Idox plc Annual Report & Accounts 2017

idox

Idox Group is a leading supplier of digital software and services to a diverse customer base spanning both the UK and International markets.

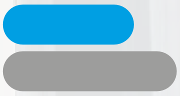
Contents

Financial and Operational Highlights

Profit before tax

£3.5m

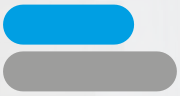
(2016: £13m)



Adjusted profit before tax **

£12.1m

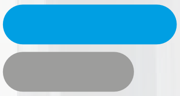
(2016: £16.7m)



Revenue

£88.9m

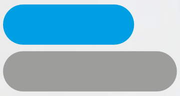
(2016: £76.7m)



Adjusted EPS

2.40p

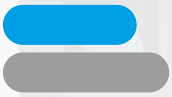
(2016: 4.11p)



Adjusted EBITDA

£18.5m

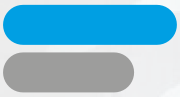
(2016: £21.5m)



Dividend per share

1.040p

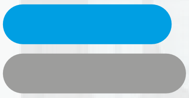
(2016: 1.000p)



Adjusted EBITDA* Margin

21%

(2016: 28%)



Financial Highlights

- Revenues up 16% to £88.9m (2016: £76.7m)
- Adjusted EBITDA* decreased 14% to £18.5m (2016: £21.5m)
- Adjusted EBITDA* margin 21% (2016: 28%)
- Adjusted profit before tax** £12.1m (2016: £16.7m)
- Adjusted EPS** 2.40p (2016: 4.11p)
- Net debt as at 31 October 2017 stood at £32.1m (31 October 2016 £25.0m; £3.5m net cash outflow on two acquisitions in the financial year and £11.4m bond on 6PM acquisition)
- Proposed final dividend of 0.655p (2016: 0.650p) making a total of 1.040p (2016: 1.000p), an increase of 4% for the financial year

Statutory Equivalents

The above highlights are based on adjusted results. Reconciliations between adjusted and statutory results are contained within these financial statements. The statutory equivalents of the above results are as follows:

- Profit before tax was £3.5m (2016: £13.0m)
- Basic EPS was 0.66p (2016: 3.30p)

* Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition, impairment, corporate finance costs and share option costs

** Adjusted profit before tax and adjusted EPS excludes amortisation on acquired intangibles, restructuring, impairment and acquisition costs

Operational Highlights

- Recurring and repeating revenues represented 84% of revenues
- Strategic focus on, and continued investment in, public sector
- New digital services platform, enabled by recent acquisitions, underpinning public sector focus and future growth
- Another strong performance from Public Sector Software (PSS):
  - Represented 46% of Group revenues
  - Strong election year and winning of market share
  - Won 108 new local authority customers – 94% of all local authorities now customers
- Acquisitions:
  - 6PM Group delivers healthcare solutions, principally to the NHS within the UK, using a combination of proprietary software, infrastructure, and professional services that enables healthcare organisations to enhance and optimise efficiency.
  - Halarose develops, markets, sells and supports a range of electoral back office software and services to UK local authorities. It enables its customers to be more efficient both in the production and management of the electoral register and in the running of elections and referenda. The acquisition is in line with Idox's strategic focus.

Our Company at a Glance

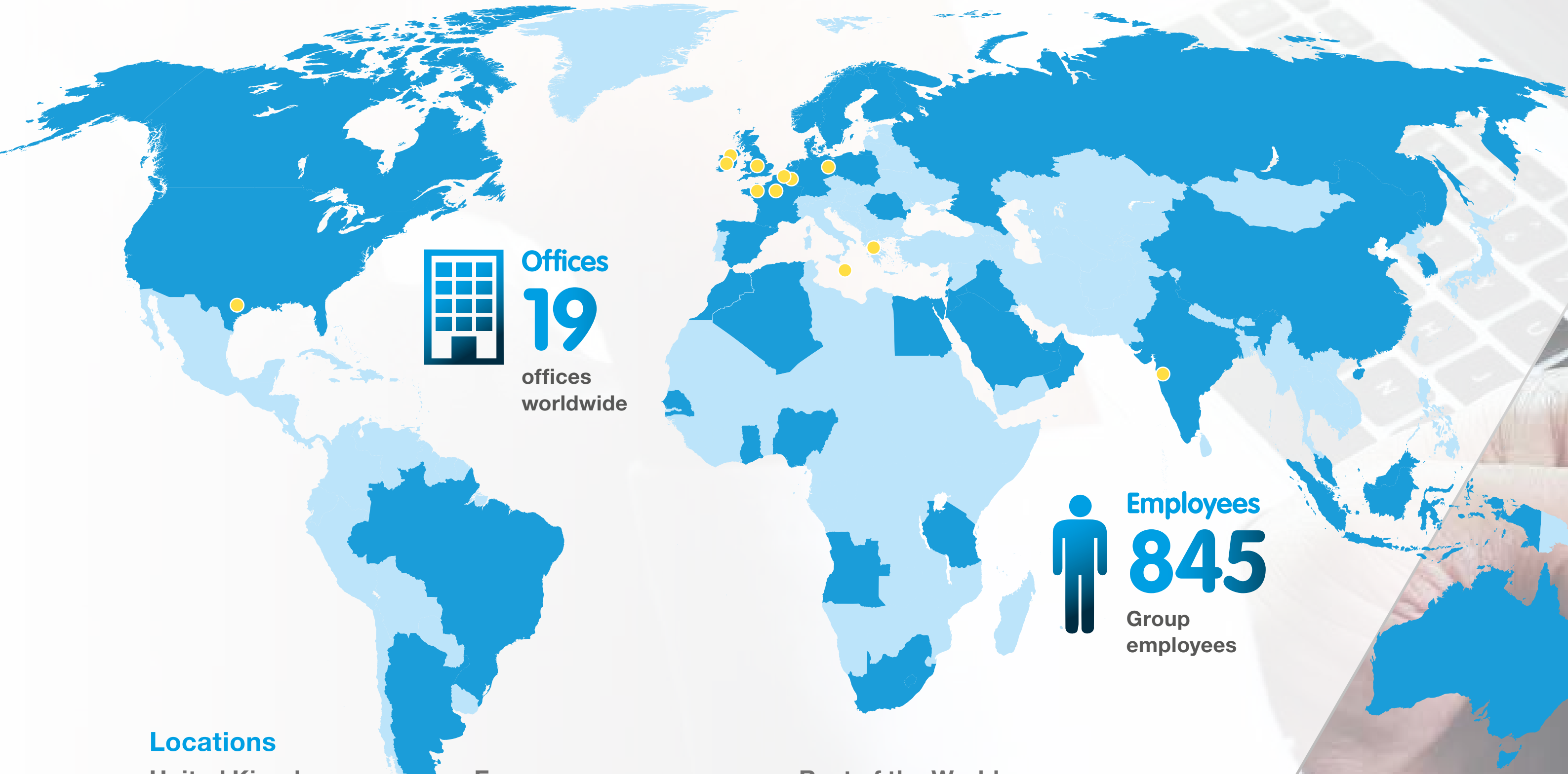
What We Do

As a leading supplier of digital software and services to a diverse customer base spanning both the UK and International markets, Idox is committed to transforming the way organisations operate for the better.

We support our customers by delivering solutions that provide the right tools, at the right time, to enable better service delivery and business efficiency across a number of sectors.

Our core areas of operation include Public Services, Engineering, Funding, Commercial and Digital, with broad and demonstrable capabilities and expertise that have supported – and continue to support – a wide range of customers including government departments and agencies, local government, the police and emergency services, health and social care, transport, education and commercial organisations.

Idox is committed to helping the public sector to strengthen, grow and thrive. As a trusted partner for over 30 years, we serve the public sector organisations that are adapting and enhancing services today to deliver tangible benefits and outcomes that achieve the vision of a sustainable, efficient and digitally transformed world of the future.



Locations

United Kingdom
Cambridge, UK
Liverpool, UK
London, UK
Theale, UK
Glasgow, UK
Woodcote, UK
Barton under Needwood, UK
Derry, N.Ireland

Europe
Brussels, Belgium
Paris, France
Rennes, France
Berlin, Germany
Goor, Holland
Utrecht, Holland
Skopje, Macedonia
Birkirkara, Malta
Limerick, Ireland

Rest of the World
Houston, USA
Pune, India

10 years performance

Revenue (m)

Year	Revenue
2017	£88.9m
2016	£76.7m
2015	£62.6m
2014	£60.7m
2013	£57.3m
2012	£55.4m
2011	£35.2m
2010	£27.9m
2009	£27.4m
2008	£28.4m

Profit Before Tax

Year	Profit Before Tax
2017	£3.5m
2016	£13.0m
2015	£9.8m
2014	£7.6m
2013	£7.5m
2012	£7.9m
2011	£5.5m
2010	£5.1m
2009	£4.8m
2008	£6.7m

Revenue Per Head

Year	Revenue Per Head
2017	£106k
2016	£114k
2015	£109k
2014	£110k
2013	£105k
2012	£124k
2011	£102k
2010	£87k
2009	£98k
2008	£109k

Adjusted EBITDA

Year	Adjusted EBITDA
2017	£18.5m
2016	£21.5m
2015	£18.2m
2014	£16.4m
2013	£15.0m
2012	£16.6m
2011	£11.4m
2010	£8.8m
2009	£7.7m
2008	£8.8m

Adjusted EPS

Year	Adjusted EPS
2017	£2.40p
2016	4.11p
2015	3.28p
2014	2.80p
2013	3.31p
2012	3.50p
2011	2.10p
2010	1.66p
2009	1.41p
2008	1.65p

Dividend Per Share

Year	Dividend Per Share
2017	1.04p
2016	1.00p
2015	0.85p
2014	0.75p
2013	0.70p
2012	0.68p
2011	0.60p
2010	0.45p
2009	0.20p
2008	0.12p

Chairman's Statement

"Spanning both the public and private sectors, Idox works across a range of industries and sectors – from central and local government to transport, health and social care and commercial organisations, to deliver smart technology that enhances services and improves productivity."

Laurence Vaughan
Chairman

2017 proved to be a year of change and contrasting performance for Idox; after a promising start to the year, it is disappointing to report on a mixed set of results for the year as a whole.

The early part of the year was focused on completion of the acquisition of 6PM, a software and solutions business whose main customer is the UK NHS, which represented a significant expansion in the health and social care market. We made a further important acquisition in August, of Halarose, an electoral back office software and services business that has significantly enhanced our elections' capabilities.

However, we suffered a setback in the second half of the year due to a combination of factors which overall impacted our reported profits for the year; first, as a result of customer disruption in the wake of the June 2017 UK General Election, sign-off on some contract wins, especially within health and transport, was delayed; secondly, following an internal review by our finance team in preparation for the full year audit, we identified nine contracts where we did not consider revenue should be recognised in these results.

I am pleased to report that the year-end audit and subsequent review of revenue recognition did not show up any additional material problems around accounting irregularities, nor did it increase the size of the related adjustment materially.

Our finance team are to be congratulated for their diligence and integrity in standing up for the correct treatment and precise year end cut off. On the downside, we have expended considerable management time on resolving these issues.

There have been more robust discussions and technical analysis of revenue recognition accounting policies, in particular around the complex area of 6PM software licence treatment. As a result, an adjustment was made to management figures relating to 6PM licence revenue.

The Board

Richard Kellett-Clarke, who had become a Non-Executive Director of Idox in November 2016 after a successful tenure as our Chief Executive, stepped back in as Interim Chief Executive in December 2017 following the regrettable illness of his original successor Andrew Riley. Andrew remains on extended sick leave. I am pleased to report that Richard has been able to rapidly execute on a plan to get the business back on track as soon as possible and will help out for as long as necessary.

Revenue

£88.9m

(2016: £76.7m)

up **16%**

Adjusted EBITDA* margin

21%

(2016: 28%)

down **7%**

Adjusted EBITDA*

£18.5m

(2016: £21.5m)

down **14%**

Adjusted EPS**

2.40p

(2016: 4.11p)

down **42%**

* Adjusted EBITDA is defined as earnings before depreciation, amortisation, restructuring, acquisition, impairment, corporate finance and share option costs

** Adjusted EPS excludes amortisation on acquired intangibles, restructuring, impairment and acquisition costs

Peter Lilley, who joined the Board in 2005 will step down from his role at the Company's AGM as Senior Non-Executive Director and chair of the Remuneration Committee after twelve years' service to the Group. We would like to take this opportunity of thanking him for his contribution to the Group over this period.

Results Summary

A summary of our financial key performance indicators is presented above.

Idox grew revenues by 16% but organic growth suffered due to the one off issues that occurred during the year, as outlined in the Chief Executive's Statement. As a result, adjusted EBITDA declined by 13.9%. The overall Group margin declined to 21% from 28% in the previous year. This was the result of a change in mix and higher than anticipated one off costs in several parts of the business.

The miss of the originally expected EBITDA target of £27.2m by £8.7m can be summarised as follows:

	£m
	27.2
Accrued income adjustments relating to accounting irregularities identified by finance team	(2.8)
Treatment of certain 6PM licences (see below)	(1.0)
Contracts missed 2017 cut off	(4.8)
Increased audit fees	(0.1)
	18.5

Management had an expectation that 6pm licences would be able to be recognised at a point in time and had budgeted for revenue in this way. In practice this was not possible and 6pm licences were recognised over time resulting in a £1m difference between expected revenues and actual revenues recognised.

Chairman's Statement continued

Net debt (including the 6PM bond) as at 31 October 2017 stood at £32.1m (2016: £25.0m), and has not been impacted by the revenue recognition issues. Bank debt remains within the Group's banking facilities, and the net debt / EBITDA ratio as at 31 October was 1.7 times. Cash conversion has improved to 82% (2016: 63%).

Group Strategy

The Group continued its focus on providing digital solutions and services to the public sector in the United Kingdom and Europe. The key to our success is to ensure we deliver better user results and productivity improvements for customers through focusing on usability, functionality and application of integrated digital technologies and solutions.

The Group has had a setback this year but the Board believes it can bounce back quickly with the steps already taken to rectify the issues identified and reflecting the underlying strengths of the core business, its product offering and talented people.

Acquisitions

During the financial year two acquisitions were completed, 6PM for £18.5 million and Halarose for £5.0 million, both in line with our strategy, and both of which contributed to this year's financial results. 6PM represented a significant expansion into one of the most important and largest public services – healthcare. Halarose significantly consolidates our position in elections. The Board believes that both will deliver earnings enhancing contributions in future periods.

The 6PM acquisition was funded by means of a placing of new shares which raised gross proceeds of £20.5 million, whilst £3.5m of the Halarose acquisition was financed out of the Group's existing cash resources, with £1.5m settled in shares.

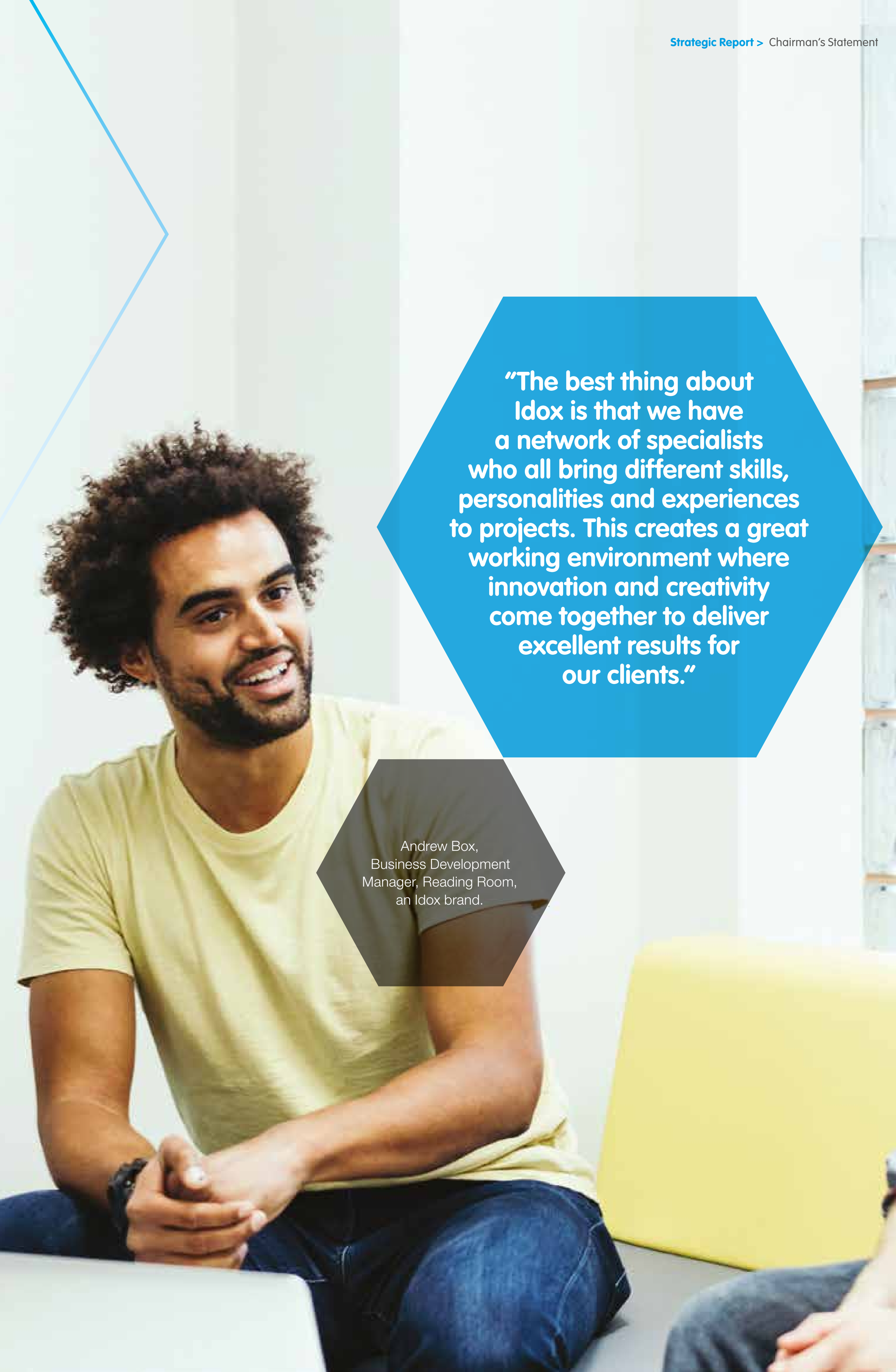
Dividends

The Board proposes, subject to approval at the Company's Annual General Meeting, that a final dividend of 0.655p (2016: 0.650p) be paid bringing the total for the year to 1.04p (2016: 1.00p), an increase of 4%, consistent with our progressive dividend policy. In reaching this decision, the Board has taken into account the disappointing results for the year.

