IBNet plc

www.IBNetplc.com

Annual Report 2003

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Directors and Advisers

Directors

David Gordon Heynes
Chairman

Toby John Smallpeice
Chief Executive

Richard Jeremy Saul
Non-Executive Director

David John Lees
Non-Executive Director

Michael Norman Bull
Non-Executive Director

Company Secretary

Toby John Smallpeice

Registered Office

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Hogarth Lane
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London W4 2QN

Registrars

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Websites

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www.ibnetplc.com

www.webwurld.com

Nominated Adviser

Arbuthnot
Old Mutual Place
2 Lambeth Hill
London EC4V 4GG

KBC Peel Hunt
111 Old Broad Street
London
EC2N 1PH

Auditors

Grant Thornton
London Thames Valley Office
Churchill House
Chalvey Road East
Slough
Berks SL1 2LS

Solicitors

Addleshaw Goddard
150 Aldersgate Street
London EC1A 4EJ

Bankers

HSBC Bank plc
Broad Street
Reading
Berks RG1 2BU

Barclays Bank plc
5, High Road
Willesden
London W4 2QN

Directors and Advisers (continued)

David Heynes
Aged 58, 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 founding 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 and Executive Research Group plc.

Toby Smallpeice
Aged 31, Chief Executive

Toby's background is in Internet, telecom and e-business, working in senior business development roles in Dione Development and Demon Internet; he was involved in product development and acquisitions. Toby subsequently managed two acquisitions of small European telecom companies for Bell Atlantic. He founded Webgravity, now the UK's largest SEM company in 1999 with Richard Saul. In 2001 he joined IBNet after its acquisition of Webgravity.

David Lees
Aged 55, 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 the chief executive of Flare Group plc. He is currently chief executive of Names.co Internet plc and finance director of Executive Research Group plc.

Michael Bull
Aged 66, 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.

Richard Saul
Aged 31, Non-Executive Director

Richard has a background in media sales and new business development. Working initially for the Daily Mail group on a wide range of trade specific print media, Richard managed a portfolio of 5 titles and a team of sales executives. Richard also worked for Turner Inc. in London working on developing relationships with European corporations within the relatively new e-media properties of the group. In 1999, he founded Webgravity Ltd with Toby Smallpeice and joined IBNet in 2001 as Sales Director. Richard left his Executive role in September 2002 to take up his non executive role.

Chairman's Statement

Your board has pleasure in reporting the results for the year ended 31 March 2003. At the interim stage we reported upon various management changes and financing initiatives, which we hoped, would form the basis for profitable trading in the second half of the financial year. Despite economic conditions that were more difficult than expected, the business has made significant progress.

Financial Results

The turnover for the year ended 31st March 2003 amounted to £1,881,000 (nine months to 31 March 2002 £1,188,000). The operating loss before goodwill amortisation, impairment, depreciation, exceptional items and interest was £372,000 (nine months to 31 March 2002 £1,137,000) and net loss after tax £1,405,000 (nine months to 31 March 2002 £1,843,000). The directors do not propose to pay a dividend.

Review of Activities

Over the last six months the Netdetec and Search Engine Optimisation have converged into a single Search Engine Marketing and Internet Intelligence offering, with increasing numbers of Search customers also including Internet Intelligence services within their purchase. We are marketing these corporate services (over £1,000 per annum) under the Webgravity brand and our SME offering under the Webwurld brand, consolidating the operation to these two divisions. We have recently re-launched our Webgravity website to reflect these changes.

After nine months of development, Webgravity recently launched its new pay per click management software at Internet World and shortly after signed a £271,000 contract on the strength of this. This client could be worth a further £225,000 per annum if the trial is successful. This demonstrates our recent drive into a broader on-line marketing mix to include elements such as trusted feed and pay for performance marketing. Other notable new wins include the DTI, First Choice Holidays, AXA Insurance and the AA. We continue to work closely with existing clients and are pleased to say that clients such as Derbyshire Building Society and National Express have renewed their contracts for the third year running.

One feature of these larger contracts is that they typically spread over a number of months so that, increasingly, we are building a forward order book of revenue not recognised in the accounts immediately but contractually committed over coming months. Our business is now quoted in most cases on an initial set up fee basis plus ongoing maintenance fees. This should tend to make our revenues more stable than in the past when each month's sales reflected sales effort within that month which sometimes resulted in a level of volatility.

