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IBNetplc

www.IBNetplc.com

Annual Report 2001

Contents

Directors and Advisers

Directors

David Gordon Heynes
Chairman

Alexander Mark Ommanney
Chief Executive

Paul Raymond Mewett
Business Development Director

Robert William Nayler
Technical Director

David John Lees
Non-Executive Director

Michael Norman Bull
Non-Executive Director

David Kenneth Anthony Lawrence
Non-Executive Director

Company Secretary

Julian Paul Hare

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Website

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Nominated Broker

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Auditors

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SL1 2LS

Solicitors

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EC1A 4EJ

Bankers

HSBC plc
Broad Street
Reading
Berks
RG1 2BU

Registrars

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Directors and Advisers

David Heynes,
aged 56, Chairman

David qualified as a chartered accountant with Coopers & Lybrand. After spending three years in the corporate finance department of Hill Samuel & Co. Limited, he became a founder director of Park Place plc, a Group providing accountancy and other financial training and related publications, until his resignation as chairman in 1986 following the takeover of the company. Subsequently, he has gained considerable experience of public companies having been an executive director of York Trust Group plc, The Cleveland Trust plc, Alexander Proudfoot plc, chairman of Flare Group plc, Countyglen plc and Synapse Computer Services plc and a non-executive director of UPF Group plc. He is currently executive chairman of Names.co Internet plc.

Paul Mewett,
aged 41, Business Development Director

Paul has worked in the electronics and computing fields for the past 22 years. Paul spent twelve years working for the Ministry of Defence within the fields of secure military communications and surveillance, where he managed teams of over 100 personnel on multi-national and occasionally politically sensitive projects. More recently Paul has operated as a technical consultant to clients of varying size.

Mark Ommanney,
aged 48, Chief Executive

Mark's background is in the financial services industry, initially in sales and sales management and most recently as a sales director with Sun Life of Canada, a global top 50 financial services company. Having had overall responsibility for half of the UK's sales division, he has considerable management experience supported by successful sales expertise. His background includes developing, motivating and co-ordinating large, multidisciplinary teams.

Robert Nayler,
aged 31, Technical Director

Robert specialises in knowledge management technologies. He was previously a "Technical Project Manager for Major Projects" with the BBC and as a director of Media Integration Technologies Ltd has worked on both internet and intranet solutions for large companies and organisations implementing worldwide information strategies. Included in the projects were search/agent/knowledge management and data transaction technologies.

Directors and Advisers

David Lees,
aged 53, Non-Executive Director

David qualified as a chartered accountant in Australia. From 1987 to 1994 he was finance director of Medeva plc. His responsibilities extended to the completion of a number of substantial acquisitions. Between 1995 and 1999 he was a non-executive founding director of SkyePharma plc and chief executive of Flare Group plc. He is currently finance director of Names.co Internet plc.

Michael Bull,
aged 65, Non-Executive Director

Michael has spent over thirty years in the Information Technology business. His career has encompassed senior management positions with Honeywell Corporation and General Electric and he was a founding director and chief executive of Trident Computer Services plc.

David Lawrence,
aged 59, Non-Executive Director

David has wide marketing and communications experience having worked closely with a number of major companies. He was chief executive of the largest Saatchi group of companies in Brussels between 1991 and 1998. Since 1991 he has operated his own marketing and management consultancy business advising many major corporations as well as a number of high tech, especially Internet based, companies.

Chairman's Statement

Introduction

I am pleased to report a second year of continued growth for IBNet since our admission to the AIM market in March 2000. Our client base has grown from 2 to 27 companies and brands. Our revenues have grown significantly from £14,000 to £402,000.

The increasing need for market intelligence, brand monitoring and protection is developing a strong demand both in the UK and Europe for our services. Our clients are recognising that their brands and intellectual property assets need to be protected on the Internet. Our clients are increasingly aware that there are significant "bottom line" implications of brand abuse. IBNet offers products and solutions to our clients that monitor the Internet to counter these threats.

Companies are now far more pro-active in taking action against threats to themselves, their brands and their image. This is particularly the case with the prevention of fraud, piracy and financial misrepresentation. Increasingly Internet abuse issues are now the concern of Legal, Marketing and Financial departments. This contrasts with the previous 12 months when responsibility lay with client's in-house technology departments.

IBNet has established a leading position in the UK and Europe for our services. We believe our managed services, backed by our unique technology are well positioned to serve this developing marketplace.