Summary

Following the disappointment at the year-end regarding delayed contracts and revenue recognition, I am pleased that these matters have now been clarified and that we can look forward with confidence to the new financial year. Idox has an exceptionally strong market position in the public sector, a sound balance sheet, and multiple opportunities for growth. I am therefore confident of the Group's future prospects.

Laurence Vaughan
Chairman
28 February 2018



"The best thing about Idox is that we have a network of specialists who all bring different skills, personalities and experiences to projects. This creates a great working environment where innovation and creativity come together to deliver excellent results for our clients."

Andrew Box,
Business Development
Manager, Reading Room,
an Idox brand.

Our Strategic Overview

Market Overview

The Group continues to operate successfully and has grown in challenging markets characterised by continued pressure on local government expenditure.

Our diversity of offerings and tight integration of businesses into a single management structure allows us to take advantage of opportunities and respond to challenges in our markets as demonstrated by this year's performance.

We see no change in outlook for our core markets. Announcements concerning public sector savings over the next three years are in line with our planning and expectations and should drive take-up of our new cost saving solutions.

Our Business Model

Idox is the leading applications provider to UK local government for core functions relating to land, people and property, such as its market leading planning systems and election management software. Over 90% of UK local authorities are now customers for one or more of the Group's products.

Idox provides:

- public sector organisations with tools to manage information and knowledge, documents, content, business processes and workflow as well as connecting directly with the citizen via the web and providing elections management solutions
- decision support content such as grants and planning policy information and corporate compliance services
- engineering document control, project collaboration and facility management applications to many leading companies in industries such as oil and gas, architecture and construction, mining, utilities, pharmaceuticals and transportation in North America and around the world.

The Group employs 845 staff located in the UK, the USA, Canada, Europe, India and Australia.

Strategy

Our strategy is to become the partner of choice due to our domain expertise, continued innovation, quality of service and guaranteed delivery.

Through this focus on quality and delivery we expect to demonstrate to our customers improvements in operational efficiency and return on investment which will result in us increasing our market share, growing both organically and internationally.

Key Performance Indicators

Key financial performance indicators, including the management of profitability, monitored on an ongoing basis by management are set out below.

Non-Financial Indicators

Idox Group practises an integrated management system centred around gaining and retaining ISO accreditations. These are internally and externally audited annually to ensure compliance.

Quality Management

The Group quality management system has been accredited to BS EN ISO 9001:2015 for the development and the sale of products for document, content and information management.

Environmental Management

The Group environmental management system has been assessed and approved to accredited BS EN ISO 14001:2015, the approved systems apply to the following: the development and sale of products for document, content and information management.

Information Security Management

The Group information security management system has been accredited to BS EN ISO 27001:2015, the approved systems apply to the following: for the development and the sale of products for document, content and information management.

Health and Safety Management

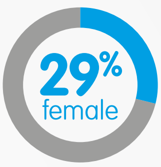
The Group health and safety management system has been accredited to OHSAS 18001:2007.

Revenue

£88.9m

(2016: £76.7m)

Composition Of The Board



The Board of Directors comprises 29% female staff members.

Profitability Ratios

Adjusted EBITDA

£18.5m

(2016: £21.5m)

Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, corporate finance costs and share option costs

Adjusted EBITDA Margin

21%

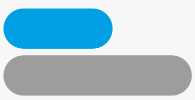
(2016: £28%)

Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, corporate finance costs and share option costs as a percentage of revenue

Adjusted EPS

2.40p

(2016: 4.11p)



Adjusted EPS excludes amortisation on acquired intangibles, restructuring, acquisition and impairment costs

Chief Executive's Review

"The Board is confident that the Group is well positioned for the current financial year, driven by a combination of new contract momentum, management and organisational changes."

Richard Kellett-Clarke
Chief Executive Officer

Overview

It was quite unexpected to be back in this seat some 15 months after stepping down, but I have been pleased by the warmth of the reception from the Idox team, who have knuckled down in what has been a difficult few months. I am particularly grateful to Jane Mackie, our CFO, and her team who in difficult circumstances upheld the Company's standards of honesty and integrity. We are obviously disappointed by the impact these matters have had on the reputation of the business and fully intend to restore it to full health.

The failure to achieve the year end numbers is the result of a perfect storm of issues. Recent complex acquisitions, exacerbated by earn outs, and a time-consuming capital raise created a lot of work in the first half of the year and did not result in the customary tight integration and release of value. This was aggravated by a general election year, which served to push contract activity out towards the end of the financial year, and revenue recognition which was intended to ensure we hit year end targets but proved too aggressive.

The focus since I stepped back into the CEO role, has been on five core changes which are expected to deliver benefits in the current financial year:

- The full integration of the last four acquisitions to deliver shareholder value. This will be completed during H1 2018 with a new streamlined organisational structure.
- Target £7m of cost savings (10%) through the identification of cost synergies and technological overlaps in the business to aid productivity and efficiency. Introduction of Group policies and procedures to increase, security, accountability, productivity and compliance. This is well advanced with major changes already implemented.
- A review of Group pricing and revenue recognition policy with external input from independent accountants to ensure consistency and clarity and improve cash conversion. This will be completed during H1 2018 and implemented by the end of 2018. It is expected to have an initially negative impact on revenues as a result of increased SaaS pricing although this is expected to have a medium-term benefit.
- Acceleration of our digital, mobile and web technology strategy in partnership with our customers, and a refocus of our development resources to concentrate on core technologies and reduce capital costs.
- Improve processes to reduce administration and improve cash collection.

We have made rapid progress as these were all initiatives that were previously proposed, but deferred.

Public Sector Software

Post the year end we have completed a small reorganisation to integrate completely the recent acquisitions and to drive greater efficiency and more focus to our core public sector customer base.

Today our services facing government and the local public sector aimed at improving the usability and quality of services, account for 72% of revenues, an increase of 17% on the previous year.

The business had another strong election year which not only disrupted the business in the middle of the year with the uncertain outcome of the general election in May, but ended the year with the delayed completion of the national election system for Northern Ireland due to uncertainty around potential fresh elections, and the award of the e-Count contract for Malta.

We have continued to enhance our digital services platform and roll out the completed mobile application platform which aims to improve the customer experience and assist our customers in their productivity goals. The total number of customer solutions has now exceeded over 100. Building on this, consultation has begun on the next generation of web based solutions for local government which is scheduled for delivery in incremental stages starting in 2019 through to 2020.

Overall, we have continued to see further market share gains with 108 new local authority customers, 7 new system sales and 11 managed service customers.

Our Transport solutions have delivered and awaiting sign from the two major systems they have been working on for the past two years in Perth, Australia and Manchester. This has led to cost overruns but the resultant ground-breaking innovation in these solutions has resulted in further international interest and the closure of the Bristol Transport contract in Q1 2018.

These solutions offer real time adaptive traffic signalling, dynamic timetabling and printing, alters and monitoring solutions for multi modal journeys, dynamic stand management, performance monitoring of journey times, bus lateness and air quality, as well as "green wave" solutions to control vehicle speed for current and autonomous vehicles. They represent our long-term investment in smart City solutions, which we believe represents an attractive opportunity for the Group.

Facilities management ('FM') had another good year and has now started to work more closely with our health business to deliver FM solutions linked with asset tracking to hospitals.

Chief Executive's Review continued

6PM

Post-acquisition integration of 6PM quickly uncovered a number of issues which resulted in:

- The restatement of 6PM's audited accounts due to material errors which were identified in due diligence.
- Discovery of additional unaccrued costs.
- Incurring one-off legal, auditing and consulting costs to expedite discipline in the business.
- Increased management time and resources to achieve the partial integration which detracted attention from the core business.
- The points above resulted in a reassessment of forecasts and an agreed impairment of £2.7m to the carrying value of goodwill in the accounts.
- Continued and extended discussions with our auditors over the recognition of revenues in 2017. The technical discussion was a complex area which focused on recognition of revenue either at a point in time or over time, with the difference in revenue and profits being £1m. Management had an expectation that 6pm licences would be able to be recognised at a point in time. In practice this was not possible and 6PM licence revenue continued to be recognised over time rather than at a point in time. This has resulted in the £1m revenue and profits which was expected by management to be recognised in 2017 not being recognised in the period and carried forward to future periods.

Now this is all behind us, we are concentrating on reviewing how we sell to the NHS to improve sales performance, time to closure and revenue recognition which may affect revenues in the short-term.

Digital

The Digital business had an unexciting year in revenue terms but was very proud to have completed and delivered new designs and approaches for a diverse customer base including the Church of England, as well as several well-known premier league football clubs. It has started to work with both the transport, FM, and local government areas of the business to improve the usability of customer web sites and deliver better customer experiences and more relevant information, which is all part of our strategy to use digital technology to deliver better public services.

Content

The Compliance part of our business has been merged at the end of this year with our Grant's business as they are both content and services businesses. The combined Content business unit has stabilised after a poor performance in the prior year and grew revenues by 15% in 2017. New products this year included new modules to help corporates and local authorities with the education of staff around the European GDPR standard. Content has continued to take market share with strong sales for our Research connect platform.

Engineering Information Management (EIM)

Engineering revenue declined slightly by 8% year on year, the result of a more stringent revenue recognition policy and delayed completion of projects. The business has continued to invest in its SaaS platform which has received good reviews and is expected to be launched in the second half of 2018 as an upgrade to the current system.

Markets

Looking forward we see no material change in all our markets. We saw delays in decision making processes in 2017 as a result of the general election but no discernible impact from Brexit. The oil and gas market has seen a slight uptick as a result of the strengthening price of oil but this is yet to turn into substantial growth. The Content business remains a slower growth, lower margin business in highly competitive markets. Public sector customers continue to look at our digital, mobile and web offerings and we continue to see good growth in the use of these services.

Objectives for 2018

The Group's strategy remains to focus on the wider public sector (with the addition of Health last year). We intend to accelerate our international ambitions, and having consolidated our position in the UK elections market we are looking to expand this area of the business outside the UK.

The short-term focus has been to rectify the issues which developed in 2017. To that end we have started and will have completed by the end of H1 2018 the full integration of all the business we have bought in the past two years. This will result in some significant cost saving and improvements in quality standards across the Group as well as helping us to leverage our intellectual property.

This year will see the launch of a new Group web site which integrates all our solutions, capabilities and technologies to aid cross selling and to leverage the capability of the business. The investment strategy will result in an increased focus on our web cloud and smart city solutions.

The Board believes government bodies must invest in digital solutions to improve the quality of their services and continue their drive for improvements in productivity and accessibility. Idox is unique in having an extensive range of capabilities which it can integrate to deliver quick outcomes and is looking forward to building stronger links with its customers to deliver true innovation to the market with their help.

Outlook

In the early months of the new financial year the business has had an encouraging start with the majority of the delayed contracts from last year being signed; the Bristol transport solution, the e-Count solution for the Government of Malta, and new solutions for the Isle of Man, Western Isles, Croydon and the South Downs National Park and Dorset Councils partnership.

2018 will see a decisive move towards a change in product pricing and a focus on cash conversion; we believe this will deliver stronger future growth and a higher quality earnings, although in the short-term it will depress revenue growth in 2018. We expect margins to improve following the cost saving measures being targeted and the completion of integration activity.

Overall, the Board is confident that the Group is well positioned for the current financial year, driven by a combination of new contract momentum, management and organisational changes, savings made since the year end and the full year contributions from the 2017 acquisitions.

I remain confident of Idox's prospects and believe that the Group has good growth opportunities, through its continued focus on digital transformation and channel shift in the public sector, increasing market shares, ensuring existing acquisitions are fully bedded in, cross selling, and geographical expansion.

Richard Kellett-Clarke
Chief Executive Officer
28 February 2018

Financial Review

"Group revenues grew by 16% to £88.9m"

Jane Mackie
Chief Financial Officer

Financial Review

Group revenues grew by 16% to £88.9m (2016: £76.7m), driven by the impact of two acquisitions; 6PM, providing software and services to the NHS (February 2017) and Halarose supplier of electoral back office software and services to UK local authorities (August 2017).

74% of Group revenues were generated in the UK (2016: 73%) with the two acquisitions completed in 2017 having the majority of their customers based in the UK. Gross profit earned increased 11% to £73.7m (2016: £66.6m) and the Group saw a decrease in gross margin from 87% to 83% as a result of lower margin election print revenue related to the May local elections and General Election. Earnings before interest, tax, amortisation, depreciation, restructuring, acquisition, impairment, corporate finance and share option costs ('Adjusted EBITDA") decreased by 14% to £18.5m (2016: £21.5m) with EBITDA margins decreasing to 21% (2016: 28%). Group EBITDA margin was impacted by lower margins in the Digital and Health divisions and a change in mix of election revenue in the PSS division.

Performance by Segment

Following the acquisition of 6PM a new segment was created with the addition of Health, which reflects the results of 6PM. Halarose acquired in August 2017 is part of the PSS segment. Grants and Compliance have been combined in the second half of the year following a reorganisation and now come under the Content division.

The PSS division, which accounted for 46% of Group revenues (2016: 53%), delivered revenues of £41.2m (2016: £41.0m) and included a contribution from Halarose acquired August 2017. Product and services revenue increased by 7% (or organically decreased by 5%) to £20.4m (2016: £19.0m). Election revenues accounted for £4.7m (2016: £5.6m) of PSS revenues with the division delivering on the May local elections and the General Election. Election revenue was down on the prior year as 2016 included the EU referendum, May Scottish and local elections and the Scottish Government eCount project. Recurring revenues within the PSS division from maintenance and hosting were £16.1m (2016: £16.4m). Recurring revenues represented 39% (2016: 40%) of total PSS revenue. Divisional Adjusted EBITDA decreased by 6% to £15.4m (2016: £16.3m), delivering a 37% EBITDA margin (2016: 40%).

The Digital division accounted for 17% of Group revenues (2016: 14%) with revenue of £14.7m (2016: £10.9m) and a full year of Rippleffect acquired in August 2016.

The EIM division accounted for 15% of Group revenues (2016: 18%) with revenue of £12.9m (2016: £14.1m). Recurring revenues within the EIM division from maintenance and SaaS were 60% (2016: 57%). EIM saw a fall in revenue due to an increased emphasis on SaaS and managed service deals, continued pressure on per-seat licence prices and oil and gas spending still tight on non-key investment.

The Content division in the UK and Europe had revenue growth of 15% to £12.4m (2016: £10.8m).

The Health division contributed nine months trading to the period, since the acquisition of 6PM in February 2017, with revenues of £7.6m.

Case Study:
Craven District Council

Delivering end-to-end digital services

The Challenge

Looking to streamline operations and deliver an enhanced, online service to its citizens, Craven District Council wanted to transition to a new Planning and Building Control platform.

The new technology needed to facilitate improved citizen engagement and drive efficiencies by delivering a fully integrated, end-to-end service.

Deliverables at-a-Glance

The Council commissioned Idox to implement a suite of digital services including online application submission portal, proven back-office system Uniform, Public Access, and a robust Electronic Document and Records Management System.

The Planning and Building Control application went live in summer 2017, with future phases already planned to launch an online service for Environmental Health, Licensing, and Housing and Waste Management later this year. A citizen-led approach also ensures Craven residents can enjoy enhanced engagement with the Council in a timely, efficient manner.

The launch of the new system at Craven marked Idox as a key supplier of smart technology to all nine councils in Yorkshire.

Financial Review continued

Profit Before Tax

	12 months to 31 October 2017 (audited) £000	12 months to 31 October 2016 (audited) £000
Profit before tax for the period	3,481	12,983
Add back:		
Amortisation on acquired intangibles	5,247	3,817
Restructuring costs	704	330
Acquisition costs/(credits)	8	(404)
Impairment	2,681	–
Adjusted profit for the period	12,121	16,726

Reported profit before tax decreased to £3.5m (2016: £13.0m) as a result of higher amortisation and finance costs following the acquisition of 6PM plus an impairment charge related to 6PM. The impairment arose from a reassessment of the forecasts prompted by the emergence of inherited issues as described above. Amortisation of intangibles increased to £5.2m (2016: £3.8m) due to the acquisition of 6PM. Amortisation of development costs was £2.3m (2016: £1.3m) and amortisation on software licences was £0.9m (2016: £1.0m). Development costs are amortised over a 1 to 5 year period on a project by project basis and software licences are amortised over 3 years. Acquisition costs of £8,000 (2016: £0.4m credit) relate to £0.2m of 6PM and Halarose acquisition costs, offset by a further £0.2m reduction in the earn out payment for Cloud Amber. Restructuring charges of £0.7m (2016: £0.3m) includes £0.3m for the restructuring of the Digital division following the acquisition of Rippleffect.

Adjusted profit before tax and adjusted earnings per share are alternative performance measures, considered by the Board to be a better reflection of true business performance than looking at the Group's results on a statutory basis only. These measures are widely used by research analysts covering the Group.

Adjusted EBITDA decreased 14% to £18.5m (2016: £21.5m) impacted by lower margin election revenue in PSS, lower revenue in EIM, lower margin in pay per click revenue in Digital and a maiden loss contribution from Health. Cost of sales increased 49% with 37% of the increase due to acquisitions in the period. Several issues have arisen in the Health division since acquisition. Although full financial due diligence was carried out by Grant Thornton on 6pm and identified material errors, the accounting issues which have come to light have been greater than expected.

We have inherited issues with incomplete accounting records, revenue recognition and inconsistent contractual paperwork. These issues have taken up an exceptional amount of finance resources to resolve. The Health division was fully integrated into the Idox accounting function in July 2017 following the acquisition at the end of February. As a result, the issues inherited are not expected to be repeated going forward.

Administrative expenses increased by 31% to £68.6m (2016: £52.3m) or excluding acquisitions by 4%. Staff costs increased by 19% to £42.3m (2016: £35.5m) or excluding acquisitions decreased by 1%.

Finance costs have increased to £2.0m (2016: £1.4m) due to the 6PM bond interest payable (£0.8m). The Maltese Stock Exchange bond was issued in 2015 prior to Idox acquiring 6PM at a nominal value of €13m, is repayable in 2025 and has a coupon rate of 5.1%.

The Group continues to invest in developing innovative technology solutions and has incurred capitalised development costs of £4.8m (2016: £2.8m). Research and Development costs expensed in the period were £3.8m (2016: £4.0m).

Taxation

The effective tax rate ('ETR') for the period was 24.21% (2016: 9.06%).

Significant tax repayments were processed in 2017, not previously provided for, in respect of historic R&D claims covering the Reading Room Group and Idox Health Ltd, resulting in downward pressure on the ETR for the year.

However, certain other factors contributed to increasing the ETR, primarily impairment of the 6PM acquisition and costs associated with this acquisition, both of which are non-deductible expenses for tax purposes. Another factor which increased ETR was the non-recognition of losses incurred in Malta, owing to uncertainty over their future utilisation. These losses will be recognised where their likelihood of utilisation increases, with any future recognition resulting in a decrease to ETR.