In addition to the changes in Webgravity, we have recently strengthened the day-to-day management of Webwurld with the appointment of a product manager who is concentrating on improving our sales channel. We have also continued to expand the excellent product range on Webwurld, adding a new Lycos (FAST) Paid Inclusion product.

Staff

Despite these changes our overall staffing levels remain unchanged reflecting reallocation of responsibilities internally. I am pleased to report that Craig Lister, who joined us last year to help improve client service and retention has been invited to join the board as chief operating officer.

Prospects

At the EBITDA level we nearly achieved our goal of achieving break-even during the second half of the financial year. Clearly our budgets are now targeted at achieving positive contribution at the EBITDA level for the full year to 31 March 2004.

We are now also talking to other businesses in our sector to see if there are any attractive opportunities, which could speed the company's overall development.

As part of the constant process of reassessment of our business we have decided to change our company brokers and nominated advisers from Arbuthnot to KBC Peel Hunt. This in no way reflects any criticism or unhappiness with our relationships with the team at Arbuthnot and I would like to take this opportunity to thank them for all their support. We anticipate that the impetus given by a change of adviser will further underline our efforts to develop the company.

Staff at all levels of the business have contributed to the changes that a developing business such as ours has to make. I thank them for all their efforts in the past year and the enthusiasm that they show for the future.

DATED 23rd June 2003.

For further information contact
IBNet Plc

David Heynes, Chairman
Toby Smallpeice CEO

020 8987 6700

Web: www.ibnetplc.com
www.webwurld.com

Corporate Governance for the period ended 31 March 2003

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 comply with the provisions set out in the Combined Code prepared by the committee on corporate governance. Neither is it required to comment on its compliance with such provisions.

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. Executive 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 one executive director, who holds a key operational position in the company and four 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 judgment. This provides a balance whereby an individual or small group cannot dominate the Board's decision making.

The chairman of the Board is David Heynes. David Lees is the senior non-executive director. The Board members are described on page 3. 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 as required and comprises David Lees (Chairman), David Heynes and Michael Bull 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 framework and identified areas where procedures need to be changed or installed.

The Board has considered the need for an internal audit function but has decided the size of the company does not justify this 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 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 control and reviewing its effectiveness. The system of internal 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 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 operational 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. The Board monitors performance against budget on a monthly basis.

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 appropriate 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 Heynes.

Date: 23rd June 2003

Report on Remuneration for the year ended 31 March 2003

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 an executive remuneration package 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 notice period for termination of all executive directors' service contracts is 12 months.

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

The members are independent non-executive directors. Neither of them has any personal financial interest in the matters to be decided (other than as shareholders and those disclosed in note 22 related party transactions), potential conflicts of interest arising from cross directorships nor any day-to-day involvement in running the business.

The Committee meets as required to determine remuneration.

Main elements of remuneration

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

i. Fees
ii. Annual bonus payments
iii. Pension contributions

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 November 2002.

Annual bonus payments

The Committee establishes the profitability 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.

Pensions

All pension entitlements for the directors are contained in note 3.

Share options incentives

No directors have an interest in any Share Option Scheme.

Non-executive directors

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

Report on Remuneration for the year ended 31 March 2003 (continued)

Details of directors' remuneration

This report should be read in conjunction with notes 3, 13 and 22 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 are given in note 13 to the financial statements.

David Lees.

Date: 23rd June 2003

Report of the Directors for the year ended 31 March 2003

The directors of IBNet plc present their report together with financial statements for the year ended 31 March 2003.

Principal activity

The company is principally engaged in search engine positioning, optimisation and marketing services and the provision of Internet surveillance and competitive intelligence gathering services.

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 4 to 5.

The loss for the financial year (period) after taxation amounted to £1,405,000 (2002: £1,843,000 (nine months)) 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 at the start of the period or when appointed and at the end of the period are set out in note 13.

In accordance with the terms of article 113.1 of the Company’s Articles of Association, Toby Smallpeice and David Heynes will retire and will offer themselves for re-election at the AGM.

Payment policy

It is the company's policy to agree the terms of payment with each supplier. Trade creditors at the period end amount to 135 days (2002: 61 days) average supplies for the period.

Report of the Directors for the year ended 31 March 2003 (continued)

Substantial shareholders

At 30 May 2003 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 13.