Financial Results

The financial results for the year ended 30th June 2001 cover 12 months of trading during which Netdetec and Branddetec performed well, with 80% of our clients signing up for these services. Our Sharedetec service, launched this year, addresses the threats which the Internet poses to listed companies through the misuse of Internet bulletin boards and accounted for the remaining 20% of clients. We believe there is continuing potential for growth in all three products.

In the period ended 30th June 2001, turnover was £402,000 (2000: £14,000) and the loss before tax £24.445 million (2000: £595,000). The loss before tax would have been £1,905,000 before the adjustments stated below, which would have been in line with our expectations.

At the time of the AIM listing last year the company had to be restructured as a group with a new holding company, IBNet plc. As a result of hiving up the business of the subsidiary a carrying value of £21,976,000 was created together with a related inter company debtor of £564,000. In order to avoid uncertainties in the future arising out of the accounting conventions for investment impairment your board has decided to write off these amounts entirely. There is clearly no cash effect to this accounting adjustment.

Business Review

During the last 12 months we have established a presence for IBNet's services within the following sectors:

- Brand
- Entertainment and Media
- Financial Services
- Legal
- Pharmaceuticals
- Telecommunications
- Logistics and Delivery Services

Chairman's Statement

Our clients are major blue chip UK and European companies within each of these sectors. We respect their need for confidentiality and therefore unfortunately we are unable to name the majority of our clients.

We are pursuing a strategy of marketing our services to these sectors. I am happy to report that we have increased our sales team in the last quarter of the year. Our four new sales personnel were selected for their experience of both Internet surveillance and the sectors upon which we are focusing. Mike Atkinson, our sales director, has now elected to pursue other interests outside the company and has resigned as a director. We wish him well in the future.

In March 2001 we added the role of Head of Marketing to take control of all the elements required to develop and implement our strategy. We are delighted to welcome David Bickers into this role. David has been with us as a consultant since September 1999 and has been key in implementing our marketing strategies.

In addition we have broadened IBNet's sales distribution for Netdetec by entering into a relationship with 'Reach U', a division of insurance giant AON. The Reach U network of partners provide considerable breadth of services to protect brand, secure systems, data and intellectual property. Netdetec features as part of the Reach U offer and will be sold though AON's UK sales force directly into their extensive client base. The full effect of these initiatives should make their returns in 2002.

This year we have exhibited once again at the Brand Licensing Show in New York. We launched an initiative at the show in association with LIMA - the official association for the Licensing Industry of whom we are members - and leading IP legal firm Wragge & Co, to take action against the growth in links from children's cartoon characters and entertainment favourites to unsavoury sites. This initiative will be developed over the next six months.

Product Developments

The last 12 months have seen the continuing evolution of our product offering. We are evolving IBNet from being simply a 'monitoring' tool to a corporate intelligence service. IBNet is becoming an essential part of the intelligence and research resources of our clients. To support this evolution we have expanded our research and account handling departments during the year.

More recently we have introduced a new business analyst department. This area conducts research into client specific areas, analyses the results found by our technology and delivers a set of recommendations to our client companies. We see this as a valuable service to clients who do not have the resources in house to analyse and exploit the data delivered to them. This in turn will help us to develop our business in new market areas.

This year has seen the successful launch of our Sharedetec service, which addresses the threats the Internet pose to listed companies through the misuse of Internet bulletin boards. We announced a sales association with Hemscott in May of this year for Sharedetec and we see sales from this relationship growing positively over the next 12 months.

Our technical development is also progressing well. A key element of the construction of our technology is that it gives us the flexibility to respond rapidly to client requirements. During the course of the year we have responded to a number of client specific needs, which has in turn provided our customers with many additional features. Over the last 12 months we further developed our technology and continue to develop and improve it to our own exacting standards. Netdetec version 2, with additional functionality giving clients added value will be launched prior to the end of 2001.

We have promoted Mike Patton to Chief Technical Officer. This has allowed our Technical Director Rob Nayler to focus on developing future new product concepts and territorial market opportunities. Mike has a team of ten people tasked to ensure our service is meeting client expectations. We have now completed our 'back up' support transfer to a location at Heathrow guaranteeing our clients additional security.

Additionally, it is our intention during the next 12 months to further develop our Newsdetec media monitoring proposition. This is a bespoke service that visits Internet communities and other specific sites on a regular basis to alert companies to changing comments and interest in their brands and services. We see this service developing into a unique marketing intelligence tool and are currently in discussion with a number of UK based potential partners for this product.

Future Prospects

The last 12 months has seen us grow in strength and depth - launching Sharedetec, adding new sales, technical, research, and analyst personnel and creating new senior management positions. Our infrastructure is in place to accommodate the continuing growth of our business. We are also considering options to expand our business by possible acquisition in related areas. This would enable us to position ourselves as a broadly based company serving the field of corporate intelligence and information management.