Unrelieved trading losses of £1.1m, across the US and the UK, remain available to offset against future taxable trading profits. This number excludes substantial carried-forward losses not recognised for deferred tax purposes to date, owing to adoption of a prudent loss recognition position. The gross value of these losses not recognised to date totals £12.1m, split across Malta (£8.7m), the UK (£2.1m) and Germany (£1.3m). The Board is hopeful that the Group will benefit from these derecognised tax losses in future, and will be recognised at the point where utilisation becomes more certain.

Earnings Per Share and Dividends

Adjusted earnings per share fell to 2.40p (2016: 4.11p). Adjusted diluted earnings per share fell to 2.34p (2016: 3.96p). Adjusted earnings per share was impacted in the period by increased finance costs following the acquisition of 6PM.

Basic earnings per share fell to 0.66p (2016: 3.30p). Diluted earnings per share fell to 0.64p (2016: 3.18p). Basic earnings per share fell due to the impact of the 6PM acquisition on increased finance costs, increased amortisation on acquired intangibles, increased acquisition costs and impairment.

The Board proposes a final dividend of 0.655p an increase of 0.8% on the previous final dividend, giving a total dividend for the year of 1.04p and 4% growth for the full year. This is in line with our progressive dividend policy for dividend growth. Subject to shareholder approval at the forthcoming Annual General Meeting, the final dividend is expected to be paid on the 20 April 2018 to shareholders on the register at 3 April 2018.

Balance Sheet and Cashflows

The Group's balance sheet continued to strengthen during the period and at 31 October 2017 net assets were £91.3m compared to £65.2m at 31 October 2016. The increase in net assets includes £35m relating to goodwill on acquisition and other intangibles of 6PM.

Cash generated from operating activities before tax as a percentage of Adjusted EBITDA was 82% (2016: 63%). Cash conversion has historically been impacted by deferred payment deals over 3 to 5 years which have been offered to local authorities. The cash conversion trend continues to improve as payment from customers are more aligned with when services are provided.

The Group ended the period with net debt of £32.1m (2016: £25.0m), after utilising the facility for the acquisition of Halarose (£3.5m) and taking on the 6PM bond of £11.4m which existed in 6PM pre-acquisition. The 6PM bond sits outside the Group's signed debt facilities.

The Group's total signed debt facilities at 31 October 2017 stood at £36.5m, a combination of a £9.5m term loan, £4m overdraft and £23m revolving credit facility, split £22.8m with the Royal Bank of Scotland and £13.7m with Silicon Valley Bank. In addition to the signed debt facilities the 6PM bond is a Maltese Stock Exchange bond issued in 2015 pre-acquisition at a nominal value of €13m, it is repayable in 2025 and has a coupon rate of 5.1%.

Deferred income, representing invoiced maintenance and SaaS contracts yet to be recognised in revenue stood at £19.8m (2016: £15.9m). An increase of £4.9m is due to acquisitions in the period. Accrued income, representing future cashflows, increased to £23.0m (2016: £18.8m). The increase in prior year includes £1.2m due to acquisitions.

£15.1m of accrued income relates to licences and services that have been delivered to local authorities and revenue recognised but the customer is paying for the licence and services over a period of typically 3 to 5 years. This will be future cash inflows for the Group. The balance of accrued income is service revenue where work has been completed but the project has not yet reached an invoicing milestone and will convert to cash in the short-term.

Jane Mackie
Chief Financial Officer
28 February 2018

Principal Risks and Uncertainties

Risk identification and management continues to be a key role for the Board. Risk management strategy is led by the Board; thereafter management of risk is judiciously managed through dedicated expert professionals in the business.

Risk management processes and internal control procedures are established within business practices across all levels of the organisation. Risk identification, assessment and mitigation are performed across Idox with a more detailed assessment at operational level, and through Board led assessment of strategic and market risk.

Risk management and internal controls provide reasonable but not absolute protection against risk. Risk appetite is not static and is regularly assessed by the Board to ensure it continues to be aligned with the Group's goals and strategy.

Board

The Board has overall responsibility for Idox's risk management, processes and reporting. Risk management processes and internal control procedures are the ultimate responsibility of the Board.

Local Management

Annual comprehensive risk reviews are performed by local management teams and reported to the Risk Committee.

Audit Committee

The Audit Committee has responsibility for assessing and challenging the robustness of the internal control environment. It directs and reviews local management, internal audit and Group finance reports on internal control and risk management throughout the year, and reports the principal risks to the Board.

Internal Audit

The Group's internal audit function performs regular audits in country offices to assess culture, financial controls in accordance with local regulatory requirements and Group controls.

Risk Committee

The Risk Committee meets quarterly and discusses the Group's strategy, identifies the principal risks to the strategy and agrees mitigating actions.

Risk Profile

New and existing risks were identified and assessed during 2017. Executive management, the Risk Committee and the Board performed further analysis to prioritise these risks, with a focus on those principal risks posing the highest current risk to the achievement of the Group's objectives. All risks facing Idox were consolidated onto a risk heat map.

Risks included on the heat map are monitored more closely by executive management, the Risk Committee and the Board. Whilst these principal key risks represent a significant portion of the Group's overall risk profile, the executive management and the Risk Committee continue to monitor the universe of risks to identify new or emerging risks as well as any changes in risk exposure. The risk profile continued to change throughout the year, in part as a result of the acquisition of the 6PM Holdings plc group of companies and Halarose Holdings Limited. We now have operations in Malta, Macedonia and have more exposure to the health sector and increased exposure in the elections space.

Embedding the Risk Culture

Throughout the Group, risk management is an evolving process. This is recognised by ongoing training and advice by divisional and business unit risk representatives, supported by the central risk and assurance team, best practice sharing, gap analysis and internal benchmarking. Successful training and communication help build a culture and ability to further embed processes and procedures throughout the organisation. A more deeply embedded risk management culture supports long-term value creation for all stakeholders.

The principal risks involved in delivering the Group's strategy are actively managed and monitored against our risk appetite as follows:

Risk	Principle risks	Management of risks
Cyber risk	Information security breach or cyber-attack resulting in loss or theft of data, content or intellectual property.	Idox operates with a number of complex systems that maintain confidential data. The risk is perceived to have increased due to the higher number of cyber-attacks in the UK. Idox has cyber, data protection and security policies in place and regularly reviews the effectiveness of these policies. System controls include secure infrastructure, content level protection, access management and monitoring. There is an enterprise-wide data security programme and defined incident management processes, including those for employees to report security breaches. Idox continues to focus on achieving ISO 22301: 'Business Continuity Management System'. Idox is accredited to the UK government based Cyber Essentials standard.
Economic environment	The performance of Idox is affected by the economic cycles of the markets of the countries in which it operates. The recent US election and 'Brexit' referendum on the exit of the UK from the Treaty of the European Union have increased the uncertainty in the economic, social and environmental markets in which we operate.	A diversified geographical footprint and sector focus reduces the risk of exposure due to adverse country or sector-specific conditions. Idox continues to focus on the diversification of customers and geographical markets. In February 2017 Idox acquired 6PM Holdings plc. This group of companies was headquartered in Malta with operations in the UK and Macedonia. This expansion of the Group's customer base and geographical reach increases risk. Idox has budgeted for foreign exchange fluctuations; however, this may not mitigate the risk entirely. The Executive team deliver against a framework for future investment for both organic and acquisitive growth. The investment going forward will be focused on: public sector initiatives in international expansion; increasing market share in existing public sector markets; entering new public sector markets; and delivering increased account sales in product & sales initiatives.

Principal Risks and Uncertainties continued

Risk	Principle risks	Management of risks
Technological development and digital innovation	Idox risks being outclassed by competitor products that have increased capabilities if the Group fails to deliver continued product development.	Idox strives to deliver quality products, which provide strong competition in the market, while continuing to invest in quality assurance and research and development functions. Idox has invested significantly in increasing its capability to become a significant player in the delivery of digital.
Retention and succession	Due to recent acquisitions, Idox may inherit employees who have levels of training and remuneration that are inconsistent with the wider Group, potentially leading to retention issues and resultant loss of skills and knowledge.	Idox continues to deliver successful integrations of acquired businesses. Human Resources leads on assessing remuneration packages and training requirements. Where required, mitigating actions are taken to develop or enhance benefits packages to Group employees.
Acquisitions	Acquisitions/restructuring may not achieve the anticipated returns impacting on projected margin rates.	Idox has set up a robust M&A team, which works together with our integration function, to carry out due diligence and mitigate risks where possible. For more complex acquisitions, the team work in conjunction with external advisors to reduce exposure. The Group has a robust and disciplined approach to identifying and testing potential companies for acquisition. Following the recent complex acquisition the group will enhance the approach to identifying and testing acquisitions to ensure the likelihood of issues encountered (as discussed in the Chief Executive's review) this year are not repeated.". Targets are subject to due diligence processes, and analysed according to Board level agreed investment decision criteria to identify suitable, earnings enhancing acquisitions. They are assessed by the Executive team for strategic fit. The due diligence process is led by experienced M&A Integration Managers and supported by relevant experts in domain knowledge and heads of department. Idox's focus for 2018 is to fully integrate recent acquisitions and improve discipline to ensure adherence to policies across the Group.

Risk	Principle risks	Management of risks
Business continuity	There is a risk that any business may face the failure of business continuity systems, disruption to normal business operations and closure of offices for a significant period of time. This would have a significant impact on our operations and trading capability.	To successfully manage this risk, Idox has developed effective business continuity and incident management plans. The disaster recovery plan provides for re-build in and already contracted secondary location. Idox's information management team has provided for the replication of key systems data at existing secondary location to reduce key system recovery time. As part of our commitment to risk management, Idox continues to carry out a wider business review of disaster recovery plans to ensure they are fit for purpose. Regular business continuity plans are updated and delivered to the Board on at least an annual basis. In the current year, Idox has focused on achieving ISO 22301: 'Business Continuity Management System'.
Political	The Group has a large customer base in local government. A change in spending priorities by the current or a future Government could materially impact the Group.	This risk is mitigated due to the contractual nature of the recurring revenue in the Group. The Group has increased diversification of its customer base through acquisitions to mitigate against political risks.
Global macro-environment	The Group operates across a number of countries and its operations are increasingly subject to global competition and political risks. The Group is also affected by economic environments in other territories, which include currency volatility, inflation and recession. The customer base in local government means that political changes can be disruptive and can interfere with activities and operations in a particular country.	In order to mitigate these risks, the Group monitors and forecasts for key changes in the territories in which it operates. Idox continues to diversify its business and operations in various territories. Idox risk assesses changing geo-political environments and this allows for timely risk mitigation as and when volatility occurs. The Group gathers information and seeks expert advice where necessary.

Signed on behalf of the Board by:

Richard Kellett-Clarke
Chief Executive Officer
28 February 2018

Board of Directors

Laurence Edward William Vaughan
(Aged 54)
Non-Executive Chairman

1

Laurence Vaughan began his career with PricewaterhouseCoopers in audit and consulting before joining a client as its Financial Director. In 1993 he joined Sytner Group Ltd as CEO and later as Sytner's non-Executive Chairman. Sytner reported revenue of over £3.5 billion in 2014. In 2006 Laurence was appointed Chairman of Civica plc which he helped float on AIM. He is also Chairman of Catapult Venture Managers Limited and r2c Online Holdings Limited, a Catapult portfolio Company. Laurence was Executive Chairman of Anglian Home Improvements Limited from September 2013 to April 2016. Laurence holds a BA from Durham University and is a chartered accountant. He is currently Chairman of Catapult Venture Managers Limited and founding partner of Opus Ventures LLP, a private equity business which he established in 2003.

Andrew Riley
(Aged 45)
Chief Executive Officer

2

Andrew Riley has been the Managing Director of Idox's Public Sector Software Segment since 2011, having been promoted from Sales & Marketing Director. Prior to joining Idox in 2000, Andrew gained a broad experience in the public sector having been commissioned as an officer into the RAF in 1990, and then holding teaching and training roles, before finally working as an IT manager for a local UK council. Andrew is a graduate of the University of Wales.

Jane Mackie
(Aged 37)
Chief Financial Officer

3

Jane Mackie first joined the finance team of Idox in 2005 and was appointed as Group Financial Controller and Company Secretary in 2009. Jane was appointed as Chief Financial Officer in February 2014. Prior to this Jane was an assistant audit manager at Grant Thornton in Glasgow where she qualified as a Chartered Accountant in 2004. Jane has a first-class degree in Accounting from the University of Strathclyde, where she graduated in 2001.

Peter Lilley
(Aged 74)
Non-Executive Director

4

Peter Lilley, former MP for Hitchin and Harpenden, was Parliamentary Private Secretary to Ministers for Local Government and after a period at the Treasury served as Secretary of State for Trade and Industry and Secretary of State for Social Security until 1997. He serves on the Advisory Board of YiMei Capital. He is the senior independent Non-Executive Director of Idox and chairs the Nominations and Remuneration Committee.

Richard Kellett-Clarke
(Aged 63)
Interim Chief Executive Officer

5

Richard Kellett-Clarke has 31 years of directorial experience. He joined Idox first as CFO in 2006, then COO in 2007. He was appointed CEO in November 2007. Before this he has held a number of CFO appointments with Brady plc, Pickwick Group Limited, and in subsidiaries of Pearson plc and Invensys plc. In addition, he was a founder and Managing Director of AFX NEWS Ltd, now part of Thomson Reuters Group, IT Director of Financial Times Information, and Founding Director of Sealed Media Ltd, an Internet start-up. In 2011 he joined the Board of dotDigital Group plc as a Non–Executive Director.

1

"A trusted partner in delivering proven innovative solutions"

Barbara Moorhouse
(Aged 59)

Non-Executive Director

6

Barbara Moorhouse is a Non-Executive director at Agility Trains, the Lending Standards Board and West Hampshire Clinical Commissioning Group. She is a Trustee of Guy's and St Thomas' Charity. Previous NED appointments include Chair of OPM Group. Barbara spent the first 20 years of her career in strategic, commercial and finance roles in the private sector, latterly as Chief Finance Officer in two international listed IT companies. In 2005, she was appointed Director General at the Ministry of Justice and subsequently the Department for Transport. In 2010, Barbara moved to Westminster City Council as Chief Operating Officer. She is a CIMA fellow, holds a treasury qualification from ACT and is a graduate of St Catherine's College Oxford where she read politics, philosophy and economics.

Jeremy Millard
(Aged 46)

Non-Executive Director

7

Jeremy Millard is a partner of Smith Square Partners LLP, where he provides corporate finance advice to companies primarily in the Technology sector. Prior to this, he spent five years at Rothschild, based in their London office, advising clients on all aspects of corporate finance, including on a number of major cross-border transactions encompassing Europe, North America and the Middle East. Between 2001 and 2007, Jeremy worked at Hawkpoint Partners, where he had a strong focus on advising mid-market UK listed companies. He has also worked for the UK Ministry of Defence and Mars Snack Foods, qualified as a chartered accountant in 1999, and holds an M. Eng from Cambridge University. He is the Chairman of the Audit Committee.

Director's Report

For the year ended 31 October 2017

"The Directors are pleased to submit their report and audited financial statements for the year ended 31 October 2017."

Results and Dividends

The Group's audited financial statements for the year ended 31 October 2017 are set out on pages 44 to 84. The Group's profit for the year after tax amounted to £2.6m (2016: £11.8m). The Directors paid a dividend of 0.650 pence per share in the first half of the 2017 financial year, in respect of the year ended 31 October 2017. The Directors will propose, at the forthcoming AGM, a final dividend of 0.655 pence per share in respect of the year ended 31 October 2017.

Details of future developments and research and development activities are outlined in the Strategic Report.

Post Balance Sheet Events

On 6 February 2018, the Group acquired the entire share capital of Atlas Adviesgroep Twente B.V. ('Atlas") for a total consideration of €270,000 (£237,000). Atlas is a small grants consultancy business based in the Netherlands, working predominantly with local and regional government bodies, and will complement the Group's existing grants business in the Netherlands.

Directors and their Interests

The Directors who served during the year and their beneficial interests (including those of their immediate families) in the Company's 1p ordinary share capital were as follows:

	Number of shares	
	31 October 2017	**1 November 2016**
L Vaughan*	232,250	200,000
R Kellett-Clarke**	14,161,668	12,573,279
J Mackie	494,781	58,421
A Riley	1,416,272	225,126
P B Lilley***	533,000	533,000
J Millard	–	–
B Moorhouse	–	–
Prof W Hall (resigned 31 December 2016)	–	–

* 232,250 (2016: 200,000) of these shares are held through a Self-Invested Pension Plan.

** 2,761,667 (2016: 2,761,667) of these shares are held through Self-Invested Pension Plans and 11,400,001 (2016: 9,762,900) shares are held through certain members of his family and a family trust.

*** 111,300 (2016: 111,300) of these shares are held through a Self-Invested Pension Plan and 59,250 (2016: 59,250) shares are held through certain members of his family.

In addition to the shareholdings listed above, certain Directors have been granted options over ordinary shares. Full details of these options are given in the Report on Remuneration on pages 27 to 28.

Details of the Directors' service contracts can be found in the Report on Remuneration on pages 27 to 28.

Insurance for Directors and Officers

The Company has purchased and maintains appropriate insurance cover against legal action brought against Directors and officers.

Substantial Shareholdings

As at 31 October 2017, the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of shares	% Holding
Liontrust Asset Management	56,482,819	13.68%
Investec Wealth & Investment	38,233,418	9.26%
Kestrel Partners	35,344,301	8.56%
Hargreave Hale Investment Managers	30,490,187	7.38%
Herald investment Management	29,909,483	7.24%
Hargreave Hale Stockbrokers	21,008,808	5.09%
Charles Stanley	18,801,074	4.55%
Highclere International Investors	17,715,623	4.29%
Living Bridge EP LLP	17,543,409	4.25%
Richard Kellett-Clarke	14,161,668	3.43%

Transaction in Own Shares

During the year, the Group did not purchase any of its own ordinary shares of 1p to be held as treasury shares in order to satisfy future employee share option exercises.

During the year three share option exercises were satisfied using treasury shares. These exercises combined used a total of 64,000 treasury shares.

The maximum number of shares held in treasury at any time during the year was 3,055,219, which had a cost value of £1,270,634. The current number of shares held in treasury is 1,491,219.

Health, Safety and Environmental Policies

The Group recognises and accepts its responsibilities for health, safety and the environment (H,S&E) and has a dedicated team, which provides advice and support in this area. The team members regularly attend external H,S&E courses and internal reviews are performed on a regular basis to ensure compliance with best practice and all relevant legislation. In the current year, Idox has focused on achieving ISO 45001: 'Health and Safety Management' Standard.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled employees should, as far as possible, be identical with that of other employees.