	Shareholding	%
Capita Trust Company Limited	18,500,000	21
Robert Nayler	5,947,320	7
David Lawrence	3,122,473	4
Deutsche Bank Aktiengesellschaft	3,083,850	4
SP Angel (Nominees) Limited	2,909,592	3

Directors' responsibilities for the financial statements

United Kingdom 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.

Auditors

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

For website disclosure

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdiction.

On behalf of the Board

Toby Smallpeice
Chief Executive

Date: 23rd June 2003

Report of the independent auditors to the members of IBNet plc

We have audited the financial statements of IBNet Plc for the year ended 31 March 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 24. 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 company is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the chairman's statement, the corporate governance statement, the report on remuneration and the report of the directors. 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 company'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 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 31 March 2003 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

For website disclosure

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdiction.

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 twelve month period ended 31 March 2003. Comparative figures were prepared for the nine months to 31 March 2002.

The principal accounting policies of the company are set out below and have remained unchanged from the previous year.

The company's subsidiary undertakings, IBNet (UK) Limited and Webgravity Limited were dormant throughout the period. As a result the company is not required to prepare consolidated financial statements.

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

The directors have reviewed the accounting policies adopted by the group and consider them to be the most appropriate.

Going Concern

Having reviewed the company's income, expenditure and cash flow projections, the directors have a reasonable expectation that the company has sufficient financial resources to continue trading for the foreseeable future. Accordingly the financial statements have been prepared on the Going Concern basis.

Turnover

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

Income for services, which are invoiced in advance, is deferred and recognised in the period in which the services are provided. Income from other services and products is recognised at the point of sale or when any further obligation has been fulfilled.

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	33%-50% per annum
Fixtures and fittings	25% per annum

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

Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

True and fair override on valuation of subsidiary undertaking

Immediately following the acquisition of Webgravity Limited, the trade, assets and liabilities of that company were transferred to IBNet plc at their book value. The cost of the company's investment in its subsidiary undertaking reflects the underlying fair value of the net assets acquired at that time. As a result of this transfer, the cost of the company's investment is greater than the net asset value of the subsidiary company.

Schedule 4 of the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the group, it would fail to give a true and fair view to charge such diminution to the company's profit and loss account.

Accordingly, the investment is considered to represent goodwill and is amortised over its useful economic life of five years from date of acquisition. The investment is reviewed annually for impairment.

Research and development

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

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Short Term Investments

Investments are included at the lower of cost or market value.

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.

Profit and loss account for the year ended 31 March 2003

	Notes	Year to 31 Mar 03 £'000	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000	9 Months to 31 Mar 02 £'000
TURNOVER	1				
- Continuing activities		1,881		393	
- Acquisition		-		795	
					1,188
COST OF SALES			(580)		(200)
GROSS PROFIT			1,301		988
ADMINISTRATIVE EXPENSES					
- Fixed asset impairment	1	(453)		-	
- Fixed assets depreciation		(226)		(149)	
- Amortisation of investment	7	(485)		(202)	
- Other administrative expenses		(1,673)		(2,125)	
			(2,837)		(2,476)
OPERATING (LOSS) / PROFIT					
- Continuing activities	1	(1,536)		(1,670)	
- Acquisition		-		182	
			(1,536)		(1,488)
Exceptional item	4		-		(379)
Loss after exceptional item			(1,536)		(1,867)
NET INTEREST	2		(48)		24
LOSS ON ORDINARY ACTIVITIES BEFORETAXATION			(1,584)		(1,843)
TAXATION	5		179		-
TOTAL LOSS AFTER TAXATION FOR THE YEAR			(1,405)		(1,843)
BASIC AND FULLY DILUTED LOSS PER SHARE	6		1.76p		3.06p

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 31 March 2003

	Notes	As at 31 Mar 03 £'000	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000	As at 31 Mar 02 £'000
FIXED ASSETS					
Investments	7		1,545		2,221
Tangible Fixed Assets	8		118		456
			1,663		2,677
CURRENT ASSETS					
Investments recoverable after one year	9	107		450	
Debtors recoverable within one year	10	268		623	
Cash at bank and in hand	20	104		43	
		479		1,116	
CURRENT LIABILITIES					
Creditors:					
- Amounts falling due within one year	11	(746)		(1,011)	
Net current assets			267		105
Total assets less current liabilities			1,396		2,782
Creditors:					
- Amounts falling due after more than one year	11		(736)		(583)
- Provision for liabilities and charges	12		(177)		(773)
			483		1,426
CAPITAL AND RESERVES					
Called up share capital	13	14,067		13,938	
Share premium account	14	14,704		14,371	
			28,771		28,309
Profit and loss account	14		(28,288)		(26,883)
Equity Shareholders' funds	15		483		1,426

The financial statements were approved by the Board of Directors and signed on their behalf on 23 June 2003.