We are continuing to develop IBNet's business in line with our expectations. Our service is evolving from being simply a 'monitoring' tool to a corporate intelligence service. We believe that there is a great deal of potential for our Internet monitoring products, and that we are excellently placed to exploit this market. We look forward to meeting the market demand with our improved service offer, new products and new partnerships and to further expand our position as dominant provider in the UK and Europe.

I would like to thank my Board and all my colleagues at IBNet for their substantial contributions to our development and growth. We look forwards to a further year of growth for IBNet and I look forward to reporting further strong progress.

David Heynes
Chairman
September 2001

Corporate Governance for the year ended 30 June 2001

The company is committed to applying the highest principles of corporate governance commensurate with its size.

Compliance

As the company is listed on the Alternative Investment Market, it is not required to comment on its compliance with the provisions set out in the Combined Code prepared by the committee on corporate governance. However, the following information is provided which describes how the principles of corporate governance are applied by the company.

Directors

The company supports the concept of an effective board leading and controlling the company. The Board is responsible for approving company policy and strategy. It meets monthly and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. Training is available for new directors and other directors as necessary.

The Board consists of five executive directors, who hold the key operational positions in the company and three non-executive directors, who bring a breadth of experience and knowledge. All of the non-executive directors are independent of management and any business or other relationship, which could interfere with the exercise of their independent judgement. This provides a balance whereby the Board's decision making cannot be dominated by an individual or small group. The chairman of the Board is David Heynes. David Lees is the senior non-executive director. The Board members are described on page 3 and 4.

All directors are subject to re-election every three years and, on appointment, at the first Annual General Meeting (AGM) after appointment.

The Board has not appointed a Nomination Committee.

Relations with shareholders

The company values the views of its shareholders and recognises their interest in the company's strategy and performance, Board membership and quality of management. It therefore, holds regular meetings with its institutional shareholders to discuss objectives.

The AGM is used to communicate with private investors and they are encouraged to participate. The Chairman of the Audit and Remuneration Committees is available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The company counts all proxy votes and will indicate the level of proxies lodged on each resolution after it has been dealt with by a show of hands.

Accountability and audit

The Board presents a balanced and understandable assessment of the company's position and prospects in all interim and price sensitive reports and reports to regulators, as well as in the information required to be presented by statutory requirements.

The Audit Committee which meets twice a year, comprises David Lees (Chairman), Michael Bull and David Lawrence all of whom are independent non-executive directors. The terms of reference of the Committee include keeping under review the scope and results of external audits and their cost effectiveness. The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the company, seeking to balance objectivity and value for money.

Internal controls

The Board is responsible for maintaining a sound system of internal control to safeguard both the shareholders' investment and the company's assets.

The Board has reviewed its risk management and identified areas where procedures need to be changed or installed.

The Board had considered the need for an internal audit function but has decided the size of the company does not justify it at present. However, it will keep the decision under review. The Board has reviewed the operation and effectiveness of the company's system of internal financial control for the financial period and the period up to the date of approval of the financial statements.

The directors are responsible for the company's system of internal financial control and reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The key features of the company's system of internal financial control are as follows:

Steps taken to ensure an appropriate control environment

The Board, acting through the Audit Committee, has put into place an organisational structure with clearly defined responsibilities for internal financial control.

Process used to identify major business risks and to evaluate their financial implications

The identification of major business risks is carried out in conjunction with operating management and steps are taken to mitigate or manage these risks where possible.

Major information systems that are in place

There are comprehensive financial management reporting systems in place which involve the preparation of detailed annual budgets by the company and longer term financial forecasting. The budgets are generated by the responsible member of the management team and passed to the Board for approval. Performance against budget is monitored on a monthly basis by the Board.

Main control procedure which address the financial implications of the major business risks

The company maintains financial controls and procedures appropriate to the business environment conforming to overall standard and guidelines which are set by the Board.

Monitoring system the Board uses to check the system is operating effectively

The Audit Committee receives and considers reports on the system of internal financial control from management. The external auditors review the control procedures to the extent necessary for expressing their audit opinion, and report on any weakness arising during the course of their audit work.

The Board has reviewed the operation and effectiveness of the company's system of internal financial control for the financial period and for the period up to the date of the approval of these financial statements.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

David Lees

Corporate Governance for the year ended 30 June 2001

Report on Remuneration for the year ended 30 June 2001

Directors' remuneration

The Board recognises that directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The company operates within a competitive environment and its performance depends on the individual contributions of the directors and employees and it believes in rewarding vision and innovation.