Employee Consultation

The Group consults employees through the National Company Council (NCC). The NCC sits regularly during the year and is made up of representatives voted on the Council by employees. An employee consultation policy is also in place. Employees are encouraged to present their views and suggestions in respect of the Group's performance and policies. In addition, the Group has an intranet, which facilitates faster and more effective communication.

An Employee Share Investment Trust is in place to provide employees with a tax efficient way of investing in the Company. The Company purchases matching shares, which become the property of the employee after a three year vesting period.

Director's Report continued

For the year ended 31 October 2017

Financial Risk Management Objectives and Policies

The Group uses various financial instruments which include cash, equity investments, bank loans and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, exchange rate risk and interest rate risk. The Directors review these risks on an ongoing basis. This policy has remained unchanged from previous years. Further information on financial risk management is disclosed in note 22 of the Group accounts.

Credit Risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade receivables.

In order to manage credit risk, the management review the debt ageing on an ongoing basis, together with the collection history and third-party credit references where appropriate.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Exchange Rate Risk

The Group monitors its exposure to exchange rate risk on an ongoing basis. The Group has minimal exposure to foreign exchange risk as a result of natural hedges arising between sales and cost transactions.

Interest Rate Risk

The Group's bank borrowings bear interest at rates linked to LIBOR. On a quarterly basis, the Board reviews the LIBOR rate and discuss whether it is considered necessary to set up hedges to protect against interest rate movements.

Going Concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. Whilst the Consolidated Balance Sheet shows net current liabilities, £19.8m of current liabilities relates to deferred income which does not convert to cash payable. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the Directors have considered the Group's budget, cash flow forecasts, available banking facility and levels of recurring revenue.

The Board highlighted to the lenders that due to a limitation of scope in relation to the 6PM sub-group the audit would result in a qualified audit opinion. It was explained to the lenders that due to poor record keeping in the early months of the period within 6PM there is a limitation of scope on 6PM revenue and deferred revenue and the books and records of the three immaterial subsidiaries, particularly relating to the period up to July 2017 when 6PM was integrated into Idox finance and the record keeping has been improved. Following discussions with the Board the bank was satisfied that, whilst this is technically a default, they have given an advance waiver to cover the period of signing the statutory accounts.

Auditor

A resolution to reappoint an Auditor and to authorise the Directors to agree their remuneration will be placed before the forthcoming Annual General Meeting of the Company.

By order of the Board:

Jane Mackie
Chief Financial Officer
28 February 2018

Report on Remuneration

For the year ended 31 October 2017

Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises the Chairman and two Non-Executive Directors and normally meets four times a year. It is chaired by Peter Lilley.

Remuneration Policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key staff. The packages are designed to be competitive in value to those offered to the Directors of similar sized public companies in related sectors. It is the Board's policy to align the long-term interests of managers with those of our shareholders in the granting of options and other equity rewards.

The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions and benefits in kind. The benefits include car allowance, private medical cover, life cover and critical illness cover. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee. The criteria include targets for revenue and profits as well as cash balances. In addition, the Group operates share option schemes for the Executive Directors.

Directors' Remuneration

2017	Basic salary and fees 2017 £000	Bonus* 2017 £000	Benefits in kind 2017 £000	Total 2017 £000	Pension 2017 £000
Executive Directors					
Andrew Riley	260	105	12	377	6
Richard Kellett-Clarke	42	179	1	222	–
Jane Mackie	175	70	10	255	14
Non-Executive Directors					
Laurence Vaughan**	105	–	–	105	–
Peter Lilley	35	–	–	35	1
Jeremy Millard	35	–	–	35	–
Barbara Moorhouse	35	–	–	35	–
	687	**354**	**23**	**1,064**	**21**

2016	Basic salary and fees 2016 £000	Bonus* 2016 £000	Benefits in kind 2016 £000	Total 2016 £000	Pension 2016 £000
Executive Directors					
Richard Kellett-Clarke	315	158	11	484	–
Jane Mackie	150	70	10	230	11
Andrew Riley	225	105	11	341	5
Non-Executive Directors					
Laurence Vaughan**	105	–	–	105	4
Wendy Hall (resigned 31 December 2015)	6	–	–	6	–
Peter Lilley	35	–	–	35	–
Jeremy Millard	35	–	–	35	1
Barbara Moorhouse (appointed 6 January 2016)	29	–	–	29	–
	900	**333**	**32**	**1,265**	**21**

The amounts in respect of pension represent money purchase pension contributions.

* Bonus payments disclosed related to prior year performance due to the timing of award.

** Chairman

Report on Remuneration continued

For the year ended 31 October 2017

Non-Executive Directors

The Board, based on a recommendation by the Chairman of the Remuneration Committee or, in the case of the Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors.

Service Contracts

The Executive Directors have entered into service contracts with the Group that are terminable by either party on no less than six months prior notice.

Share Options

The Directors believe it is important to incentivise key management and employees.

The following options have been granted to the Directors over ordinary 1p shares in the Company:

Director	At start of year	New directors	Granted during the year	Exercised	Lapsed	At the end of the year	Exercise price	Exercise date from	Exercise date to
Richard Kellett-Clarke	823,922	–	–	(823,922)	–	–	10.25p	Mar 2010	Mar 2020
Richard Kellett-Clarke	2,500,000	–	–	(2,500,000)	–	–	20p	Mar 2011	Mar 2021
Richard Kellett-Clarke	300,000	–	–	(300,000)	–	–	44p	Sep 2012	Sep 2022
Richard Kellett-Clarke	800,000	–	–	–	–	800,000	38.38p	Feb 2015	Feb 2025
Richard Kellett-Clarke	1,900,000	–	–	–	–	1,900,000	1p	Mar 2015	Mar 2018
Peter Lilley	243,902	–	–	–	–	243,902	10.25p	Mar 2010	Mar 2020
Peter Lilley	250,000	–	–	–	–	250,000	20p	Mar 2011	Mar 2021
Jane Mackie	195,122	–	–	(195,122)	–	–	10.25p	Mar 2010	Mar 2020
Jane Mackie	500,000	–	–	(500,000)	–	–	18p	Mar 2011	Mar 2021
Jane Mackie	500,000	–	–	(500,000)	–	–	39.12p	Mar 2014	Mar 2024
Jane Mackie	90,000	–	–	(90,000)	–	–	38.38p	Feb 2015	Feb 2025
Andrew Riley	466,000	–	–	(466,000)	–	–	7.5p	May 2007	May 2017
Andrew Riley	682,927	–	–	(682,927)	–	–	10.25p	Mar 2010	Mar 2020
Andrew Riley	1,000,000	–	–	(1,000,000)	–	–	20p	Mar 2011	Mar 2021
Andrew Riley	250,000	–	–	(250,000)	–	–	35p	Apr 2012	Apr 2022
Andrew Riley	240,000	–	–	(240,000)	–	–	38.38p	Feb 2015	Feb 2025
Andrew Riley	1,700,000	–	–		–	1,700,000	1p	Mar 2015	Mar 2018
Totals	**12,441,873**	**–**	**–**	**(7,547,971)**	**–**	**4,893,902**			

The mid-market price of the Company's shares at close of business on 31 October 2017 was 62.38p and the low and high share prices during the year were 57.00p and 77.00p, respectively.

The Company recognised total expenses of £324,000 (2016: £597,000) related to equity-settled, share-based payment transactions during the year. Expenses of £324,000 (2016: £597,000) related to share options granted and £nil (2016: £nil) related to share options exercised. Of the total recognised, expenses of £324,000 (2016: £597,000) related to equity-settled, share-based payment transactions during the year, of which £178,000 (2016: £178,000) related to the LTIP share option scheme.

The pre-tax aggregate gain on exercise of share options during the year was £3,200,747 (2016: £nil).

Note 24 of the Group accounts contains full disclosure of the Company's share options.

Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 24.

Corporate Governance Report

For the year ended 31 October 2017

Corporate Governance

The Group is committed to achieving and maintaining the highest standards of corporate governance. As the Company is listed on the Alternative Investment Market, it is not required to comply with all aspects of the UK Corporate Governance Code (the 'Code') issued in September 2014. The Group does not comply with the Code.

However, the Group has reported on corporate governance arrangements by drawing upon best practice available, including those aspects of the Code considered to be relevant to the Group. The Board receives regular advice on best practice corporate governance compliance and this has supported enhanced governance practice.

Board of Directors

Subject to the Articles of Association, UK legislation and any directions given by special resolution, the business of the Group is managed by the Board. The Code requires the Group to have an effective Board whose role is to develop strategy and provide leadership to the Group as a whole. It sets out a framework of controls that allows for the identification, assessment and management of risk. Additionally, it ensures the Board takes collective responsibility for the success of the Group.

The Board's main roles are to provide leadership to the management of the Group, determine the Group's strategy and ensure that the agreed strategy is implemented. The Board takes responsibility for approving potential acquisitions, major capital expenditure items, disposals, annual budgets, annual reports, interim statements and Group financing matters.

The Board appoints its members and those of its principal Committees following the recommendations of the Nomination and Remuneration Committee. The Board reviews the financial performance and operation of the Group's businesses. The Board regularly reviews the identification, evaluation and management of the principal risks faced by the Group, and the effectiveness of the Group's system of internal control.

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies, in particular in relation to income recognition and research and development, are appropriate and are advised on its Auditors on future changes to such accounting policies. In the coming financial year, the business will be preparing for the adoption of IFRS15.

Financial results with comparisons to budget and forecast results are reported to the Board on a regular basis, together with a commercial report on operational issues. Significant variances from budget or strategy are discussed at Board meetings and actions set in place to address them.

The Board comprises three Non-Executive Directors and two Executive Directors. Richard Kellett-Clarke has been acting as Interim Chief Executive Officer since December 2017. After fifteen years' service Peter Lilley has stepped down as Non-Executive Director. The Board wish to thank Peter for his tremendous dedication and service to the Group. His contribution throughout the years has supported substantial growth and expansion of operations across the entire Group portfolio. The Board wish Peter all the best for the future.

Richard Kellett-Clarke, Interim CEO and Jane Mackie, CFO, form the Executive team.

Board and committee meetings are scheduled in line with the financial calendar of the Group. The timing of meetings ensures the latest operating data is available for review and that appropriate time and focus can be given to matters under consideration. The Board met nine times throughout the year for principal Board meetings to discuss a formal schedule of business. The Group has a highly committed and experienced Board, which is supported by an Executive team, and is supported by qualified executive and senior management teams.

Role of Chairman and Chief Executive Officer

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Group's business, so as to ensure that no one person has unrestricted powers of decision.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the CEO's responsibility to ensure they are delivered upon.

To facilitate this, the CEO regularly meets the executive management team ('EMT') which additionally comprises business division directors and senior members of the management team. The day to day operations of the Group are managed by the EMT.

Composition of and Appointments to the Board

The Code requires that there should be a balance of Executive and Non-Executive Directors and when appointing new Directors to the Board, there should be a formal, rigorous and transparent procedure.

Corporate Governance Report continued

For the year ended 31 October 2017

The Board comprises the Non-Executive Chairman, the CEO, the CFO and three Non-Executive Directors. Short biographies of the Directors are given on pages 22 to 23.

The Board is satisfied with the balance between Executive and Non-Executive Directors. The Board have considered and decided not to replace the outgoing Non-Executive Director Peter Lilley. The Board will continue to review this position in the coming years. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different skills and experience to the Board and the Board Committees. The Board is satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Group.

The Code requires that the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and Directors. The Board continues to annually review its composition, to ensure there is adequate diversity to allow for its proper functioning and that the Board works effectively together as a unit.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

Board Committees

The Board has established two committees to deal with specific aspects of the Board's responsibilities: the Audit Committee and the Nomination and Remuneration Committee. The Report of the Audit Committee can be found on pages 33 to 34. The Audit Committee is chaired by Jeremy Millard and includes Laurence Vaughan and Barbara Moorhouse. Richard Kellett-Clarke was a member of the Audit Committee until December 2017 when he was appointed as Interim Chief Executive Officer. The Nomination and Remuneration Committee is chaired by Peter Lilley and includes Barbara Moorhouse, Laurence Vaughan and Jeremy Millard.

The Committee has overall responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors. The Committee's key responsibilities include:

- making recommendations to the Board on any changes to service contracts;
- approving and overseeing any share related incentive schemes within the Group;
- ensuring that remuneration is in line with current industry practice;
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Group;
- reviewing the size, composition and structure required of the Board and making recommendations to the Board with regard to any changes;
- identifying and nominating, for approval by the Board, candidates to fill Board vacancies as they arise;
- giving full consideration to succession planning for Directors; and
- vetting and approving recommendations from the executive directors for the appointment of senior executives.

The Audit Committee met four times in the year and the Nominations and Remuneration Committee met three times.

Executive Risk Committee Reporting to the Board

The Board is responsible for risk management and internal controls, supported and informed by the executive Risk Committee. The Board defines risk appetite and monitors the management of significant risks to ensure that the nature and extent of significant risks taken by the Group are aligned with overall goals and strategic objectives. The Risk Committee supports the Board in monitoring risk exposure through regular reviews and has been delegated responsibility for reviewing the effectiveness of risk management processes and controls. The Risk Register is presented to the Board for formal review on a bi-annual basis and progress on matters is presented throughout the year through executive reporting.

Re-election

Under the Code, Directors should offer themselves for re-election at regular intervals. Additionally, under the Group's Articles of Association, at least one third of the Directors who are subject to retirement by rotation are required to retire and may be proposed for re-election at each Annual General Meeting.

New Directors, who were not appointed at the previous Annual General Meeting, automatically retire at their first Annual General Meeting and if eligible, can seek re-appointment.

Two Directors will retire from office at the Group's forthcoming Annual General Meeting and stand for re-appointment.

Internal Control

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially of financial control, can only provide reasonable but not absolute assurance against material misstatement or loss.

The key matters relating to the system of internal control are set out below:

- Idox has established an operational management structure with clearly defined responsibilities and regular performance reviews;
- the Group operates a comprehensive system for reporting financial and non-financial information to the Board, including review of strategy plans and annual budgets;
- financial results are monitored against budgets, forecasts and other performance indicators with action dictated accordingly at each meeting;
- a structured approval process based on assessment of risk and value delivered; and
- sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management.

The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties that need to be disclosed in the accounts. There have been weaknesses identified in internal non-financial controls which has resulted in the issues discussed in the Chief Executive's review.
These weaknesses have been and continue to be addressed by the Board.

The Group supports an internal audit function that performs annual audits on its management systems. This function is supported by a management review of the audit findings.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year.
Under that law, the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors have elected to prepare the Company financial statements in accordance with FRS101 "Reduced Disclosure Framework".

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed for the Group financial statements and whether UK Accounting Standards have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions, disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's Auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Corporate Governance Report continued

For the year ended 31 October 2017

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information and Development

The Code requires that the Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Chairman is responsible for ensuring that all the Directors continually update their skills, knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by external advisors, the CFO and Legal Counsel.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring its procedures, are properly complied with and that the discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Group's expense in furtherance of their duties as Directors.

Training on matters relevant to their role is available to all Board Directors. New Directors are provided with an induction in order to introduce them to the operations and management of the business.

Investor Relations

Idox is committed to open communication with all its shareholders. The Directors hold regular meetings with institutional shareholders to discuss and review the Group's activities and objectives. Communication with private shareholders is principally through the Annual General Meeting, where participation is encouraged and where the Board is available to answer questions. Idox maintains up-to-date information on the Investor Relations section of its website www.idoxplc.com.

The CEO and CFO meet institutional investors immediately after publication of the annual and interim results, and together with the Chairman, meet with investors and on an ongoing basis as required. In 2017 there was extensive investor engagement with the Executive attending 58 meetings with investors, a large part related to the placing of shares in order to acquire 6PM Holdings plc.

In respect of the annual and interim results, Directors also undertake consultation on certain matters with major shareholders from time to time.

Through these consultations, the Group maintains a regular dialogue with institutional shareholders and analysts. Feedback is reported to the Board so that all Directors develop an understanding of the views of major shareholders.

Trading updates and press releases are issued as appropriate and the Group's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings. Information offered at the analysts' meetings together with financial press releases are available on the Group's website. The Annual General Meeting is used by the Directors to communicate with both institutional and private investors.

Every shareholder has access to a full annual report each year end and an interim report at the half year end. Care is taken to ensure that any price sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements.

Idox strives to give a full, timely and realistic assessment of its business in all price-sensitive reports and presentations.

AIM Rule Compliance Report

Idox is quoted on AIM, London Stock Exchange's international market for smaller growing companies. Idox complied with the AIM Rules, in particular AIM Rule 31 which requires the following:

- sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- seek advice from Nominated Adviser ('Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- provide the Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisers, including any proposed changes to the Board and provision of draft notifications in advance;
- ensure that each of the Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- ensure that each Director discloses without delay all information which the Group needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

Report of the Audit Committee

For the year ended 31 October 2017

Overview

This report details the activities of the Committee during the financial year ended 31 October 2017. The report sets out how the Committee has discharged its responsibilities in relation to internal control and risk management.

Membership and Meetings

The Audit Committee is a committee of the Board and is comprised of five Non-Executive Directors: Laurence Vaughan, Peter Lilley, Barbara Moorhouse, Richard Kellett-Clarke and Jeremy Millard. Richard Kellett-Clarke joined the Committee when he took on the role of Non-Executive Director in November 2016. In December 2017 Richard stepped down from the Audit Committee when he became an Executive Director in his role as Interim CEO. The Audit Committee is chaired by Jeremy Millard. By virtue of his executive and current non-executive responsibilities (full details of which are set out on page 30), the Board considers that Jeremy Millard has relevant and recent financial experience to discharge this role.

The Audit Committee invites the Executive Directors, the Chairman, the Auditor and other senior managers to attend its meetings as appropriate. The Company Secretary is also the Secretary of the Audit Committee.

The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions. The Committee carries out its duties for Idox plc, its major subsidiary undertakings and the Group as a whole as appropriate.

During the period under review, the Audit Committee held four scheduled meetings. The Group's Auditor, Grant Thornton UK LLP, has a standing invitation to attend meeting and representatives were in attendance at all of the four scheduled meetings. The Executive Directors, Jane Mackie and Andrew Riley were welcome to attend the meetings if they wish. They were in attendance at all meetings of the Audit Committee in the year.

Roles and Responsibilities

The Audit Committee has a wide remit and its key functions include reviewing and advising the Board on:

- the integrity of the financial statements of the Group, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
- the appointment and remuneration of the Auditor and their effectiveness in line with the requirements of the Code;
- the nature and extent of non-audit services provided by the Auditor to ensure that their independence and objectivity are maintained;
- changes to accounting policies and procedures;
- decisions of judgement affecting financial reporting, compliance with accounting standards and with the Companies Act 2006;
- internal control and risk management processes, including principal risks and internal control findings highlighted by management or internal and external audit;
- the content of the Auditor's transparency report, concerning Auditor independence in providing both audit and non-audit services;
- the scope, performance and effectiveness of internal audit and other internal control functions and the Auditor's assessment thereon; and
- the Group's procedures for responding to any allegations made by whistleblowers.