T. J. Smallpeice
Director

Cash Flow Statement for the year ended 31 March 2003

	Notes	Year to 31 Mar 03 £'000	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000	9 Months to 31 Mar 02 £'000
Net cash outflow from operating activities	19		(283)		(1,282)
Returns on investments and servicing of finance					
Interest received		8		34	
Interest paid		(56)		(10)	
			(48)		24
Tax Credit			185		
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(105)		(163)	
Sale/(Purchase) of current asset investment		450		(450)	
Purchase of investment in subsidiary undertaking		-		(73)	
			345		(686)
Net cash inflow/(outflow) before financing			199		(1,944)
Management of liquid resources					
Sale of short term investments		-		1,700	
			-		1,700
Financing					
Issue of ordinary share capital		125		-	
Capital element of finance lease rentals		(4)		(6)	
Expenses paid in connection with share issues		(6)		(48)	
Repayment of loan notes		(253)		-	
			(138)		(54)
Increase/(Decrease) in cash	20		(61)		298

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

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAX

The turnover is attributable to the principal activities, which are carried out in the United Kingdom and Europe.

An analysis of turnover and operating loss by geographical market is given below:

	Turnover		Operating Loss	
	Year to 31 Mar 03	9 Months to 31 Mar 02	Year to 31 Mar 03	9 Months to 31 Mar 02
	£'000	£'000	£'000	£'000
United Kingdom	1,681	999	(1,365)	(1,042)
Europe	200	189	(163)	(446)
	1,881	1,188	(1,528)	(1,488)

No segmental analysis of net assets has been provided, as the assets and liabilities attributable to overseas sales are not separately identified.

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

		Year to 31 Mar 03		9 Months to 31 Mar 02
	£'000	£'000	£'000	£'000
Auditors Remuneration				
- Audit services	14		20	
- Non audit services - tax compliance and advice	4		3	
		18		23
Operating lease rentals land and buildings		79		50
Depreciation and amortisation				
- Tangible fixed assets owned	217		144	
- Tangible fixed assets held under hire purchase contracts	9		5	
- Investment amortisation	485		202	
		711		351
Fixed asset investment: impairment loss				
Software write down	215		-	
Impairment to Short term investments	237		-	
		452		-

2 NET INTEREST

	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000
Interest payable and other similar charges	(8)	(10)
Interest receivable and other similar income	56	34
	48	24

Notes (continued)

3 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows

	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000
Wages and salaries	940	1,077
Social Security Costs	101	125
Pension Costs	35	77
Payment for third party services	60	139
	1,136	1,418
Average number of employees (excluding directors)	23	31

Directors' emoluments

	Emoluments		Other benefits and payments for directors services		Pension Contributions		Total	
	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000
Executive Directors								
M. Ommanney	-	46	-	33	-	5	-	84
R. Nayler	-	25	-	2	-	22	-	49
P. Mewett	-	64	-	44	-	2	-	110
M. Atkinson	-	14	-	30	-	1	-	45
T. Smallpeice	100	35	-	-	5	-	105	35
R. Saul	27	35	-	-	-	-	27	35
Non-executive directors								
D. Heynes	35	9	-	35	-	-	35	44
D. Lees	15	9	-	-	-	-	15	9
M. Bull	15	9	-	-	-	-	15	9
D. Lawrence	-	9	-	1	-	-	-	10
R. Saul	4	-	-	-	-	-	4	-
	196	255	0	145	5	30	201	430

During the period no directors (2002: 4) participated in money purchase pension schemes.

4 EXCEPTIONAL ITEM

There were no exceptional items in the current year. The prior year exceptional item represents the costs of restructuring the business following the acquisition of Webgravity as regards redundancies and the closure of operations in Egham and their relocation to Chiswick.