The Board had decided to present this remuneration report for shareholder approval so that the shareholders can approve the policy set out in this report.

Policy on executive directors' remuneration

The policy of the board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the company's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration should also reflect the directors' responsibilities and contain incentives to deliver the company's objectives.

The Remuneration Committee has responsibility for making recommendations to the Board on the company's general policy on remuneration and also specific packages for individual directors. It carries out the policy on behalf of the Board.

The membership of the committee is as follows:

David Lees (chairman)
Michael Bull
David Lawrence

All members are independent non-executive directors. None of them has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross directorships nor any day-to-day involvement in running the business.

The Committee meets twice a year and determines remuneration.

Main elements of remuneration

There are four main elements of the directors' remuneration package:

- i fees
- ii annual bonus payments
- iii share option incentives
- iv pensions

Fees

Each executive directors' basic fee is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration, the Committee believes that the company should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies, as well as internal factors such as performance.

Executive directors' fees were last reviewed in March 2000 when the company was floated.

Annual bonus payments

The Committee establishes the objectives which must be met for a cash bonus to be paid. A performance related award scheme has been established which recognises the success of the business for which the executive directors are responsible for a bonus to be awarded. Bonus payments are non-pensionable.

Report on Remuneration for the year ended 30 June 2001

Share options incentives

Mark Ommanney, Robert Nayler, Paul Mewett and Michael Atkinson have an interest in a Share Option Scheme details of which are contained in note 11.

Pensions

Mark Ommanney, Robert Nayler and Paul Mewett are currently the only directors entitled to a pension. Until his resignation in August 2001 Michael Atkinson was the only other director who had pension entitlement, details of which are contained in note 3.

Non-executive directors

The remuneration of the non-executive directors is determined by the executive directors within the limits set out in the Articles of Association. Non-executive directors do not participate in the company's Share Option Scheme. Non-executive directors do not have contracts of service.

Details of directors' remuneration and share options

This report should be read in conjunction with notes 3 and 11 to the financial statements which also form part of this report. Full details of all elements of the remuneration package of each director are given in note 3 to the financial statements.

Details of directors' share interests and share options are given in note 11 to the financial statements.

Re-election

In accordance with the Company's Articles, Messrs Heynes, Ommanney and Mewett, will offer their resignation at the Annual General Meeting and, being eligible will offer themselves for re-election. The notice period for termination of all executive directors' service contracts is 12 months.

David Lees

Report of the Directors for the year ended 30 June 2001

The directors of IBNet plc present their report together with financial statements for the year ended 30 June 2001.

Principal activity

The company is principally engaged in the provision of Internet surveillance and competitive intelligence gathering services through its Netdetec product.

Business review

A review of the business during the period and an indication of likely future developments may be found in the Chairman's statement on pages 5 to 7.

The loss for the financial period after taxation amounted to £24,445,000 (2000: £595,000). In view of the loss the directors cannot recommend payment of a dividend.

Directors

The directors of the company and their interests in the shares of the company on incorporation or when appointed and at the end of the year are set out in note 11.

In accordance with the terms of article 113.1 of the Company's Articles of Association, David Heynes, Mark Ommanney and Paul Mewett will retire by rotation and offer themselves for re-election at the AGM.

All directors served throughout the year, except Michael Atkinson who was appointed in October 2000 and then resigned in August 2001.

Extraordinary General Meeting

Under section 142 of the Companies Act 1985, where the net assets of a public company are half or less of its called-up share capital, the directors are required to convene an extraordinary general meeting of the company to consider whether any, and if so what, steps should be taken in connection with the situation. Following the impairment and write down of fixed asset investment and in order to comply with the provisions of the Companies Act, the directors are obliged to hold an EGM. Notice convening the meeting is set out at the end of this document.

Report of the Directors for the year ended 30 June 2001

Directors' responsibilities for the financial statements

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

- select suitable accounting policies and then 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 financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Substantial shareholders

At 31 August 2001 the following had notified the company of disclosable interests in three per cent or more of the nominal value of the company's shares, save for the directors whose interests are disclosed in note 11.

	Shareholding	% of present Ordinary shares
Chase Nominees Ltd	1,957,800	3.6
RBSTB Nominees Limited	2,916,900	5.4
Michael Patton	2,637,120	4.8

Payment policy

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the period end amount to 49 days (2000: 22) of average supplies for the period.