The Audit Committee considers and reviews non-audit services provided by the Auditor, and this is tabled bi-annually at Board for discussion.

The Audit Committee reports to the Board on the effectiveness of the Auditor and receives information from the Executive team in this regard. The Audit Committee and Board also consider the appointment of the Auditor annually prior to recommending the appointment of the Auditor at the Idox Annual General Meeting.

Committee Activities in the Financial Year Ending 2017

The Committee met four times during the financial year ended 31 October 2017. In addition to standing items on the agenda, the Committee:

- Received and considered, as part of the review of interim and annual financial statements, reports from the Auditor in respect of the Auditor's review of the interim results, the audit plan for the year and the results of the annual audit. These reports included the scope of the interim review and annual audit, the approach to be adopted by the Auditor to address and conclude upon key estimates and other key audit areas, the basis on which the Auditor assesses materiality, the terms of engagement for the Auditor and an on-going assessment of the impact of future accounting developments for the Group;

Report of the Audit Committee continued

For the year ended 31 October 2017

- Considered the Annual Report and Accounts in the context of being fair, balanced and understandable;
- Considered the effectiveness and independence of the external audit;
- Considered and agreed the annual internal audit plan and reviewed reports of the work done by the internal auditors in respect of those plans;
- Considered the review of business reporting segments in line with the guidance from our Auditors in respect of identifiable cash generating units.

Due to the issues that arose in relation to the audit for the year ended 31 October 2017, as outlined in the Strategic Report, the Audit Committee was also involved in liaising with the Auditor throughout the audit process in particular to:

- Monitor key issues;
- Ensure adherence to reporting deadlines;
- Review the enhanced audit report; and
- Review 6PM revenue recognition. The Committee reviewed technical papers presented internally in relation to 6PM licence revenue and the initial conclusion was that the treatment of 6PM licence revenue recognition at a point in time was correct. Following further technical debate and lengthy discussions with the Auditor, the Committee agreed to reflect the Auditor's interpretation of revenue recognition on these licences and the revenue was recognised over time rather than at a point in time.

Independence and Objectivity of the Auditor

The Committee continues to monitor the work of the Auditor to ensure that the Auditor's objectivity and independence is not compromised by it undertaking inappropriate non-audit work. The current Auditor, Grant Thornton, has been the Auditor since 2000.

Auditor objectivity was safeguarded by the Committee considering several factors:

- the change in the audit team including a new audit partner in the year ended 31 October 2016;
- an appraisal of the standing and experience of the audit partner; and
- the nature and level of services provided by the Auditor and confirmation from the Auditor that they have complied with relevant UK independence standards and fully considered any threats and safeguards in the performance of non-audit work.

Non-audit Fees

The Committee approves all non-audit work commissioned from the external auditors. During the year the fees paid to the Auditor were £270,000 (2016: £130,000) for Group and subsidiary audit services, £129,000 (2016: £34,000) in relation the acquisition of 6PM Holdings plc, £33,000 (2016: £31,000) for interim audit services, and £34,000 (2016: £179,000) for non-audit services.

The majority of the other non-audit services provided by the Auditor were in respect of due diligence work carried out on acquisitions and advising on corporate finance arrangements. The Committee concluded that it was in the interests of the Group to use the Auditor for this work as they were considered to be best placed to provide these services.

Other Matters

The Committee is authorised to seek any information it requires from any Group employee in order to perform its duties. The Committee can obtain, at the Group's expense, outside legal or other professional advice on any matters within its terms of reference.

The Committee may call any member of staff to be questioned at a meeting of the Committee as and when required.

Reporting Responsibilities

The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required.

The Committee ensures that it gives due consideration to laws and regulations, the provisions of the Combined Code, the requirements of the UK Listing Authority's Listing Rules, Prospectus and Disclosure and Transparency Rules and any other applicable rules as appropriate. The Committee also and oversees any investigation of activities which are within its terms of reference.

The Audit Committee operates within agreed terms of reference; these can be found on the Group's website.

Jeremy Millard
Chairman of the Audit Committee
28 February 2018

Independent Auditor's Report

to the Members of Idox plc for the year ended 31 October 2017

Qualified Opinion

Our opinion on the group financial statements is modified

We have audited the group financial statements of Idox Plc for the year ended 31 October 2017, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 October 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Qualified Opinion

With respect to revenue and deferred income within the sub-group headed by 6PM Holdings plc, having balances of £7.6 million and £4.3 million respectively, the audit evidence available to us was limited because 6PM Holdings plc's group, which was acquired in February 2017, had a history of poor record keeping until it was fully integrated into the Idox plc Group in July 2017 and the record keeping issues addressed. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding these elements of revenue and deferred income by using other audit procedures. In addition, with respect to consolidated revenues of £0.4 million and consolidated net liabilities of £0.2 million in three of 6PM Holdings plc's subsidiaries, the audit evidence available to us was also limited because the accounting records of these three subsidiaries was poor. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding these matters by using other audit procedures. As a result of the poor record keeping and poor accounting records, we were unable to determine whether any adjustments might have been found necessary in respect of these two matters.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the group financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Who we are Reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report continued

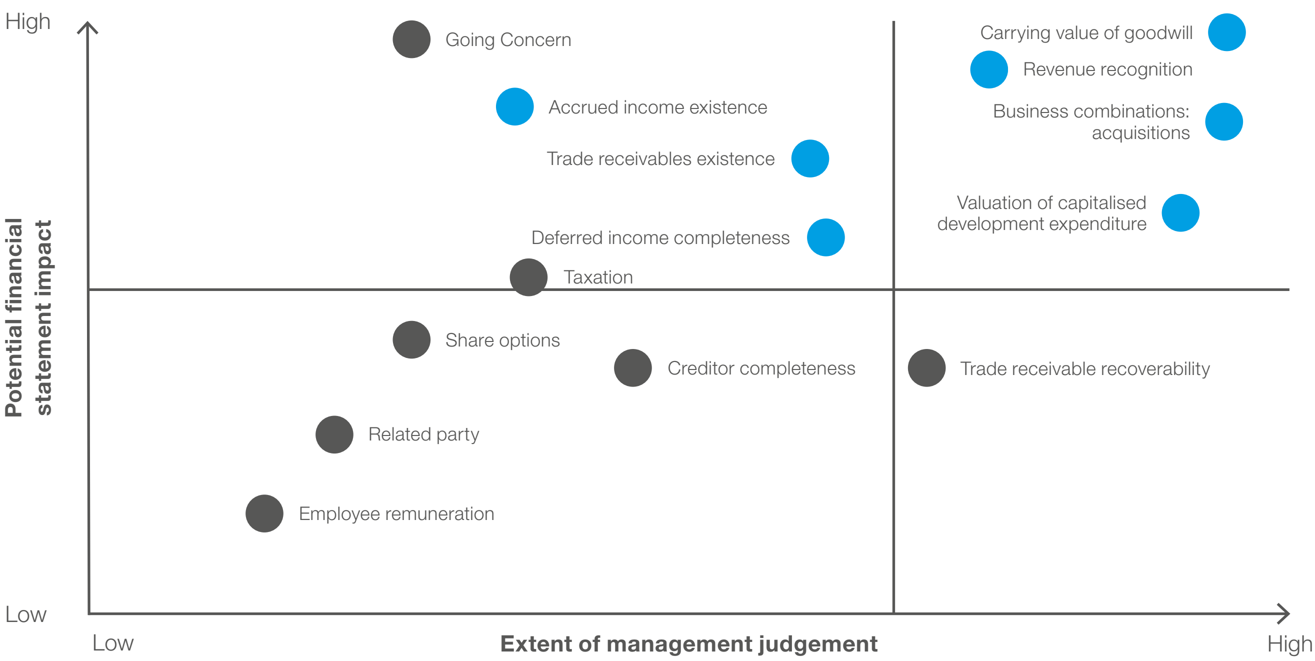
to the Members of Idox plc

Overview of our audit approach

- Overall materiality: £646,000, which represents approximately 3.5% of the group's earnings before interest, tax, depreciation and amortisation (EBITDA)
- Key audit matters were identified as revenue recognition, carrying value of goodwill, business combinations - acquisitions, valuation of capitalised development expenditure, deferred income completeness, trade receivable existence and accrued income existence
- We performed full scope audit procedures on the financial statements of Idox plc and on the financial information of Idox Software Limited, McLaren Software Limited, McLaren Software Inc and 6pPM Holdings plc. This covered 85% of revenue and 91% of EBITDA for the year.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Revenue recognition	
Revenue recognised during the year ended 31 October 2017 is £88.9 million (31 October 2016: £76.7 million). Revenue is derived from a number of revenue streams, and key streams include public sector software, engineering information management, grants and digital. Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgement is required around the degree to which revenue has been earned as at the year-end date. Large contracts are typically bundled, and often include hardware, software and maintenance revenues. Revenue is a key number for users of the annual accounts, and is a key focus for management as they continue to grow the business through a combination of organic growth and strategic acquisitions. As part of year-end accounting processes, management identified a number of revenue items that did not meet the criteria for recognition in the current year, and were thus removed from the final revenue figure. The value of the adjustment was £2.7 million. An additional £1.0 million adjustment was noted in relation to the accounting for licence revenue in 6PM Holdings PLC. Due to these issues noted, we revised our risk profile and approach to revenue testing. In light of the multiple revenue streams, complexity of accounting and crucial nature of this number to stakeholders, we have identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the revenue recognition policies applied by the group; • Performing detailed sample testing of the population of invoices for the first 11 months back to contractual documentation, and ensuring that the component income types within were checked to ensure that the correct specific recognition policy had been applied for each unbundled element where appropriate; • Performing enhanced detailed sample testing on October 2017 revenues which have been identified as having a greater level of risk due to the significance of revenue recognised at this stage in the year and the impact against key City expected metrics. We traced back to contractual documentation, and ensuring that the component income types within were checked to ensure that the correct specific recognition policy had been applied for each unbundled element where appropriate; • Assessing the split of contracts to challenge and gain sufficient comfort around the level of software being recognised immediately under bundled contracts; and • Agreeing a sample of contracts to direct customer confirmation. Following revenue recognition issues identified by management, we performed enhanced testing around the first 11 months of the year to bring in line with the level of work performed on October revenue as set out above. The group's accounting policy on revenue recognition is shown in note 1 and related disclosures are included in note 2. **Key observations** We gained sufficient audit evidence to support the majority of revenue through our enhanced procedures. As noted above, we encountered a limitation of audit scope in trying to gain sufficient appropriate audit evidence in respect of the revenue and deferred income balances within 6PM Holdings PLC.

Independent Auditor's Report continued

to the Members of Idox plc

Key Audit Matters	How the matter was addressed in the audit
Carrying value of goodwill	
The carrying value of goodwill is £73.2 million at 31 October 2017 (31 October 2016: £52.0 million), with the increase primarily driven by the acquisition of 6PM Holdings plc during the year. An impairment of £2.7 million was recognised against the 6PM acquisition in the year. Goodwill is reviewed annually for impairment under IFRSs as adopted by the European Union. An impairment review must be carried out for each cash-generating unit ('CGU'), with a CGU being the smallest group of assets that includes the asset being tested for impairment. The balance is assessed by management with key judgements being made around discount rate, growth rate and future cash flows. Given the level of management judgement involved, and that there are comparatively low levels of headroom in certain CGUs, we identified the carrying value of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Challenge of cash generating units and the lowest level that impairment reviews could be carried out at; • Consideration of the cash flow projections for each CGU as prepared by management (based on 2018 budget), critically assessing the inherent judgements and assumptions, comparing to current year performance and gaining support for key movements year on year; • The Compliance and Grants CGUs were merged during the year to form Content. We reviewed the fact pattern and challenged this assessment on the individual units to ensure that the treatment is appropriate and in accordance with International Accounting Standard (IAS) 36 'Impairment of Assets'; • Assessing the outcome of management's previous accounting estimates and considering the impact on management's ability to make accounting estimates for the current year; and • Performing sensitivity analysis on the key assumptions and reviewing the headroom when flexing key assumptions. The group's accounting policy on carrying value of goodwill is shown in note 1 and related disclosures are included in note 11. **Key observations** Our audit work indicates that the carrying value of goodwill is fairly stated.
Business combinations – acquisitions	
The 6PM Holdings plc group, which is based in Malta, was acquired during the year at a cost of £35m. This was funded by a combination of cash and share placing to fund the acquisition, seeing £20.5m (before expenses) raised through the issue of new share capital. The entire share capital of Halarose Ltd was acquired in August 2017 for a cost of £5m. This comprised £3.5m in cash along with a share offering of £1.5m. Given the subjectivity around assumptions used as part of the associated fair value exercise, there is a risk that such assets are incorrectly measured. We are aware that external valuation specialists have been used to perform the valuations of each acquisition. We therefore identified acquisition accounting as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Considering the terms of the sale and purchase agreement and public offer documentation respectively to ensure that the terms of the acquisitions have been appropriately accounted for within the financial statements by management; • Appraising the fair value adjustments relating to the acquisition of 6PM Holdings plc; • Following up on previous acquisition accounting and audit of any adjustments noted in the period; • Analysing management's calculations for goodwill and other intangible assets identified from acquisitions, along with other fair value adjustments, including evaluating the forecasts used to complete these calculations. This involved input by our specialist Valuations Team to ensure the calculations comply with the requirements set out in IFRS 3 'Business Combinations'; and • Challenging management's rationale and calculations behind the fair values of any contingent consideration, including the assessment of the range of possible outcomes and the probability of each of these. The group's accounting policy on acquisition accounting is shown in note 1 and related disclosures are included in note 25. **Key observations** We gained sufficient evidence to be satisfied that both acquisitions in the year were correctly accounted for and intangibles recognised the methods used were appropriate.

Key Audit Matters	How the matter was addressed in the audit
Valuation of capitalised development expenditure	
The value of capitalised development expenditure at 31 October 2017 is £9.1 million (31 October 2016 £5.0 million), with the increase primarily driven by the acquisition of 6PM and a focus on more accurately capturing all such costs. There are specified criteria that must be met under IAS 38 'Intangible assets' to record an asset. Management have adjusted their approach to development expenditure, with the amortisation period moving from a fixed 5-year period across all projects to an assessment of each project over its useful life. Management models require the application of significant judgements and assumptions to be made in deriving the underlying model. In light of these complexities, we have identified valuation of capitalised development expenditure as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining and reviewing management models relating to projects held on balance sheet; • Challenging all key inputs, assumptions and judgements (including changes to judgements) made in the process of creating management models; • Discussing development expenditure with the development team, challenging the carrying value and assessing the useful life of key projects based on historical experience and future projected cash flows; • Assessing the outcome of management's previous accounting estimates, and considering the impact on management's ability to make accounting estimates for the current year; and • Agreeing a sample of employee costs to source documentation to support their capitalisation. The group's accounting policy on capitalised development expenditure is shown in note 1 and related disclosures are included in note 11. **Key observations** We gained sufficient audit evidence relating to the valuation of capitalised development expenditure.
Deferred income completeness	
Deferred income is allocated on review of invoices raised for services not yet provided. The risk is that deferred income is not being recognised fully in line with the provision of services, which is heightened due to the management policy of not reviewing any sales invoice totalling less than £10,000. The value of deferred income at 31 October 2017 is £19.8m million (31 October 2016 £18.3 million), with the movement largely driven by the addition of 6PM Holdings PLC to the group in year. We therefore identified deferred income completeness as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • As part of our statistical sample of revenue, we gathered sufficient evidence to determine the accuracy of deferred income apportioned for those items selected; • Stratified our total population to ensure that we get sufficient, appropriate evidence in relation to invoiced sums below £10,000, where there is a heightened risk and testing a sample of these items; and • Substantive analytical procedures were carried out to identify any significant variances in deferred income across the group that are not in line with our expectation. • As noted above, we were unable to gain sufficient evidence to prove completeness of deferred income in 6PM Holdings plc and recognised a limitation of scope in this area. The group's accounting policy on deferred income is shown in note 1 and related disclosures are included in note 18. **Key observations** We gained sufficient audit evidence relating to the completeness of deferred income in all entities except 6PM Holdings plc as referred to in the limitation of scope above.

Independent Auditor's Report continued

to the Members of Idox plc

Key Audit Matters	How the matter was addressed in the audit
Trade receivable existence	
As a result of revenue recognition issues noted by management, we revisited our risk assessment during our year end audit work. We thus elevated this item to be a significant audit risk and a key audit matter. The value of trade receivables at 31 October 2017 is £18.8 million (31 October 2016 £18.3 million), broadly in line with the October 2016 position. Management identified some instances when invoices were raised earlier than they were due, and we therefore identified the requirement to increase our risk profile in this area We therefore identified trade receivable existence as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Agreeing an extended sample of receivables to post year end payments and underlying contractual documentation to confirm they had been received in accordance with the contract; and • Consideration of debtor ageing and the status of any ongoing discussions with customers to identify any potential issues around early invoicing. The group's accounting policy on trade receivables is shown in note 1 and related disclosures are included in note 15. **Key observations** We gained sufficient audit evidence to conclude relating to the existence of trade receivables.
Accrued income existence	
As a result of revenue recognition issues noted by management, we revisited our risk assessment during our year end audit work. We thus elevated this item to be a significant audit risk and a key audit matter. The value of accrued income at 31 October 2017 is £23.0 million (31 October 2016 £18.8 million), with the increase primarily driven by revenue growth. Management identified some instances where the level of accrued income recognised was in excess of what was contractually earned, and we therefore identified the requirement to increase our risk profile in this area We therefore identified accrued income existence as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Performing enhanced and extended sample testing of the population of accrued income balances to supporting documentation to gain comfort around the existence of accrued income; and • Created expectations for accrued income for sample items and ensured recognition was in line with this. The group's accounting policy on accrued income is shown in note 1. **Key observations** We gained sufficient audit evidence from our procedures relating to the existence of accrued income at year end.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

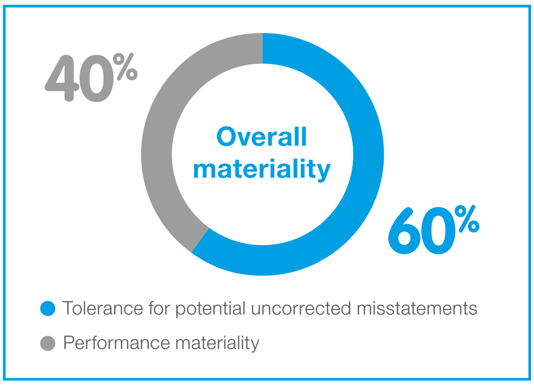
We determined materiality for the audit of the group financial statements as a whole to be £786,000 at the planning stage, which was 3.5% of the group's EBITDA. This benchmark is considered the most appropriate because it is the key performance measure applied by users of the financial statements.