5 TAXATION

There are tax losses of approximately £4,435,000 (2002: £4,073,000) to carry forward and use against future profits of the same trades. Should suitable taxable profits arise, these losses would represent a deferred tax asset of approximately £1,330,000 (2002: £1,222,000) at a United Kingdom corporation tax rate of 30%.

There is no tax charge or credit for the period. The tax credit in the profit and loss account relates to refunds in respect of previous periods. An explanation of the tax position compared to the company's reported results is set out below:

	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000
Loss on ordinary activities before taxation	(1,584)	(1,843)
Loss on ordinary activities before taxation multiplied by small companies corporation tax rate of 19% (2002: 20%)	(301)	(369)
Effect of:		
Surplus/(deficit) of depreciation compared to capital allowances	84	35
Amortisation of fixed asset investment	137	40
Other expenses not deductible	11	8
Loss carried forward to be offset against future tradable profits	69	286
Tax refunds received in respect of prior years	(179)	-
Current tax charge for the period	(179)	-

6 LOSS PER SHARE

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

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

	Year to 31 Mar 03	9 Months to 31 Mar 02
Loss on ordinary activities before taxation (£'000)	(1,405)	(1,843)
Weighted average number of shares	80,069,808	60,226,725
Amount of loss per share in pence	1.76p	3.06p

In view of the loss for the year there is no dilutive effect of the options in issue at 31 March 2003.

Notes (continued)

7 FIXED ASSET INVESTMENTS

Subsidiary undertakings	Cost £'000	Amortisation/ impairment losses £'000	Net book value £'000
As at 1 April 2002	24,399	(22,178)	2,221
Charge for the year	-	(485)	(485)
Reassessment of acquisition consideration (note 12)	-	(191)	(191)
As at 31 March 2003	24,399	(22,854)	1,545

As at 31 March 2003 the under takings in which the company held 20% or more of the share capital were:

Name of undertaking	Country of incorporation	Class of shares held	Proportion held	Nature of business
IBNet (UK) Limited	England and Wales	Ordinary	100%	Dormant
Webgravity Limited	England and Wales	Ordinary	100%	Dormant

The aggregate capital and reserves were as follows:

Surplus/(Deficit)	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
IBNet (UK) Limited	(564)	(564)
Webgravity Limited	(73)	(73)

IBNet (UK) Limited and Webgravity Limited were dormant.

Notes (continued)

8 TANGIBLE FIXED ASSETS

	Fixtures & fittings £'000	Computer equipment & software £'000	Total £'000
Cost			
At 1 April 2002	118	610	728
Additions	1	104	105
Disposals/impairment	(2)	(448)	(450)
At 31 March 2003	117	266	383
Depreciation			
At 1 April 2002	50	222	272
Provided in year	30	196	226
Eliminated on disposal	(1)	(232)	(233)
At 31 March 2003	79	186	265
Net book value			
At 31 March 2003	38	80	118
At 31 March 2002	68	388	456

The figures stated above include assets held under hire purchase contracts as follows:

	Leasehold Improvements £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Net Book value				
At 31 March 2002	-	-	13	13
At 31 March 2003	-	-	16	16
Depreciation provided in period	-	-	9	9

Notes (continued)

9 CURRENT ASSET INVESTMENT

	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
Cost of Investments in Listed Companies	344	-
Less Impairment	(237)	-
Net Book Value of Investment	107	-
Short term deposit	-	450

On 30 October 2002 IBNet issued 8,000,000 new ordinary shares in exchange for 344,000 ordinary shares and 68,800 warrants of New Opportunities Investment Trust PLC ('NOIT'). This investment has been valued at market value at year-end.

The Funds on deposit that were previously held as security to meet loan note obligations, have been released and were partly made available for working capital purposes. The amount made available for working capital was £197,500 with £252,500 paid out to redeem loan notes.

10 DEBTORS

	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
Trade debtors	250	583
Other debtors	4	8
Prepayments and accrued income	14	32
	268	623

11 CREDITORS

	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
Amounts falling due within one year		
Trade creditors	288	314
Social Security and other taxes	182	211
Accruals and deferred income	268	479
Amounts due under hire purchase contracts	8	7
	746	1,011
Amounts falling due after more than one year		
Loan notes on issue	198	450
Loan notes due for issue	531	127
Amounts due under hire purchase contracts	7	6
	736	583

All amounts fall due after one and within two years.