Report of the Directors for the year ended 30 June 2001

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

6 September 2001

Mark Ommanney
Chief Executive

Report of the Auditors to the Members of IBNet plc

We have audited the financial statements on pages 16 to 29, which have been prepared under the accounting policies set out on pages 16 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 13, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 company is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. 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 statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risks and control procedures.

Basis of opinion

We conducted our audit in accordance with 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 company'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 at 30 June 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON

REGISTERED AUDITORS

CHARTERED ACCOUNTANTS

LONDON THAMES VALLEY OFFICE

SLOUGH

6 September 2001

Principal Accounting Policies

Basis of preparation

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

The accounts have been prepared for the year ended 30 June 2001. Comparative figures were prepared from the date of incorporation, 11 January 2000 to 30 June 2000.

The principal accounting policies of the company are set out below.

The company's subsidiary undertaking IBNet (UK) Limited was dormant throughout the year.

These financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Income for services provided which are invoiced in advance are deferred in the balance sheet and recognised in the profit and loss account in the period in which services are provided.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets over their expected useful lives.

The periods generally applicable are:

Computer equipment	10% - 50% per annum
Fixtures and fittings	25% per annum
Leasehold improvements	over the term of the lease

Investments

Investments are included at cost less amounts written off.

Contributions to defined contribution pension schemes

The pension costs charged against profits represents the amount of the contributions payable to the scheme in respect of the accounting period.

Deferred tax

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise. Deferred tax assets are not recognised except to the extent that they are expected to be recoverable without replacement by equivalent assets. Unprovided deferred tax is disclosed as a contingent liability.

Research and development

Development costs, both internal and external, associated with the company's products are written off as incurred.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Financial Instruments

The company uses financial instruments to manage exposures to fluctuations in interest rates. Financial assets are recognised in the Balance Sheet at the lower of cost or net realisable value. Provision is made for diminution in value where appropriate.

Interest receivable is accrued and credited to the profit and loss account in the period in which it relates.

Liquid Resources

Cash held on greater than 24 hours notice is disclosed as liquid resources in the cash flow statement.

The accompanying accounting policies and notes form part of these financial statements.

Profit and Loss for the year ended 30 June 2001

	Note	2001 £'000	2001 £'000	24 weeks 2000 £'000	24 weeks 2000 £'000
Turnover	1		402		14
Cost of sales			(48)		-
Gross profit			354		14
Administrative Expense					
Fixed assets investment impairment		21,976		-	
Other administrative expenses		3,008		694	
Total administrative expenses			(24,984)		(694)
Operating loss			(24,630)		(680)
Net interest	2		185		85
Loss on ordinary activities before taxation	1		(24,445)		(595)
Tax on loss on ordinary activities	4		-		-
Loss on ordinary activities after taxation deducted from reserves	11		(24,445)		(595)
Basic and fully diluted loss per share	5		44.48p		1.50p

There are no other recognised gains or losses other than the loss for the period.

All operations are continuing.

The accompanying accounting policies and notes form part of these financial statements.

Balance Sheet as at 30 June 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Investment	7	-	21,976
Tangible fixed assets	6	449	266
		449	22,242
Current assets			
Debtors: amounts recoverable in one year	8	253	228
Debtors: amounts recoverable in more than one year	8	-	564
Cash at bank and in hand	9	2,041	4,044
		2,294	4,836
Creditors: amounts falling due within one year	10	(426)	(316)
Net current assets		1,868	4,520
Total net assets less current liabilities		2,317	26,762
Capital and reserves			
Called up share capital	11	13,738	13,738
Share premium account	11	13,619	13,619
Profit and loss account	11	(25,040)	(595)
Equity shareholders' funds	11	2,317	26,762

The financial statements were approved by the Board of Directors and signed on their behalf on 6th September 2001.

Mark Ommanney

Director

The accompanying accounting policies and notes form part of these financial statements.

Cash Flow Statement for the year ended 30 June 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Net cash outflow from operating activities	15		(1,890)		(662)
Returns on investments and servicing of finance					
Interest received		185		86	
Interest paid		-		(1)	
Net cash inflow from returns on investments and servicing of finance			185		85
Capital expenditure and financial investment					
Purchase of tangible fixed assets		298		169	
Net cash outflow from capital expenditure and financial investment			(298)		(169)
Acquisitions and disposals					
Net cash acquired with subsidiary		-		3	
Net cash inflow from acquisitions and disposals			-		3
Net cash outflow before financing			(2,003)		(743)
Management of liquid resources					
Cash placed on fixed term deposit account	9		2,300		(4,000)
Financing					
Issue of shares		-		6,050	
Repayment of loan capital		-		(594)	
Expenses paid in connection with share issues		-		(669)	
Net cash inflow from financing			-		4,787
Increase in cash	16		297		44

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2001

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover is attributable to the principal activity which is carried on in the United Kingdom.