Following the reductions in EBITDA notified to the market, we revised our materiality for the audit of the group financial statements as a whole to £646,000 to reflect the adjustments in EBITDA as a result of the adjustments identified by management.

Materiality for the current year is lower than the level that we determined for the year ended 31 October 2016 to reflect the reduction in EBITDA performance despite the strategic acquisitions.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements at the planning stage. Following the issues identified by management relating to revenue recognition, we revised our performance materiality level for revenue recognition, accrued income existence, trade receivable existence and valuation of capitalised development expenditure testing to 40% to reflect the revised risk profile around these balances.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements for those items for which we used the reduced 40% performance materiality level.



We also determine a lower level of specific materiality for Directors' remuneration, related party transactions and auditor's remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £32,300. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We considered each component's significance as a percentage of the group's total assets, revenues and EBITDA or significance based on qualitative factors, such as concerns over specific components;
- interim visit, evaluation the group's internal controls environment including its IT systems and controls;
- components were identified as significant based on a detailed consideration of each component, quantitative financial considerations, risks identified at the component level and other qualitative factors;

Audit of financial information	Analytical procedures
• Idox plc (company only) • Idox Software Ltd • McLaren Software Ltd • McLaren Software Inc • 6PM Holdings PLC	• All other entities

- there were initially no significant changes in scope from the prior year audit beyond the additional procedures required relating to the acquisition of 6PM Holdings plc as noted above. Due to matters identified by management relating to revenue recognition, we reduced our performance materiality during the audit process;
- analytical procedures were performed over remaining non-significant components;
- in line with the central Idox plc finance function, all procedures were performed by the group engagement team, and therefore no group instructions or component visits were deemed necessary; and
- the graphs overleaf set out the total percentage coverage of full-scope audit procedures of revenue, accrued income, capitalised development expenditure and trade receivable existence below. We gained 100% full scope coverage over the carrying value of goodwill and business combinations - acquisitions key audit matters.

Independent Auditor's Report continued

to the Members of Idox plc

An overview of the scope of our audit continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to revenue and deferred income, and poor record keeping, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made.

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 31, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the Directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the parent company financial statements of Idox plc for the year ended 31 October 2017. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

Simon Bevan
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

28 February 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2017

	Note	2017 £000	2016 £000
Revenue	2	88,859	76,739
Cost of sales		(15,143)	(10,138)
Gross profit		73,716	66,601
Administrative expenses		(68,567)	(52,316)
Operating profit		5,149	14,285
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs	2	18,539	21,452
Depreciation	3	(1,172)	(584)
Amortisation	3	(8,469)	(6,052)
Restructuring costs	4	(704)	(330)
Acquisition costs	5	(8)	404
Impairment		(2,681)	–
Corporate finance costs		(32)	(8)
Share option costs	24	(324)	(597)
Finance income	6	363	55
Finance costs	6	(2,031)	(1,357)
Profit before taxation		3,481	12,983
Income tax expense	8	(843)	(1,177)
Profit for the year		2,638	11,806
Non-controlling interest		(10)	–
Profit for the period attributable to the owners of the parent		2,628	11,806
Other comprehensive income for the year			
Items that will be reclassified subsequently to profit or loss: Exchange losses on retranslation of foreign operations		31	295
Other comprehensive income for the year, net of tax		31	295
Total comprehensive income for the year attributable to owners of the parent		2,659	12,101
Earnings per share attributable to owners of the parent during the year			
Basic	9	0.66p	3.30p
Diluted	9	0.64p	3.18p

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

Consolidated Balance Sheet

At 31 October 2017

	Note	2017 £000	2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,807	1,115
Intangible assets	11	122,754	82,519
Investment	12	18	–
Deferred tax assets	13	1,085	2,114
Other receivables	15	8,738	6,094
Total non-current assets		134,402	91,842
Current assets			
Stock		166	–
Trade and other receivables	15	36,742	33,753
Cash and cash equivalents	16	3,260	3,787
Total current assets		40,168	37,540
Total assets		174,570	129,382
LIABILITIES			
Current liabilities			
Trade and other payables	17	11,019	7,643
Deferred consideration	18	1,600	478
Other liabilities	18	27,437	19,736
Provisions	19	161	39
Current tax		711	1,468
Borrowings	21	2,410	2,425
Total current liabilities		43,338	31,789
Non-current liabilities			
Deferred tax liabilities	13	7,010	4,351
Deferred consideration	18	–	1,600
Bonds in issue	20	11,394	–
Borrowings	21	21,519	26,410
Total non-current liabilities		39,923	32,361
Total liabilities		83,261	64,150
Net assets		91,309	65,232
EQUITY			
Called up share capital	23	4,145	3,640
Capital redemption reserve		1,112	1,112
Share premium account		34,109	13,480
Treasury reserve		(621)	(1,244)
Share options reserve		1,730	2,222
Other reserves		7,528	1,294
ESOP trust		(349)	(274)
Foreign currency retranslation reserve		249	57
Retained earnings		43,397	44,945
Non-controlling interest		9	–
Total equity		91,309	65,232

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2018 and are signed on its behalf by:

Richard Kellett-Clarke
Chief Executive Officer

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

Company name: Idox plc Company number: 03984070

Consolidated Statement of Changes in Equity

At 31 October 2017

	Called up share capital £000	Capital redemption reserve £000	Share premium account £000	Treasury reserve £000
Balance at 1 November 2015	3,587	1,112	11,741	(1,271)
Issue of share capital	53	–	1,739	–
Share options charge	–	–	–	–
Exercise of share options	–	–	–	27
Deferred tax movement on share options	–	–	–	–
ESOP trust	–	–	–	–
Equity dividends paid	–	–	–	–
Transactions with owners	53	–	1,739	27
Profit for the period	–	–	–	–
Other comprehensive income				
Exchange gains on retranslation of foreign operations	–	–	–	–
Total comprehensive income for the period	–	–	–	–
Balance at 31 October 2016	3,640	1,112	13,480	(1,244)
Issue of share capital	505	–	20,629	–
Share options charge	–	–	–	–
Exercise of share options	–	–	–	623
Deferred tax movement on share options	–	–	–	–
ESOP trust	–	–	–	–
Equity dividends paid	–	–	–	–
Transactions with owners	505	–	20,629	623
Profit for the period	–	–	–	–
Non-controlling interest	–	–	–	–
Other comprehensive income				
Exchange gains on retranslation of foreign operations	–	–	–	–
Total comprehensive income for the period	–	–	–	–
At 31 October 2017	4,145	1,112	34,109	(621)

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

* Relates to a 30% non-controlling interest 6PM Ireland Limited, a subsidiary of 6PM Holdings plc.

Share options reserve £000	Other reserves £000	ESOP trust £000	Foreign currency retranslation reserve £000	Retained earnings £000	Non-controlling interest* £000	Total £000
1,900	1,294	(242)	(238)	35,756	–	53,639
–	–	–	–	–	–	1,792
597	–	–	–	–	–	597
(275)	–	–	–	259	–	11
–	–	–	–	272	–	272
–	–	(32)	–	–	–	(32)
–	–	–	–	(3,148)	–	(3,148)
322	–	(32)	–	(2,617)	–	(508)
–	–	–	–	11,806	–	11,806
–	–	–	295	–	–	295
–	–	–	295	11,806	–	12,101
2,222	1,294	(274)	57	44,945	–	65,232
–	6,234	–	–	–	–	27,368
324	–	–	–	–	–	324
(816)	–	–	–	492	–	299
–	–	–	–	(451)	–	(451)
–	–	(75)	–	–	–	(75)
–	–	–	–	(4,217)	–	(4,217)
(492)	6,234	(75)	–	(4,176)	–	23,248
–	–	–	–	2,628	–	2,628
–	–	–	–	–	9	9
–	–	–	192	–	–	192
–	–	–	192	2,628	9	2,829
1,730	7,528	(349)	249	43,397	9	91,309

Consolidated Cash Flow Statement

At 31 October 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the period before taxation	3,481	12,983
Adjustments for:		
Depreciation	1,172	584
Amortisation	8,469	6,052
Acquisition credits - release of deferred consideration	(478)	(722)
Impairment	2,681	–
Finance income	(141)	(55)
Finance costs	1,669	873
Debt issue costs amortisation	119	100
Research and development tax credit	(360)	(301)
Share option costs	324	597
Profit on disposal of fixed assets	(13)	–
Movement in stock	106	–
Movement in receivables	(3,408)	(6,292)
Movement in payables	1,544	(271)
Cash generated by operations	15,165	13,548
Tax on profit paid	(1,785)	(2,456)
Net cash from operating activities	13,380	11,092
Cash flows from investing activities		
Acquisition of subsidiaries	(18,065)	(4,701)
Acquisition credit	550	–
Purchase of property, plant and equipment	(1,675)	(639)
Proceeds on sale of investment property	397	–
Purchase of intangible assets	(5,688)	(4,168)
Finance income	141	55
Net cash used in investing activities	(24,340)	(9,453)
Cash flows from financing activities		
Interest paid	(1,211)	(827)
New loans	3,500	13,000
Loan related costs	(73)	(96)
Loan repayments	(9,063)	(11,524)
Equity dividends paid	(4,217)	(3,148)
Sale of own shares	21,259	570
Net cash flows from financing activities	10,195	(2,025)
Net movement on cash and cash equivalents	(765)	(386)
Cash and cash equivalents at the beginning of the period	3,787	4,084
Exchange gains on cash and cash equivalents	238	89
Cash and cash equivalents at the end of the period	3,260	3,787

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

Notes to the Accounts

For the year ended 31 October 2017

1 Accounting Policies

General information

Idox plc is a leading supplier of software and services for the management of local government and other organisations. The Company is a public limited company which is listed on the AIM Market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA. The registered number of the Company is 03984070.

The financial statements are prepared in pound sterling.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities, being derivatives at fair value through profit or loss.

As set out on page 26 of the Directors' Report, the financial statements have been prepared on a going concern basis.

International Financial Reporting Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new standards, amendments and interpretations to existing standards have been published that are mandatory for forthcoming financial periods, but which the Group has not adopted early. These are not expected to have a material impact on the Group's consolidated financial statements:

- IFRS 9 'Financial instruments' – effective for periods commencing on or after 1 January 2018
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations – effective for periods commencing on or after 1 January 2018

The following standards have the potential have a material impact on the Group's consolidated financial statements:

- IFRS 15 'Revenue from contracts with customers'- effective for periods commencing on or after 1 January 2018. This standard will become effective for the Group on 1 November 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method). IFRS 15 requires the disclosure of revenue from contracts with customers disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group is currently performing a detailed analysis of the impact of IFRS 15 on all aspects of its business. To this date, the review has identified a number of areas in which adjustments may be required to revenue recognition and in the related procedures and processes. The areas which are likely to be affected are in relation to recognition of consultancy revenue and our 'no win – no fee' grant application business. In the year ended 31 October 2017, consultancy revenue was approximately £26m and 'no win-no fee' revenue was approximately £3m.
- IFRS 16 'Leases' – effective for periods commencing on or after 1 January 2019. IFRS 16 presents new requirements for the recognition, measurement, presentation and disclosure of leases. The standard provides that lessees will be required to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019 but is yet to be endorsed by the EU. The Directors have not yet assessed the impact that this standard will have on the Group's net asset position and are therefore not in a position to make a reliable estimate of the impact this revised standard will have on the Group's accounting policies. The standard is expected to be applicable to the Group for the period beginning 1 November 2019. Please refer to note 26 for the Group's current operating lease commitments, which will be disclosed as a balance sheet liability under IFRS 16 when this becomes effective.

Adoption of new and revised standards

- There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year. The following standards, amendments and interpretations were effective in the year but had no material impact on the Group's financial statements:
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Classification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities
- Annual Improvements to IFRSs 2012-2014 Cycle

Notes to the Accounts continued

For the year ended 31 October 2017

1 Accounting Policies continued

Restatement of comparative figures

In the previous period, the Group was organised into five main operating segments. During the year ended 31 October 2017, the Grants and Compliance divisions were merged into a new Content division. Following the acquisition of 6PM, a new operating segment called Health was established. As at 31 October 2017, the Group is therefore organised into five operating segments. The segmental analysis for the comparative period to 31 October 2016 have been restated to show results for the new five business segments.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements. The estimates and assumptions which have the most significant impact on the financial statements which are recognised in the financial statements are as follows:

(i) Intangible assets

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Management estimate the expected useful lives of intangible assets and charge amortisation on those assets accordingly. In determining the useful economic life of the intangible software assets, management have given consideration to the length of time that its own software is typically used within its market. Competitor products are also reviewed, in conjunction with the length of time they had also been in use. These reviews are conducted with assistance from an independent intellectual property consulting firm who have a wealth of experience in valuing intangible assets generated from acquisitions.

Consideration was also given as to the likelihood that a new competitor could enter the market with a new product. This was considered unlikely due to the up-front capital investment which would be required to develop a new product, the requirement for reference sites to demonstrate the product, and the long-life cycles which products have in the market. For details on the estimates made in relation to intangible assets, see note 11.

(ii) Development costs

The Group reviews half yearly whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each bi-annual review. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors.

During the year ended 31 October 2017, management conducted a comprehensive review of all capitalised development and have made a change to the standard policy of amortising all assets over a 5 year straight line period. Management have estimated that a range of 1 to 5 years is more appropriate depending on the future revenue projected for each individual asset. This review has led to accelerated amortisation on a small number of assets during the year. All new capitalised development is reviewed on an individual project basis and management will select the most appropriate rate of amortisation for each asset.

See note 11 for further information.

(iii) Impairment of goodwill

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based upon value-in-use and net realisable value calculations. The value-in-use method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Pre-tax discount rates have been applied and are based on WACC calculations. See note 11 for further commentary.

During the year ended 31 October 2017, management combined the Grants and Compliance divisions into one 'Content' division, which has been used as a CGU in the impairment calculations. These divisions were combined following a review by management where it was identified that the operations and strategy of these teams were in alignment. A restructuring of legal entities took place and a new divisional director was appointed to manage this combined operating segment, and financial information is now reported internally on the Content division.

(iv) Revenue recognition

Management assesses both legal paperwork and commercial substance of transactions to determine the appropriate revenue recognition treatment. This review could involve internal chartered accountants, internal legal staff, operational staff and external professional advice where appropriate. Management may exercise judgements over various elements of a contract, for example:

- whether there are ongoing obligations relating to software licences which would require the revenue to be recognised over time rather than at a point in time
- whether performance obligations are separable or bundled
- whether it is appropriate to recognise revenue on certain contracts such as service agreements, prior to an invoice being raised, where work has been completed and there is a high degree of certainty of the contract being completed and the invoice raised and cash received.

There was considerable discussion and review surrounding the correct revenue recognition on certain Health contracts during the period. Management assessed legal paperwork and commercial substance of these transactions in line with accounting standards and the judgement made was that revenue on these contracts should be recognised over time rather than at a point in time as the software and maintenance elements of the contracts could not be separated.

See paragraph headed 'Revenue' below for more detail on how the Group accounts for revenue.

(v) Contingent consideration

The contingent consideration provision is the maximum undiscounted amount which will be paid, which represents fair value. Where an acquisition involves a potential payment of contingent consideration the estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated.

(vi) Deferred tax

The Group has tax losses available to offset future taxable profits. In estimating the amount of deferred tax to be recognised as an asset the Group estimates the future profitability of the relevant business unit.

Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings drawn up to 31 October each year. Under IFRS10, control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its powers over the investee. As each of the subsidiaries are 100% wholly owned, the Group has full control over each of its investees.

All inter-company transactions are eliminated on consolidation.

For business combinations occurring since 1 November 2009, the requirements of IFRS 3R have been applied. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For all acquisitions, the Group will perform a fair value review of all property, plant and equipment and intangible assets to align accounting policies with the Group.

Revenue

Revenue represents the amounts receivable in respect of goods and services provided during the year, stated net of value added tax. Where work has been done, but a billing milestone has not been reached, the income has been accrued and included in amounts recoverable within trade and other receivables.

Revenue is measured at the fair value of the right to consideration. The Group derives its revenue streams from software solutions and information solutions.

Software licence revenue is recognised when the licence is despatched to the customer and there are no ongoing obligations associated with the licence once delivered. Where the licence is bespoke, revenue is recognised when the licence is delivered and the customer has accepted the licence as fully functional.

Software consultancy revenue is recognised on a stage of completion basis. Stage of completion is determined by time spent by service delivery consultants or by reference to the project milestones either included in the contract itself or included within a separate detailed project delivery plan.

Revenue relating to digital services, including search engine optimisation, ecommerce and digital advertising, is recognised at the time of service delivery.

Notes to the Accounts continued

For the year ended 31 October 2017

1 Accounting Policies continued

Revenue continued

Revenue relating to goods delivered as part of software solutions provided is only recognised once the goods have been received by the customer.

Revenue relating to goods delivered for elections is recognised when the goods have been received by the customer. Consultancy revenue for elections is recognised on a stage of completion basis.

The revenues for maintenance and hosted managed service contracts are spread evenly over the life of the agreement, which is typically one year.

Revenue from software-as-a-service ('SaaS") contracts, or revenue where there are ongoing obligations associated with a software licence, is recognised evenly over the life of the agreement.

Revenue derived from information solutions content is recognised over the life of the subscription, which is typically one year. Revenue from projects is recognised over the life of the project in accordance with the stage of completion which is determined by reference to the project delivery plan.

Revenue relating to grant applications is recognised on a 'no win-no fee' basis. Revenue is only recognised when confirmation that the grant application has been successful is received.

Revenue relating to hardware is recognised when the hardware is despatched to the customer.

Contract revenue

The amount of profit attributable to the stage of completion of a long-term contract is recognised only when the outcome of the contract can be foreseen with reasonable certainty. Management make a judgement on the fair value of the work completed to enable revenue on long term contracts to be recognised in the correct periods. Stage of completion is determined based on management's best estimate of effort expended and progress against project plans at the year end. Provision is made for any losses as they are foreseen.

The contracts for software solutions often contain multiple elements such as software, consultancy and maintenance. Management make appropriate judgements and estimates in relation to the fair value of each of these elements in accordance with IAS 18.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the steering committee, which for the year ended 31 October 2017 comprised the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer.

Goodwill

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of the identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill is carried at cost less accumulated impairment losses. Unallocated goodwill on acquisitions relates mainly to workforce valuation, synergies and economies of scale obtained on combining acquisitions with existing operations.

Goodwill written off to reserves prior to the date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Other intangible assets

Intangible assets with a finite useful life are amortised to the consolidated statement of comprehensive income on a straight-line basis over their estimated useful lives, which are reviewed on an annual basis. Amortisation commences when the asset is available for use. The residual values of intangible assets are assumed to be zero.