The loan notes represent part of the consideration for the acquisition of Webgravity Limited. The loan notes due for issue are repayable at the request of the stockholder and entirely by 31 December 2005. The loan notes attract interest at 3.5% above base rate. There is a fixed and floating charge over the assets of the company for the outstanding loan notes and for the bank overdraft with HSBC.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Other Provisions £'000
At 1 April 2002	773
Adjustment to consideration payable	(192)
Utilised during the year	(404)
At 31 March 2003	177

The provision represents the balance of the £709,000 loan notes to be raised as part of the consideration for the acquisition of Webgravity Limited (previously determined at £900,000).

The provision of £177,000 is contingent on the results of the business during the earn-out period up to and including August 2003.

13 SHARE CAPITAL

	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
Authorised capital		
581,152,000 ordinary shares of 1p each	5,812	5,812
54,952,000 deferred non equity shares of 24p each	13,188	13,188
	19,000	19,000

	As at 31 Mar 02 £'000	As at 31 Mar 02 £'000
Allotted, called up and fully paid capital		
87,952,000 ordinary shares of 1p each	879	750
54,952,000 deferred non equity shares of 24p each	13,188	13,188
	14,067	13,938

Allotments during the year

The company made an allotment of 8,000,000 new ordinary shares of 1p each at 4.3p per share (representing the fair value of each share at the date of issue) in consideration for the acquisition of a listed investment (see note 9) and an additional allotment of 5,000,000 shares at 2.5p share (representing the fair value of each share at the date of issue) for the provision of additional working capital. The difference between the total consideration of £469,000 and the total nominal value of £130,000 has been credited to the share premium account (£339,000).

Notes (continued)

Rights of shares

The deferred shareholders are not entitled to dividends and are not entitled to vote. Deferred shareholders are entitled to a repayment of capital on a winding up of the company after ordinary shareholders have been repaid capital paid up and have received a further £100,000 per ordinary share.

The market price of the ordinary shares at 31 March 2003 was 2p and the range during the period was 1.75p to 9.5p.

Directors' Interests

The beneficial interests of the directors holding office at 31 March 2003 and 31 March 2002 in the shares of the company are set out below:

	Deferred shares of 24p each 31 Mar 03	Ordinary shares 1p each 31 Mar 03	Mar 03 %	Deferred shares of 24p each 31 Mar 02	Ordinary shares 1p each 31 Mar 02	Mar 02 %
T. Smallpeice	-	11,000,000	12.5	-	11,000,000	14.7
R. Saul	-	8,000,000	9.1	-	9,000,000	12.0
D. Heynes	6,511,456	5,511,456	6.3	6,511,456	6,511,456	8.7
M. Bull	6,511,456	5,511,456	6.3	6,511,456	6,511,456	8.7
D. Lees	6,511,456	5,511,456	6.3	6,511,456	6,511,456	8.7

Executive share option schemes

	Price (pence)	Exercise Date	Held 1 Apr 2002	Granted during period	Expired, lapsed, cancelled	Held 31 Mar 2003
Other Executives						
Various	55.0	Mar 2010	1,225,000	-	(1,225,000)	-
Various	34.5	Apr 2011	45,000	-	(45,000)	-
Various	5.1	Apr 2012	-	480,000	(30,000)	450,000
			1,270,000	480,000	(1,300,000)	450,000

During the year 480,000 options were granted under the Executive Share Option Scheme (2002: nil). None of the directors had an interest in the above share option schemes during the year.

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.

In determining performance targets, the committee takes account of market price and the circumstances of the company at the relevant times. Under the performance target imposed it is not possible to anticipate when options may be exercised.

None of the share options were exercised at 31 March 2003 (2002: nil).

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.

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

Notes (continued)

14 SHARE PREMIUM ACCOUNT AND RESERVES

	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2002	14,371	(26,883)	(12,512)
Retained loss for the period	-	(1,405)	(1,405)
Premium on allotment during the period	339	-	339
Transfer of Issue costs	(6)	-	(6)
At 31 March 2003	14,704	(28,288)	(13,584)

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
Loss for the financial period	(1,405)	(1,843)
Issue of shares	469	1,000
Issue costs written off to Share premium	(7)	(48)
Net decrease in Shareholders' funds	(943)	(891)
Shareholders' funds at 1 April 2002	1,426	2,317
Shareholders' funds at 31 March 2003	483	1,426
Attributable to:		
Ordinary Shareholders	483	1,426
Deferred Shareholders	-	-
	483	1,426

Notes (continued)

16 CAPITAL COMMITMENTS

At 31 March 2003 and 31 March 2002 the company had no capital commitments.