The loss on ordinary activities before taxation is stated after charging:

	2001 £'000	24 weeks 2000 £'000
Auditors, remuneration		
Audit services	16	17
Non-audit services	5	3
Depreciation and amortisation		
Tangible fixed assets	115	19
Operating lease rentals - land and buildings	37	9
Fixed assets investment - impairment loss	21,976	-
Amount provided against amounts receivable from subsidiary undertaking	564	-

2 NET INTEREST

	2001 £'000	24 weeks 2000 £'000
Other interests payable and similar charges	-	(1)
Other interest receivable and similar income	185	86
	185	85

3 DIRECTORS AND EMPLOYEES

	2001 £'000	24 weeks 2000 £'000
Staff costs during the period were as follows:		
Wages and salaries	1,254	323
Social security costs	134	37
Other pension costs	69	16
Payment for third party services	92	20
	1,549	396

The average number of employees (excluding directors) during the year was 22 (2000: 9).

DIRECTORS AND EMPLOYEES (CONTINUED)

The company has granted 345,000 (2000: 1,225,000) options during the year, in respect of 25p Ordinary shares to certain employees under the terms of its Share Option Plan.

Number of options granted	Option price	Expiry date
1,225,000	55p	March 2010
80,000	84p	October 2010
265,000	34.5p	April 2011
1,570,000		

Directors' emoluments

	Emoluments 2001 £'000	Emoluments 2000 £'000	Other benefits payments for directors services 2001 £'000	Other benefits payments for directors services 2000 £'000	Pension Contributions 2001 £'000	Pension Contributions 2000 £'000	Total 2001 £'000	Total 2000 £'000
Executive Directors								
David Heynes	15	5	52	-	-	-	67	5
Mark Ommanney	110	39	8	-	11	4	129	43
Robert Nayler	100	36	8	-	10	1	118	37
Paul Mewett	100	36	8	-	5	2	113	38
Michael Atkinson	63	-	6	-	6	-	75	-
Non-executive directors								
David Lees	15	5	-	-	-	-	15	5
Michael Bull	15	5	-	-	-	-	15	5
David Lawrence	15	4	44	20	-	-	59	24
	433	130	126	20	32	7	591	157

During the year four (2000: 3) directors participated in money purchase pension schemes.

Other benefits and payments consist of car allowances, insurance payments and payments for consultancy services in respect of David Lawrence and David Heynes as contained in note 18.

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

	2001 £'000	2000 £'000
Emoluments	118	39
Pension contributions	11	4
	129	43

4 TAX ON LOSS ON ORDINARY ACTIVITIES

There are tax losses of approximately £2,765,000 (2000: £649,000) to carry forward and use against future profits of the same trade.

5 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

Reconciliations of the loss and weighted average number of shares used in the calculations are set out below:

Computation of loss per share:

	Loss 2001 £'000	Weighted average number of shares 2001	Amount pence per share 2001	Loss 2000 £'000	Weighted average number of shares 2000	Amount pence per share 2000
Basic and diluted loss per share						
Loss attributable to ordinary shareholders	24,445	54,952,000	44.48	595	38,530,543	1.50

There was no dilutive effect of the options in place at 30 June 2001 and 30 June 2000, in view of the loss for the year.

6 TANGIBLE FIXED ASSETS

	Leasehold improvement £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 2000	35	85	165	285
Additions	2	23	273	298
At 30 June 2001	37	108	438	583
Depreciation				
At 1 July 2000	2	3	14	19
Provided in the year	6	25	84	115
At 30 June 2001	8	28	98	134
Net book value at 30 June 2001	29	80	340	449
Net book value at 30 June 2000	33	82	151	266

7 FIXED ASSET INVESTMENTS

Subsidiary undertakings:	2001 £'000
Cost	
At 1 July 2000	21,976
Impairment losses	(21,976)
Net book amount at 30 June 2001	-
Net book amount at 30 June 2000	21,976

At 30 June 2001 the undertaking in which the company held 20% or more of the share capital of:

Name of subsidiary undertaking	Country of incorporation	Class of share capital held	Proportion held	Nature of business
IBNet (UK) Limited	England & Wales	Ordinary shares	100%	Dormant

At 30 June 2001 the aggregate capital and reserves of IBNet (UK) Limited amount to a deficit of £564,000 (2000: £564,000) and the loss for the year to 30 June 2001 was £nil (2000: £565,000).