(i) Research and development

Expenditure on research (or the research phase of an internal project) is recognised in profit or loss in the period in which it is incurred. Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed in profit or loss as incurred. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Amortisation commences upon completion of the asset, and is shown separately on the statement of comprehensive income.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors.

Amortisation is calculated using the straight-line method over a period of up to 5 years.

(ii) Customer relationships

Customer relationships represent the purchase price of customer lists and contractual relationships purchased on the acquisition of CAPS Solutions Limited, Plantech Limited, J4B Software and Publishing Limited, Strand Electoral Management Services Limited, Grantfinder Limited, McLaren Software Limited, Lalpac Limited, Interactive Dialogues NV, Opt 2 Vote Limited, Currency Connect Holding BV, FMx Limited, Artesys International SA, CTSpace Group, Digital Spirit GmbH, Cloud Amber Limited, Reading Room Limited, Open Objects Software Limited, Halarose Holdings Limited and 6PM Holdings plc. These relationships are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of 20, 10 and 5 years.

(iii) Trade names

Trade names represent the named intangible asset recognised on the acquisition of CAPS Solutions Limited, Plantech Limited, J4B Software and Publishing Limited, Strand Electoral Management Services Limited, Grantfinder Limited, McLaren Software Limited, Lalpac Limited, Interactive Dialogues NV, Opt 2 Vote Limited, Currency Connect Holding BV, FMx Limited, Artesys International SA, CTSpace Group, Digital Spirit GmbH, Cloud Amber Limited, Reading Room Limited, Open Objects Software Limited, Rippleffect Studio Limited, 6PM Holdings plc and Halarose Holdings Limited. These trade names are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of between 5 and 20 years.

(iv) Software

Software represents the UNI-form, ACOLAID, Enterprise Engineer, CAFM Explorer, electoral and licensing software purchased on the acquisition of CAPS Solutions Limited, Plantech Limited, McLaren Software Limited,

Software represents the UNI-form, ACOLAID, Enterprise Engineer, CAFM Explorer, electoral and licensing software purchased on the acquisition of CAPS Solutions Limited, Plantech Limited, McLaren Software Limited, Strand Electoral Management Services Limited, Lalpac Limited, Interactive Dialogues NV, Opt 2 Vote Limited, Currency Connect Holding BV, FMx Limited, Artesys International SA, CTSpace Group, Digital Spirit GmbH, Cloud Amber Limited, Open Objects Software Limited, Rippleffect Studios Limited, 6PM Holdings plc and Halarose Holdings Limited. The software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of between 3 and 10 years. Software also includes software licences purchased which are amortised using the straight-line method over a period of between 3 to 5 years.

Notes to the Accounts continued

For the year ended 31 October 2017

1 Accounting Policies continued

Other intangible assets continued

(v) Database

Database represents the grant information database purchased on the acquisition of J4B Software & Publishing Limited and Grantfinder Limited. The database is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of 5 years.

(vi) Order backlog

Order backlog includes the managed service contracts and subscription deferred revenue purchased on the acquisition of 11 land and property information solution contracts and Grantfinder Limited. Amortisation on the managed service deferred revenue is calculated based on the weighting and length of each contract purchased. Subscription deferred revenue is calculated using the straight-line method over a period of 5 years.

Order backlog includes two managed services contracts acquired from Miria Systems Inc. Amortisation on the managed service deferred revenue is calculated using the straight-line method over a period of 5 years.

Upon the acquisition of Halarose Holding Limited, the Group acquired deferred revenue which is being amortised using the straight-line method over a period of 3 years.

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged to the income statement using the following rates and bases so as to write off the cost or valuation of items of property, plant and equipment over their expected useful lives. The rates that are generally applicable are:

Computer hardware	25%, 50% and 100% straight line
Fixtures, fittings and equipment	25% straight line
Library books and journals	33 1/3% and 100% straight line

Useful economic lives and residual values are reviewed annually.

Investment property

The investment property was acquired upon the purchase of 6PM Holdings plc and was recorded initially at cost and then using the fair value method. The investment property was revalued annually with resulting gains and losses recognised in the income statement, and the property was included in the balance sheet at its fair value.

Employee benefits

Defined contribution pension plans

Contributions paid to private pension plans of certain employees are charged to the income statement in the period in which they become payable. Contributions paid to the Group personal pension plans of employees are charged to the income statement in the period in which they become payable.

Share-based payment transactions

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the share option reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to reserves. In some circumstances upon exercise of share options, the right to shares are waived and the proceeds are settled in cash.

Reserves

Equity comprises the following:

- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Capital redemption reserve" represents when the entire deferred ordinary share capital was bought in exchange for one ordinary 1p share.
- "Other reserves" arose as a result of:
  - a Group reconstruction that occurred on 17 November 2000. This represents the issued share capital and share premium account in the Company's subsidiary undertaking, Idox Software Limited, and;
  - Share premium arising on consideration shares issued on the acquisition of 6PM Holdings plc and Halarose Holdings Limited.
- "Share options reserve" represents shares to be issued on potential exercise of those share options that have been accounted for under "IFRS 2 Share-Based Payments".
- "ESOP trust" represents share capital purchased to satisfy the obligation of the employee share scheme. Purchased shares are classified within the ESOP trust reserve and the cost of shares purchased are presented as a deduction from total equity.
- "Retained earnings" represents retained profits.
- "Treasury reserve" represents shares repurchased by the Company to be held for redistribution as share options. The cost of treasury shares is debited to the Treasury reserve.
- "Foreign currency translation reserve" represents exchange gains and losses on retranslation of foreign operations.
- "Non-controlling interest" represents retained profits attributable to Non-controlling interests.

Notes to the Accounts continued

For the year ended 31 October 2017

1 Accounting Policies continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Current tax is charged to profit or loss except where it relates to tax on items recognised in other comprehensive income or directly in equity, in which case it is charged to equity or other comprehensive income.

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

Research and development tax credits

The UK tax regime permits additional tax relief for qualifying expenditure incurred on research and development. The Research and Development Expenditure Credit (RDEC) Scheme has been adopted, which permits a tax credit of 11% of qualifying expenditure for companies classified as large. The Idox Group is considered large for research and development tax credit purposes owing to a headcount of over 500.

The tax credit is treated as a reconciling item within the taxation line of the income statement.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. All leases held by the Group are operating in nature. Amounts paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Dividend distributions

Interim dividends in respect of equity shares are recognised in the financial statements in the period in which they are paid.

Final dividends in respect of equity shares are recognised in the financial statements in the period that the dividends are formally approved.

Foreign currency translation

The functional and presentation currency of Idox plc and its United Kingdom subsidiaries is the pound sterling (£). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

In the consolidated financial statements, the assets and liabilities of non-sterling functional currency subsidiaries, are translated into pound sterling at the rate of exchange ruling at the balance sheet date. The results of non-sterling functional currency subsidiaries are translated into pound sterling using average rates of exchange. Exchange adjustments arising are taken to the foreign currency translation reserve and reported in other comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified according to the substance of the contractual arrangements entered into.

Trade and other receivables

Trade receivables do not carry any interest and are initially stated at their fair value, as reduced by appropriate allowances for estimated irrecoverable amounts. All receivables are considered for impairment. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the assets carrying value and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on deposit with a maturity of 3 months or less from inception and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its financial liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the instrument using an effective rate of interest.

Bond

Bonds in issue are recorded initially at fair value, net of direct transaction costs. The bonds are subsequently carried at their amortised cost and finance charges are recognised in profit or loss over the term of the instrument using an effective rate of interest.

Trade and other payables

Trade and other payables are not interest-bearing, are initially stated at their fair value and subsequently at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2 Segmental Analysis

In previous periods, the Group was organised into five main operating segments. Following the acquisition and integration of 6PM Holdings plc, an additional Health segment was created. During the year ended 31 October 2017, the Grants and Compliance segments were merged to form a new Content division. As at 31 October 2017, the Group is therefore organised into five operating segments, which are detailed below.

Financial information is reported to the chief operating decision maker, which comprises the Chief Executive Officer and the Chief Financial Officer, monthly on a business unit basis with revenue and operating profits split by business unit. Each business unit is deemed an operating segment as each offers different products and services.

- Public Sector Software (PSS) – delivering specialist information management solutions and services to the public sector
- Engineering Information Management (EIM) – delivering engineering document management and control solutions to asset intensive industry sectors
- Content (CONT) – delivering funding and compliance solutions to corporate, public and commercial customers
- Digital (DIG) – delivering digital consultancy services to public, private and third sector customers
- Health (HLT) – delivering a broad range of innovative solutions to the healthcare market

Halarose Holdings Limited, acquired in August 2017, is included in the PSS segment.

Segment revenue comprises sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before the allocation of taxation, Group interest payments and Group acquisition costs. The assets and liabilities of the Group are not reviewed by the chief operating decision maker on a segment basis.

Notes to the Accounts continued

For the year ended 31 October 2017

2 Segmental Analysis continued

The Group does not place reliance on any specific customer and has no individual customer that generates 10% or more of its total Group revenue.

The segment revenues by geographic location are as follows:

Revenues from external customers	2017 £000	2016 £000
United Kingdom	65,896	55,739
USA	6,994	6,361
Europe	15,077	12,271
Australia	312	1,008
Rest of World	580	1,360
	88,859	76,739

Revenues are attributed to individual countries on the basis of the location of the customer.

Revenues by type	2017 £000	2016 £000
Recurring revenues	38,568	32,861
Non-recurring revenues	50,291	43,878
	88,859	76,739
Revenue from sale of goods	19,696	15,020
Revenue from rendering of services	69,163	61,719
	88,859	76,739

Recurring revenue is income generated from customers on a contractual basis. Repeat and recurring revenue amount to approximately 84% of total revenue, which is revenue generated from sales to existing customers.

The segment results by business unit for the year ended 31 October 2017:

	PSS £000	EIM £000	CONT £000	DIG £000	HLT £000	Total £000
Revenue	41,171	12,901	12,421	14,726	7,640	88,859
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs, impairment and restructuring costs	15,352	2,146	1,648	(254)	(353)	18,539
Depreciation	(672)	(190)	(18)	(80)	(212)	(1,172)
Amortisation – software licences and R&D	(2,198)	(492)	(159)	–	(372)	(3,221)
Amortisation – acquired intangibles	(2,303)	(468)	(493)	(803)	(1,181)	(5,248)
Restructuring costs	(169)	(69)	(87)	(327)	(52)	(704)
Acquisition costs	144	–	–	–	(152)	(8)
Impairment	–	–	–	–	(2,681)	(2,681)
Share option costs	(281)	–	(43)	–	–	(324)
Adjusted segment operating profit	9,873	927	848	(1,464)	(5,003)	5,181
Corporate finance costs						(32)
Finance income						363
Finance costs						(2,031)
Profit before Tax						3,481

The segment results by business unit for the year ended 31 October 2016:

	PSS £000	EIM £000	CONT £000	DIG £000	HLT £000	Total £000
Revenue	40,966	14,059	10,804	10,910	–	76,739
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs and restructuring costs	16,310	3,300	824	1,018	–	21,452
Depreciation	(430)	(101)	(20)	(33)	–	(584)
Amortisation – software licences and R&D	(1,655)	(410)	(168)	(2)	–	(2,235)
Amortisation – acquired intangibles	(2,187)	(636)	(492)	(502)	–	(3,817)
Restructuring costs	(49)	(40)	(18)	(223)	–	(330)
Acquisition costs	483	–	–	(79)	–	404
Share option costs	(503)	–	(94)	–	–	(597)
Adjusted segment operating profit	11,969	2,113	32	179	–	14,293
Corporate finance costs						(8)
Finance income						55
Finance costs						(1,357)
Profit before Tax						12,983

3 Operating Profit for the Year

Operating profit for the year has been arrived at after charging:

	2017 £000	2016 £000
Auditor's remuneration:		
Fees payable to the Company Auditor for the audit of the parent company and consolidated annual accounts	57	56
The audit of the Company's subsidiaries, pursuant to legislation	342	108
Audit related services	33	31
	432	195
Corporate Finance fees	–	136
Tax services – compliance	25	43
Tax services – advisory	9	–
Operating lease rentals – buildings & equipment	2,616	1,917
Depreciation – owned	1,172	584
Amortisation:		
Software licences	915	974
Research & development	2,306	1,261
Acquired intangibles	5,248	3,817
Equity-settled share-based payments	324	597
Research & development costs	3,764	3,959

Notes to the Accounts continued

For the year ended 31 October 2017

4 Directors and Employees

Staff costs during the year were as follows:

	2017 £000	2016 £000
Wages and salaries	36,559	31,226
Social security costs	4,416	3,271
Pension costs	1,328	1,025
	42,303	35,522

In addition, during the year Share-Based payment charges of £324,000 (2016: £597,000) were incurred.

During the year, the Group incurred restructuring costs of £704,000 (2016: £330,000). Restructuring costs represent redundancy payments to former staff.

The average number of employees of the Group during the year was 842 (2016: 676) and was made up as follows:

	2017 No.	2016 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	50	29
Sales	61	33
Development	134	101
Operations	597	513
	842	676

Remuneration in respect of Directors was as follows:

	2017 £000	2016 £000
Emoluments	1,064	1,265
Pension contributions	21	22
Share option exercise gain	3,201	–
	4,286	1,465

In addition to the remuneration stated above, the Group incurred social security costs in respect of Directors of £562,000 (2016: £162,000).

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

	2017 £000	2016 £000
Aggregate emoluments	376	484
Pension contributions	6	–
	382	484

During the year the highest paid Director exercised share options resulting in a taxable gain of £1,128,000 (2016: £nil).

During the year, the Group incurred social security costs in respect of the highest paid Director of £184,000 (2016: £66,000).

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 27 to 28 but does not form part of the audited accounts.

5 Acquisition Costs

Following the implementation of IFRS 3, all acquisition related costs are expensed in the period incurred rather than added to the cost of investment. Acquisition costs relating to individual acquisitions are disclosed in note 25.

Acquisition costs

	2017 £000	2016 £000
Acquisition costs	(236)	(318)
Release of contingent consideration	228	722
	(8)	404

During the year, the contingent consideration on Cloud Amber Limited was reduced from £478,000 to £250,000. The reduction was a result of missing the revenue target as set out in the Share Purchase Agreement. The adjusted contingent consideration has been paid. The adjustment of £228,000 is included in 'Acquisition costs' in the Consolidated Statement of Comprehensive Income.

6 Finance Income and Costs

	2017 £000	2016 £000
Interest receivable	6	4
Insurance income	–	8
Dividends receivable	24	19
Foreign exchange differences	222	–
Other income	111	24
Finance income	363	55
Bank loans interest payable	(757)	(790)
Bond interest payable	(836)	–
Bank charges and loan facility fees	(335)	(298)
Loss on discounting of amounts recoverable from customers	(103)	(191)
Foreign exchange differences	–	(78)
Finance costs	(2,031)	(1,357)

7 Dividends

	2017 £000	2016 £000
Final dividend paid in respect of the year ended 31 October 2016 and 31 October 2015	2,627	1,885
Pence per ordinary share	0.650p	0.525p
Interim dividend paid in respect of the year ended 31 October 2017 and 31 October 2016	1,590	1,263
Pence per ordinary share	0.385p	0.350p

The Directors have proposed the payment of a final dividend of.0.655p per share, which would amount to £2,705,000 (2016: 0.650p).

Notes to the Accounts continued

For the year ended 31 October 2017

8 Income Tax

The tax charge is made up as follows:

	2017 £000	2016 £000
Current tax		
UK corporation tax on profits for the period	1,567	2,634
Foreign tax on overseas companies	302	508
Over provision in respect of prior periods	(623)	(754)
Total current tax	1,246	2,388
Deferred tax		
Origination and reversal of temporary differences	(426)	(961)
Adjustment for rate change	3	(252)
Adjustments in respect of prior periods	20	2
Total deferred tax	(403)	(1,211)
Total tax charge	843	1,177

The differences between the total tax charge above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax, together with the impact on the effective tax rate, are as follows:

	2017 £000	% ETR movement	2016 £000	% ETR movement
Profit before taxation on continuing operations	3,481		12,983	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2016: 20%)	661	19.00	2,597	20.00
Effects of:				
Share option deduction	(100)	(2.87)	(216)	(1.66)
Tax losses utilised in year	(11)	(0.33)	(113)	(0.87)
International losses not recognised	359	10.31	172	1.32
Accelerated capital allowances	(155)	(4.45)	–	–
Other timing differences	(98)	(2.82)	5	0.04
Expenses not deductible for tax purposes	724	20.80	118	0.91
Prior year over-provision	(656)	(18.85)	(751)	(5.78)
Non-taxable income	(52)	(1.49)	(152)	(1.17)
Adjustment for tax rate differences	200	5.75	(374)	(2.88)
R&D enhanced relief	(30)	(0.87)	(139)	(1.07)
Foreign tax suffered	1	0.03	30	0.22
	843	24.21	1,177	9.06

The effective tax rate ('ETR') for the period was 24.21% (2016: 9.06%). Significant tax repayments were processed in 2017, not previously provided for, in respect of historic R&D claims covering the Reading Room Group and Idox Health Ltd.

These downward pressures on ETR were mitigated by impairment, acquisition costs and the non-recognition of overseas losses.

The higher effective tax rate in 2017, compared to 2016, is due mainly to impairment of the 6PM acquisition alongside the non-recognition of losses incurred in Malta, owing to uncertainty over their future utilisation. These losses will be recognised where their likelihood of utilisation increases, with any future recognition resulting in a decrease to ETR.

Movement on trading losses during 2017 are as follows:

	UK unrelieved trading losses £000	Foreign unrelieved trading losses £000	Total unrelieved trading losses £000	Tax effect £000
Recognised trading losses				
As at 1 November 2016	–	2,398	2,398	432
Impact of deferred tax recognition at local rate	–	–	–	384
Recognised during the year	327	–	327	59
Utilised during the year	–	(1,579)	(1,579)	(537)
	327	819	1,146	338
Unrecognised trading losses				
Losses not recognised	(2,137)	(9,983)	(12,120)	(3,268)
	(2,137)	(9,983)	(12,120)	(3,268)

The UK trading losses recognised during the year were brought in on acquisition of the 6PM Group. The foreign losses utilised during the year were primarily in the US, with a small element in the Netherlands. The closing unrecognised losses of £12,120,000 relate to Malta, the UK and Germany. The decision was made to derecognise these assets until there is more certainty over their future utilisation. Across the year the total deferred tax asset in respect of unrelieved trading losses has decreased from £432,000 to £337,000.

