u>1,536,789</u>	<u>-</u>	<u>1,112,014</u>	<u>5,159,088</u>	<u>-</u>	<u>48,855</u>	<u>7,856,746</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Loss for the financial year	(595,060)	(1,483,473)
New share issue	1,189,300	1,434,016
Provision for issue costs released	-	55,274
Share options exercised	-	27,500
Net increase in shareholders' funds	<u>594,240</u>	<u>33,317</u>
Shareholders' funds at 1 November 2002	<u>2,700,403</u>	<u>2,667,086</u>
Shareholders' funds at 31 October 2003	<u>3,294,643</u>	<u>2,700,403</u>

17 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating loss	(668,922)	(1,560,901)
Depreciation	216,644	150,029
Goodwill amortisation	81,669	30,250
Profit on sale of fixed assets	(834)	-
Gain on share options	-	27,500
Increase in debtors	(217,592)	(14,150)
(Decrease)/increase in creditors	<u>(35,353)</u>	<u>523,948</u>
Net cash outflow from operating activities	<u>(624,388)</u>	<u>(843,324)</u>

Notes to the Accounts (continued)

For the year ended 31 October 2003

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £	2002 £
Increase in cash in the year, being movement in net funds in the year	108,943	165,994
Net funds at 1 November 2002	<u>2,537,752</u>	<u>2,371,758</u>
Net funds at 31 October 2003	<u>2,646,695</u>	<u>2,537,752</u>

19 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 November 2002 £	Cash flow £	At 31 October 2003 £
Cash in hand and at bank	<u>2,537,752</u>	<u>108,943</u>	<u>2,646,695</u>

20 ACQUISITIONS

On 11 September 2003 the Group acquired the share capital of Nettgain Solutions Limited for £1,467 in cash and £184,699 in deferred contingent cash consideration as detailed below. The purchase of the share capital of Nettgain Solutions Limited has been accounted for by the acquisition method of accounting. The assets and liabilities of Nettgain Solutions Limited acquired were as follows:

	Book value £	Fair value adjustment £	Accounting policy adjustment £	Fair value £
Tangible assets	203,849	-	(199,989)	3,860
Current assets	-	-	-	-
Debtors	226,074	(82,024)	-	144,050
Bank and cash	-	-	-	-
Total assets	<u>429,923</u>	<u>(82,024)</u>	<u>(199,989)</u>	<u>147,910</u>
Creditors				
Bank overdraft and loans	391,416	(160,997)	-	230,419
Trade creditors	63,881	-	-	63,881
Deferred income	-	-	158,192	158,192
Accruals	171,615	304,701	-	476,316
Other creditors	7,499	-	-	7,499
Taxation	25,589	-	-	25,589
Total liabilities	<u>660,000</u>	<u>143,704</u>	<u>158,192</u>	<u>961,896</u>
Total net liabilities	<u>(230,077)</u>	<u>(225,728)</u>	<u>(358,181)</u>	<u>(813,986)</u>
Goodwill				1,088,276
				<u>274,290</u>
Satisfied by:				
Cash consideration				1,467
Expenses arising from acquisition				88,124
Sub total				<u>89,591</u>
Deferred contingent cash consideration				184,699
				<u>274,290</u>

Notes to the Accounts (continued)

For the year ended 31 October 2003

Fair value adjustments were made to the assets and liabilities of the company at the date of acquisition. Accounting policy adjustments were made for changing the deferred income policy, the depreciation rates and for writing off previously capitalised development expenditure to be brought into line with the Group's accounting policies. Included within the expenses arising from the acquisition is an amount payable to one of the Directors of i-documentsystems group plc which is disclosed in the Report on Remuneration. The deferred contingent cash consideration is dependent on the Directors of Nettgain Solutions Limited meeting sales, profits, and other organisational objectives within the next twelve months. This has been accrued for in full.

The company acquired during the year, had results as indicated below:

	14 month period to 31 August 2003	Year ended 30 June 2002
	£	£
Turnover	984,108	949,347
Operating loss	(528,729)	(911,842)
Loss on ordinary activities before taxation	(566,142)	(911,842)
Taxation	-	-
Loss after taxation and minority interests	(566,142)	(935,871)

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

The company acquired during the year made the following contribution to, and utilisation of, Group cash flow:

	2003
	£
Net cash inflow from operating activities	361,159
Returns on investment and servicing of finance	2,882
Increase in cash	<u>364,041</u>

Analysis of net cash outflow in respect of the company acquired:

	2003
	£
Cash at bank and in hand acquired	(230,419)
Expenses arising from acquisition	(88,124)
Cash consideration	<u>(1,467)</u>
	<u>(320,010)</u>

21 OPERATING LEASE COMMITMENTS

Operating lease payments amounting to £159,728 (2002: £120,050) are due within one year. The leases to which these relate, expire as follows:

	2003	2003	2002	2002
	Land & building	Plant & machinery	Land & building	Plant & machinery
	£	£	£	£
Less than one year	45,720	3,861	-	15,100
Between two and five years	40,750	2,197	37,750	-
Greater than five years	<u>67,200</u>	-	<u>67,200</u>	-
	<u>153,670</u>	<u>6,058</u>	<u>104,950</u>	<u>15,100</u>

Notes to the Accounts (continued)

For the year ended 31 October 2003

22 CAPITAL COMMITMENTS

The Company had no material capital commitments at 31 October 2003 or 31 October 2002.

23 CONTINGENT LIABILITIES

The Company has agreed to provide continuing financial support to its subsidiary undertakings, i-documentsystems Limited and IDOX Information Services Limited. There were no material Group contingent liabilities at 31 October 2003 or 31 October 2002. The deferred contingent consideration for the acquisition of Nettgain Solutions Limited has been provided for fully in the accounts.

24 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.

25 TRANSACTIONS WITH RELATED PARTIES

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

	2003	2002
	£	£
Management and service charges	<u>43,657</u>	<u>109,484</u>

The balance owed to Lombard Risk Management plc and its subsidiaries at 31 October 2003 was £11 (2002: £846).

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 Christopher Wright is a Director of that company.

26 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

Company Information

i-documentsystems group plc (IDOX) is an innovative enterprise information management solutions provider to Local Government, specialising in the development of products and services for information management and content provision. The Group provides software, information and managed services, enabling its customers to meet the forthcoming requirements of the Freedom of Information Act and other relevant Government legislation. Provided separately, or as a joint offering, these areas of expertise allow IDOX to provide for the majority of the information provision and information management needs of Local Government. 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. IDOX has a range of products that allows it to provide 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 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, 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. The functionality and flexibility of the **electronic forms** module has been significantly enhanced in the past year. The **workflow** component has the facility to distribute information and documents around an organisation in either a people-based way, mimicking the way in which paper would normally be distributed and actioned, or in the more traditional process-driven manner. 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.

IDOX's electronic forms are either available as an integrated module of IDOX Software or as a standalone product.

Mandoforms. They are at the forefront of intelligent online data capture, and provide the power to automate and speed up the processing of information. The electronic forms are easy to fill in, tailored to the user and quick to complete. Mandoforms also allow local authorities to meet their legal obligations by providing accessible forms to meet the requirements of the Disability Discrimination Act 1995 and by securing the data at source to meet the requirements of the Data Protection Act 1998.

IDOX also provides the **IDOX Information Service** – a library and information service built up over 30 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 material 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 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 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.