IBNet (UK) Limited was dormant throughout the year ended 30 June 2001.

8 DEBTORS

Amounts recoverable in one year	2001 £'000	2000 £'000
Trade debtors	110	41
Other debtors	52	116
Prepayments and accrued income	91	71
	253	228
Amounts recoverable in more than one year		
Amounts owed by group undertakings	-	564

9 CASH AT BANK AND IN HAND

The total of £2,040,911 (2000: £4,044,417) cash at bank and in hand includes £1,980,770 (2000: £4,000,000) held on deposit, of which £280,770 (2000: £nil) is held on overnight deposit.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Trade creditors	213	109
Social security and other taxes	61	33
Accruals and deferred income	152	174
	426	316

11 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital 2001 £'000	Share premium account 2001 £'000	Profit and loss account 2001 £'000	2001 £'000	Total 2000 £'000
At 1 July 2000	13,738	13,619	(595)	26,762	-
Loss for the period	-	-	(24,445)	(24,445)	(595)
Issue of shares	-	-	-	-	27,357
At 30 June 2001	13,738	13,619	(25,040)	2,317	26,762

The authorised share capital consists of 76,000,000 (2000: 76,000,000) ordinary shares of 25p each of which 54,952,000 (2000: 54,952,000) are allotted, called up and fully paid.

The market price of the shares at 30 June 2001 was 29.5p and the range during the year was 29.5p to 125p.

Notes to the Financial Statements for the year ended 30 June 2001

RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES (CONTINUED)

Directors' Interests

The beneficial interests of the directors holding office at 30 June 2001 and 30 June 2000 in the shares of the company at that date are set out below:

	30 June 2001 Ordinary shares of 25p each issued number	1 July 2000 or date of appointment if later Ordinary shares of 25p each issued number
David Heynes (being 11.8%)	6,511,456	6,511,456
Robert Nayler (being 12.8%)	7,032,320	7,032,320
Paul Mewett (being 12.3%)	6,759,593	6,759,593
David Lees (being 11.8%)	6,511,456	6,511,456
Michael Bull (being 11.8%)	6,511,456	6,511,456
David Lawrence (being 7.5%)	4,122,473	4,122,473

David Heynes is interested as set out above by reason of him being a discretionary beneficiary pursuant to a trust controlled by Speyside Holdings Limited.

David Lees is interested as set out above by reason of him being a discretionary beneficiary pursuant to a trust controlled by Deep Water Holdings Limited.

Michael Bull is interested as set out above by reason of his controlling shareholding in Coverglass Limited.

Executive share option scheme

Directors' options over ordinary shares of 25p each are as follows:

	Held on 1 July 2000	Granted during the year	Held on 30 June 2001	Exercise price	Expiry date
Mark Ommanney	1,250,000	-	1,250,000	55p	March 2010
Robert Nayler	400,000	-	400,000	55p	March 2010
Paul Mewett	400,000	-	400,000	55p	March 2010
Michael Atkinson	-	300,000	300,000	84p	October 2010
Michael Atkinson	-	50,000	50,000	34.5p	April 2010

Two options have been granted under the Executive Share Option Scheme to acquire a total of 350,000 ordinary shares, during the year (2000: 2,050,000) ordinary shares. The options may only be exercised between the third and tenth anniversaries of the date of grant by a person who remains a director or employee.

The exercise of options under the Executive Share Option Scheme put in place at flotation will in normal circumstances be conditional upon the achievement of an objective performance target determined by the Committee when options are granted. In determining performance targets, the Committee takes account of market practice and the circumstances of the company at the relevant times. Under the performance target imposed it is anticipated that 25 per cent of the options held in any award will become exercisable immediately following the company publishing annual results showing a profit before tax for the first time. The remainder of the options will become exercisable in three equal tranches following publication of the company's next three sets of annual results which show a profit before tax.

None of the share options were exercisable at 30 June 2001 (2000: nil).

Apart from the interest disclosed above, none of directors had any other interest in the share capital of the company or other group companies during the year.

12 CAPITAL COMMITMENTS

At 30 June 2001 and 30 June 2000 the company had no capital commitments.

13 CONTINGENT LIABILITIES

There were no contingent liabilities in the company at 30 June 2001 and 30 June 2000.