17 CONTINGENT LIABILITIES

As part of the consideration for the acquisition of Webgravity Limited, the company may have to make a maximum potential payment of £2,550,000 through the issue of loan notes. £708,719 of this amount has been provided for in these financial statements based on the expected results of the business during the earn out period up to and including August 2003. This comprises £531,773 loan notes due for issue, included within creditors (see Note 11) and £176,946 of provisions (see Note 12). The directors are of the opinion that it is unlikely that the company will be obliged to pay any of the remaining £1,841,281.

There were no other contingent liabilities in the company at 31 March 2003 or 31 March 2002.

18 LEASING COMMITMENTS

The following annual commitments under non-cancellable operating leases existed:

	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
Leases which related to land and buildings which expire:		
- Within one year	79	79
- After one year and within five years	-	37
	79	116

19 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	As at 31 Mar 03 £'000	As at 31 Mar 02 £'000
Operating loss	(1,528)	(1,488)
Depreciation	227	149
Fixed asset investment amortisation/impairment	237	202
Loss on sale of fixed assets	215	26
Exceptional item associated with purchase of subsidiary	-	(379)
Amortisation	(485)	-
Decrease/(Increase) in debtors	346	(370)
Decrease/(Increase) in creditors	(265)	578
Net cash flow from operating activities	(283)	(1,282)

20 ANALYSIS OF CHANGES IN NET DEBTS

	As at 1 Apr 02 £'000	Cash flow £'000	Non Cash items £'000	As at 31 Mar 03 £'000
Cash in hand and at bank	43	61	-	104
Loan Notes	(900)	-	191	(709)
Finance leases	(13)	4	(6)	(15)
Net funds/(net debt)	(870)	65	185	(620)

Non-Cash items

As part of the consideration for the acquisition of Webgravity Limited, the company may have to make a maximum potential payment of £2,550,000 through the issue of loan notes. £709,000 of this amount has been provided for in these financial statements based on the expected results of the business during the earn out period up to and including August 2003. The £709,000 is made up as follows: £532,000 Loan notes due for issue and £177,000 provision for issue of loan notes in the future.

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(NET DEBT)

	Year to 31 Mar 03 £'000	9 Months to 31 Mar 02 £'000
Increase/(Decrease) in cash in the period	61	(298)
Cash inflow from decrease in liquid resources	-	(1,700)
Cash inflow from debt and leasing financing	4	6
Change in net debt resulting from cash flows	65	(1,992)
Loan notes issued and due for issue	191	(900)
Inception of finance leases	(6)	(19)
Change in net debt during the period	250	(2,911)
Net funds as at 1 April 2002	870	2,041
Net debt as at 31 March 2003	(620)	(870)

22 RELATED PARTY TRANSACTIONS

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

Directors David Heynes and David Lees are directors and shareholders of D Squared Management Limited. During the period the company paid £24,250 (2002: £34,750) in respect of management consultancy services of David Heynes.

An amount of £51,501 (2002: £22,325) was due to D Squared Management Limited as at 31 March 2003.

The loan notes referred to in notes 11 and 12 are due to Toby Smallpiece and Richard Saul.

Notes (continued)

23 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. The pension costs charged for the period are disclosed in note 3.

24 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.

Short-term debtors and creditors

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

Currency risk

The company operates within the UK and Europe and all transactions are denominated in sterling or euros. As such the company is exposed to transaction foreign exchange risk. The mix of currencies and terms of trade is such that the directors believe that the company's exposure is minimal and consequently they do not specifically seek to hedge that exposure.

Fair values

The fair values of the company's 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 liabilities as they fall due. The company has a bank overdraft facility of £50,000 with its bankers. The directors monitor cash flow on a daily basis and at monthly board meetings in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs.

Interest rate risk

The directors do not consider that the business is exposed to material interest rate risk. The company finances its operations through a mixture of cash reserves, finance leases and loan notes. The company has not used significant interest bearing short term borrowings other than loan notes which carry a variable rate of interest at 3.5% over the base rate.

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