14 LEASING COMMITMENTS

At 30 June 2001 the following annual commitments under non-cancellable operating leases existed:

	2001 £'000	2000 £'000
Leases relating to land and buildings which expire:		
After one year and within five years	37	37

15 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 £'000	2000 £'000
Operating loss	(24,630)	(680)
Depreciation	115	19
Fixed asset impairment	21,976	-
Decrease/(increase) in debtors	539	(187)
Increase in creditors	110	186
Net cash outflow from operating activities	(1,890)	(662)

Notes to the Financial Statements for the year ended 30 June 2001

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2001 £'000	2000 £'000
Increase in cash in the period	297	44
Cash to repurchase debentures	-	594
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(2,300)	4,000
Change in net debt resulting from cashflows	(2,003)	4,638
Debentures acquired with subsidiary	-	(594)
Net funds at 1 July 2000	4,044	-
Net funds at 30 June 2001	2,041	4,044

17 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 2000 £'000	Cash flow £'000	At 30 June 2001 £'000
Cash in hand and at bank	44	297	341
Cash deposit	4,000	(2,300)	1,700
	4,044	(2,003)	2,041

18 RELATED PARTY TRANSACTIONS

During the year the company entered into transactions with the following organisations which were related by virtue of common directors and officers:

M H Partners (David Lawrence) consultancy and reclaimed expenses £43,971 (2000: £19,992).

Directors, D G Heynes and D J Lees are directors and shareholders of D Squared Management Limited. During the year, IBnet Plc paid D Squared Management Limited £66,000 (2000: £nil) in respect of rental of premises and £52,250 (2000: £nil) for management consultancy services of D G Heynes.

In addition, the company entered into transactions with the other following related parties:

Carte Blanche Limited (related by virtue of the fact that its director is the wife of Paul Mewett) design and printing services £3,029 (2000: £16,882).

J P Hare (Consultants) Limited (Julian Hare) consultancy and expenses £57,863 (2000: £28,002).

No balances were due to or from the above related parties at the balance sheet date.

19 PENSIONS

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

20 DEFERRED TAXATION

The total liability to deferred taxation is set out below:

	Potential deferred tax amount provided 2001 £'000	2000 £'000
Accelerated capital allowances	55	-
Less: trading losses	(55)	-
	-	-

21 FINANCIAL INSTRUMENTS

The company uses financial instruments, comprising cash and short term borrowings that arise from its operations. The main purpose of these financial instruments is to raise finance for the company's operations, and new acquisitions.

It has been, throughout the year, the company's policy that no trading in financial instruments shall be undertaken.

Short term debtors and creditors
Short term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Currency risk
The company operates wholly within the United Kingdom and all transactions are denominated in Sterling, consequently it is not exposed to currency risk.

Fair values
The fair values of the company's financial instruments are considered equal to the book value.

Liquidity risk
Liquidity risk is the risk that the company will have insufficient funds to meet its liability as they fall due. The directors monitor cash flow on a daily basis in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safety and profitability by placing surplus cash on fixed rate bank deposit accounts.

Interest rate risk
The directors do not consider that the business is exposed to material interest rate risk. At 30 June 2001, strong cash reserves were held by the company negating the need to use significant interest bearing short term borrowings. Interest rate exposure is therefore in relation to possible increases in interest rates in the event that the company has committed itself to fixed rates of interest on deposits.

Notice of Annual General Meeting

IBNET PLC

NOTICE IS HEREBY GIVEN that THE ANNUAL GENERAL MEETING of IBNET PLC will be held at 105 Piccadilly, London W1 on 5th October 2001 at 12 noon for the following purposes:

1. To receive the Company's audited accounts for the period ended 30 June 2001 and the reports thereon by the auditors and directors.

   To elect as Directors of the Company the following pursuant to article 113.1 of the Company's Articles of Association:

2. David Gordon Heynes — Chairman
3. Alexander Mark Ommanney — Chief Executive Officer
4. Paul Raymond Mewett — Business Development director
5. To reappoint Messrs. Grant Thornton as auditors and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD

T. P. Hare

Registered Office:

11 High Street
Egham
Surrey TW20 9EA

NOTE:

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.

Notice of Extraordinary General Meeting

IBNET PLC

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of IBNET PLC will be held at 105 Piccadilly, London W1 on 5th October 2001 at 12.10pm, or as soon after that time as the Annual General Meeting of the Company convened for 12 noon on the same day has been concluded or adjourned, pursuant to Section 142 of the Companies Act 1985 for the purpose of considering whether any, and if so what, steps should be taken to deal with the situation that has arisen by reason of the fall in net assets of the Company to half or less of the amount of the Company's called-up share capital.

BY ORDER OF THE BOARD

T. P. Hare

Registered Office:

11 High Street
Egham
Surrey TW20 9EA

NOTE:

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.

Notes