Notes to the Accounts continued

For the year ended 31 October 2017

9 Earnings Per Share

The earnings per ordinary share is calculated by reference to the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period, as follows:

	2017 £000	2016 £000
Profit for the year	2,628	11,806
Basic earnings per share		
Weighted average number of shares in issue	397,125,960	357,989,177
Basic earnings per share	0.66p	3.30p
Weighted average number of shares in issue	397,125,960	357,989,177
Add back:		
Treasury shares	2,366,219	3,023,469
ESOP shares	985,589	875,044
Weighted average allotted, called up and fully paid share capital	400,477,768	361,887,690
Diluted earnings per share		
Weighted average number of shares in issue used in basic earnings per share calculation	397,125,960	357,989,177
Dilutive share options	10,678,522	13,579,022
Weighted average number of shares in issue used in dilutive earnings per share calculation	407,804,482	371,568,199
Diluted earnings per share	0.64p	3.18p

	2017 £000	2016 £000
Adjusted earnings per share		
Profit for the year	2,628	11,806
Add back:		
Amortisation on acquired intangibles	5,248	3,817
Impairment	2,681	–
Acquisition costs	8	(404)
Restructuring costs	704	330
Tax effect	(1,727)	(829)
Adjusted profit for year	9,542	14,720
Weighted average number of shares in issue – basic	397,125,960	357,989,177
Weighted average number of shares in issue – diluted	407,804,482	371,568,199
Adjusted earnings per share	2.40p	4.11p
Adjusted diluted earnings per share	2.34p	3.96p

10 Property, Plant and Equipment

	Computer hardware £000	Fixtures, fittings and equipment £000	Library books and journals £000	Investment Property £000	Total £000
Cost					
At 1 November 2015	1,009	514	184	–	1,707
Additions	554	64	61	–	679
Additions on acquisition	65	10	–	–	75
Internal reallocation to intangible assets	(12)	–	–	–	(12)
Disposals	(359)	(105)	–	–	(464)
At 31 October 2016	1,257	483	245	–	1,985
FX on opening balances	–	9	–	–	9
Additions	1,542	38	3	–	1,583
Additions on acquisition	99	212	–	384	695
Disposals	(806)	(102)	(233)	(384)	(1,525)
Internal reallocation of asset category	113	(137)	–	–	(24)
At 31 October 2017	2,205	503	15	–	2,723
Depreciation					
At 1 November 2015	393	104	133	–	630
Provided in the year	355	139	90	–	584
Eliminated on disposal	(359)	(75)	–	–	(434)
Fair value adjustment	63	27	–	–	90
At 31 October 2016	452	195	223	–	870
Provided in the year	889	264	19	–	1,172
Eliminated on disposal	(731)	(138)	(233)	–	(1,102)
Internal reallocation of asset category	74	(98)	–	–	(24)
At 31 October 2017	684	223	9	–	916
Net book amount at 31 October 2017	1,521	280	6	–	1,807
Net book amount at 31 October 2016	805	288	22	–	1,115

The Group has pledged the above assets to secure banking facilities granted to the Group.

Notes to the Accounts continued

For the year ended 31 October 2017

11 Intangible Assets

	Goodwill £000	Customer relationships £000	Trade names £000	Software £000	Development costs £000	Database £000	Order backlog £000	Total £000
Cost								
At 1 November 2015	49,091	21,760	9,613	11,908	7,328	569	4,321	104,590
FX on opening balance	–	–	–	29	109	–	20	158
Additions	–	–	–	1,393	2,799	–	–	4,192
Additions on acquisition	2,925	245	1,924	3,970	–	–	–	9,064
Internal reallocation	–	–	–	12	–	–	–	12
Fair value adjustment	630	–	–	(238)	–	–	–	392
At 31 October 2016	52,646	22,005	11,537	17,074	10,236	569	4,341	118,408
Revaluation of opening balance	–	–	–	–	95	–	(4)	91
Additions	–	–	–	921	4,767	–	–	5,688
Additions on acquisition	24,516	12,312	2,714	5,362	1,545	–	170	46,619
Disposals	–	(3,510)	(1,383)	(7,080)	(3,972)	(569)	(4,200)	(20,714)
Fair value adjustment	101	–	(275)	(275)	–	–	–	(449)
At 31 October 2017	77,263	30,807	12,593	16,002	12,671	–	307	149,643
Amortisation								
At 1 November 2015	647	9,336	4,007	7,085	3,968	569	4,166	29,778
FX on opening balance	–	–	–	21	34	–	4	59
Amortisation for the year	–	1,903	740	2,082	1,261	–	66	6,052
At 31 October 2016	647	11,239	4,747	9,188	5,263	569	4,236	35,889
Revaluation of opening balance	–	–	–	–	13	–	(3)	10
Amortisation for the year	–	2,085	928	3,104	2,305	–	46	8,468
Impairment	3,231	–	–	–	–	–	–	3,231
Disposals	–	(3,510)	(1,383)	(7,075)	(3,972)	(569)	(4,200)	(20,709)
At 31 October 2017	3,878	9,814	4,292	5,217	3,609	–	79	26,889
Carrying amount at 31 October 2017	73,385	20,993	8,301	10,785	9,062	–	228	122,754
Carrying amount at 31 October 2016	51,999	10,766	6,790	7,886	4,973	–	105	82,519

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, 'Impairment of Assets'. An impairment charge of £2,681,000 was processed in the period in relation to the Health division. An impairment charge of £550,000 was processed in the period in relation to a cash refund relating to the historical acquisition price of Rippleffect Limited. There were no impairment charges identified in the prior year.

Fair value adjustments are in relation to Rippleffect Limited. Further information on these fair value adjustments is provided in note 25.

The Group has pledged the above assets to secure banking facilities granted to the Group.

The remaining useful lives and carrying value of the above intangible assets is as follows:

	2017 Remaining amortisation period (years)	2016 Remaining amortisation period (years)	2017 Carrying value £000	2016 Carrying value £000
CAPS intangibles				
Customer relationships	9.5	10.5	2,786	3,079
Trade names	9.5	10.5	1,186	1,310
Software	–	0.5	–	150
Plantech intangibles				
Customer relationships	10	11	578	636
Trade names	10	11	261	286
Software	–	1	–	84
J4B intangibles				
Customer relationships (project)	1.5	2.5	20	33
Trade names	1.5	2.5	31	51
Grantfinder intangibles				
Trade name	2.5	3.5	58	82
Strand intangibles				
Customer relationships	2.8	3.8	638	870
LAMP contracts intangibles				
Backlog order book	–	1	–	3
McLaren intangibles				
Customer relationships	3.1	4.1	317	418
Lalpac intangibles				
Customer relationships	3.5	4.5	576	741
Trade names	3.5	4.5	57	74
Software	3.5	4.5	115	148
Interactive Dialogues intangibles				
Customer relationships	4	5	141	176
Trade names	4	5	82	103
Software	4	5	165	206
CT Space intangibles				
Trade names	4	5	495	619
Software	4	5	593	743
Opt2Vote intangibles				
Customer relationships	–	0.4	–	64
Trade names	4.4	5.4	233	286
Software	4.4	5.4	311	381
Currency Connect intangibles				
Customer relationships	4.4	5.4	871	1,068
Trade names	4.4	5.4	115	141
Software	4.4	5.4	124	152

Notes to the Accounts continued

For the year ended 31 October 2017

11 Intangible Assets continued

	2017 Remaining amortisation period (years)	2016 Remaining amortisation period (years)	2017 Carrying value £000	2016 Carrying value £000
FMx intangibles				
Customer relationships	–	0.9	–	124
Trade names	4.9	5.9	109	132
Software	4.9	5.9	164	197
Artesys intangibles				
Trade names	5.4	6.4	163	193
Software	5.4	6.4	194	229
Digital Spirit intangibles				
Customer relationships	7	8	325	371
Trade names	7	8	143	164
Software	7	8	143	164
Cloud Amber intangibles				
Customer relationships	7.7	8.7	787	889
Trade names	7.7	8.7	256	290
Software	7.7	8.7	384	434
Miria contracts intangibles				
Backlog order book	2.7	3.7	73	102
Reading Room intangibles				
Customer relationships	8	9	1,838	2,068
Trade names	8	9	1,047	1,178
Open Objects intangibles				
Customer relationships	3.7	4.7	180	229
Trade names	12.7	13.7	748	807
Software	5.7	6.7	2,083	2,450
Rippleffect intangibles				
Trade names	10.7	11.8	731	1,074
Software	1.7	2.8	630	1,279
6PM intangibles				
Customer relationships	19.3	–	9,288	–
Trade names	13.3	–	2,284	–
Software	3.3 – 4.3	–	3,933	–
Halarose intangibles				
Customer relationships	19.8	–	2,648	–
Trade names	11.8	–	302	–
Order backlog	2.8	–	155	–
Software	3.8 – 4.8	–	657	–
Development costs	1 – 5	5	9,062	4,973
Software costs	3	3	1,289	1,269

Impairment test for goodwill

For this review, goodwill was allocated to individual Cash Generating Units (CGU) on the basis of the Group's operations as disclosed in the segmental analysis. As the Board reviews results on a segmental level, the Group monitors goodwill on the same basis.

The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)	2017 £000	2016 £000
Public Sector Software	32,016	30,191
Engineering Information Management	11,773	11,774
Content	7,154	7,154
Digital	2,431	2,880
Health	20,011	–
	73,385	51,999

The recoverable amount of all CGUs has been determined using value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering the next five financial years. The key assumptions used in the financial budgets relate to revenue and EBITDA growth targets. Cash flows beyond this period are extrapolated using the estimated growth rates stated below. Growth rates are reviewed in line with historic actuals to ensure reasonableness and are based on an increase in market share.

For value-in-use calculations, the growth rates and margins used to estimate future performance are based on financial year 2018 budgets (as approved by the Board) which is management's best estimate of short term performance based on an assessment of market opportunities and macro-economic conditions. In the year to 31 October 2017, the Weighted Average Cost of Capital for each CGU has been used as an appropriate discount rate to apply to cash flows. The same basis was used in the year to 31 October 2016.

The assumptions used for the value- in-use calculations are as follows and are considered appropriate for each of the risk profiles of the respective CGUs:

Cash Generating Units (CGU)	Discount rate Current year	Growth rate Current year	Discount rate Prior year	Growth rate Prior year
Public Sector Software	11.19%	2%	11.41%	2%
Engineering Information Management	10.55%	2%	12.89%	2%
Content	12.04%	2%	10.94%	2%
Digital	11.05%	2%	10.94%	2%
Health	10.55%	2%		

Individual Weighted Average Cost of Capital were calculated for each CGU and adjusted for the market's assessment of the risks attaching to each CGU's cash flows. The Weighted Average Cost of Capital is recalculated at each period end.

Management considered the level of intangible assets within the Health division in comparison to the future budgets and have processed an impairment charge of £2,681,000 within the year (2016: £nil).

Sensitivities have been run on cash flow forecasts for all CGUs. Management are satisfied that the key assumptions of revenue and EBITDA growth rates are achievable and that reasonable possible changes to those key assumptions would not lead to the carrying amount of the relevant CGU exceeding the recoverable amount for PSS, EIM and Content divisions. The carrying amount of the Digital CGU is close to recoverable amount and depending on future results and projections an impairment could be required in the future. Management have calculated that a reduction in the budgeted gross margin by 1% would lead to a required impairment charge of £300,000. The Heath division was impaired during year ended 31 October 2017 based on future budget projections. If the future budget is not met then the carrying amount of this CGU would exceed the recoverable amount and further impairment could be required.

Sensitivities have also been run on the discount rate applied and management are satisfied that a reasonable increase in the discount rate would not lead to the carrying amount of the relevant CGU exceeding the recoverable amount.

Notes to the Accounts continued

For the year ended 31 October 2017

12 Investment

The investment relates to a 22.5% shareholding Javaili LLC a company incorporated in USA. This investment was acquired as part of the acquisition of the 6PM Group in February 2017.

13 Deferred Income Tax

Deferred tax assets and liabilities are summarised as follows:

	2017 £000	2016 £000
Deferred tax assets	1,085	2,114
Deferred tax liabilities (non-current)	(7,010)	(4,351)
	(5,925)	(2,237)

The movement in the year in the net deferred tax provision was as follows:

	2017 £000	2016 £000
At 1 November	(2,237)	(2,708)
Credit to income for the year	426	961
Adjustment for changes in rate	(3)	252
Prior year adjustment	(20)	(2)
Other movements	56	93
Charged to goodwill for the year	(3,697)	(1,105)
Transferred to equity	(450)	272
At 31 October	(5,925)	(2,237)

The movement in deferred income tax assets and liabilities during the year is as follows:

	Share-based payments £000	Other temporary differences £000	Tax losses carried forward £000	Accelerated tax depreciation £000	Total deferred tax asset £000	Total deferred tax liability £000
At 1 November 2015	747	31	456	415	1,649	(4,357)
Charge to income	218	56	21	64	359	750
Charge to equity	272	–	–	–	272	–
Changes in rate	(75)	(3)	(46)	(42)	(166)	361
Deferred tax recognised on acquisition	–	–	–	–	–	(1,105)
At 31 October 2016	1,162	84	431	437	2,114	(4,351)
At 1 November 2016	1,162	84	431	437	2,114	(4,351)
Charge to income	(516)	(51)	(152)	76	(643)	1,038
Charge to equity	(451)	–	–	–	(451)	–
Changes in rate	–	–	(5)	–	(5)	–
Deferred tax recognised on acquisition	–	8	62	–	70	(3,697)
At 31 October 2017	195	41	336	513	1,085	(7,010)

The deferred tax liability relates to deferred tax on intangible assets acquired on acquisition of subsidiaries.

14 Financial Assets and Liabilities

Categories of financial assets and liabilities

The disclosures detailed below are as required by IFRS 7 'Financial Instruments: Disclosures'. The carrying amounts presented on the consolidated balance sheet relate to the following categories of assets and liabilities:

Financial assets	Note	2017 £000	2016 £000
Financial assets measured at amortised cost:			
Current:			
Trade and other receivables	15	19,841	18,929
Cash and cash equivalents	16	3,260	3,787
		23,101	22,716
Loans and receivables:			
Non-current:			
Amounts recoverable on contracts	15	8,738	6,094
		8,738	6,094
Current:			
Amounts recoverable on contracts	15	14,305	12,677
		14,305	12,677

Financial liabilities	Note	2017 £000	2016 £000
Financial liabilities measured at amortised cost:			
Non-current:			
Bonds in issue	20	11,394	–
Bank borrowings	21	21,519	26,410
		32,913	26,410
Current:			
Bank borrowings	21	2,410	2,425
Trade and other payables	17	11,019	7,643
Other liabilities	18	2,681	1,387
		16,110	11,455

Financial liabilities measured at fair value through profit or loss:	Note	2017 £000	2016 £000
Non-current:			
Other liabilities*		–	1,600
		–	1,600
Current:			
Other liabilities*		1,600	478
		1,600	478

* Hierarchy 3 being inputs for the asset or liability which are not based on observable market data. The current year liability relates to deferred consideration on the acquisition of Open Objects Limited. The prior year liability relates to a deferred consideration on the acquisition of Open Objects Limited and Cloud Amber Limited.

Notes to the Accounts continued

For the year ended 31 October 2017

14 Financial Assets and Liabilities continued

Categories of financial assets and liabilities continued

The Group's financial liabilities per the fair value hierarchy classifications under IFRS 13 'Financial Instruments: Disclosures' are described below:

Category of financial liability	Fair value at 31 October 2017 £000	Level in hierarchy	Description of valuation technique	Inputs used for financial model	Total gains recognised in profit or loss £000
Contingent consideration due on acquisitions	1,600	3	Based on future revenue and probability that vendor will meet obligations under sale and purchase agreement	Management estimate on probability and timescale of vendors meeting revenue targets specified in sale and purchase agreement	228

There have been no changes to valuation techniques or any amounts recognised through 'Other Comprehensive Income'. The adjustment of £228,000 is included in 'Acquisition credits' in the Consolidated Statement of Comprehensive Income.

15 Trade and Other Receivables

	2017 £000	2016 £000
Trade receivables, gross	19,337	18,784
Allowance for credit losses	(497)	(437)
Trade receivables, net	18,840	18,347
Amounts recoverable on contracts	14,305	12,677
Other receivables	1,001	582
Financial assets	34,146	31,606
Prepayments	2,596	2,147
Non-financial assets	2,596	2,147
Trade and other receivables due within one year	36,742	33,753

	2017 £000	2016 £000
Amounts recoverable on contracts	8,738	6,094
Trade and other receivables due after one year	8,738	6,094

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic performances feeding into impairment provision calculations.

Trade receivables are reviewed regularly for impairment and judgement made as to any likely impairment based on historic trends and the latest communication with customers.

Amounts recoverable on contracts represent work completed and delivered to the customer but due to the contractual payment terms have not yet been invoiced. £15.1m of the balance is in relation to deferred payment deals on local authority contracts, which typically have three to five year payment terms. Amounts recoverable due after one year have been discounted to amortised cost.

All of the closing Group trade receivables are in UK sterling with the exception of:

	2017	2016
Euros	€4,768,000	€5,694,000
Australian Dollars	AUD35,000	AUD10,000
Emirati Dirham	–	AED34,000
US Dollars	$3,091,000	$2,726,000
Canadian Dollars	–	$19,000
Swiss Franc	SWF12,000	–
Norwegian Krone	NOK386,000	–
New Zealand Dollars	NZD16,000	–
Polish Zloty	PLZ1,000	–

Credit quality of financial assets

The maximum exposure for the Group to credit risk for trade receivables at the reporting date by type of customer was:

	2017 £000	2016 £000
Local authorities and other public bodies	9,800	7,814
Private companies	9,537	10,970
	19,337	18,784

The ageing of trade receivables at the reporting date for the Group was:

	Gross 2017 £000	Impairment 2017 £000	Gross 2016 £000	Impairment 2016 £000
Not past due	11,509	–	11,375	–
Past due 0 to 30 days	2,425	–	2,485	–
Past due 31 to 60 days	1,155	–	424	–
More than 61 days	4,248	497	4,500	437
	19,337	497	18,784	437

Movements in the provision for impairment of receivables for the Group were as follows:

	2017 £000	2016 £000
At 1 November	437	421
Charge for the year	693	1,004
Relating to acquisitions	–	104
Utilised	(633)	(1,092)
At 31 October	497	437

The provision allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered irrecoverable and are written off against the trade receivable directly. Where trade receivables are past due, an assessment is made of individual customers and the outstanding balance.

Notes to the Accounts continued

For the year ended 31 October 2017

16 Cash and Cash Equivalents

	2017 £000	2016 £000
Cash at bank and in hand	3,260	3,787
Cash and cash equivalents per cash flow statements	3,260	3,787

The credit quality of the holders of the cash at bank is A and AA rated.

17 Trade and Other Payables

	2017 £000	2016 £000
Trade payables	6,102	3,922
Accruals	4,917	3,721
	11,019	7,643

The carrying values of trade and other payables are considered to be reasonable approximations of fair value. Accruals represent liabilities which have been recognised at the balance sheet date. The majority of these will be paid during the next six months.

18 Other Liabilities

	2017 £000	2016 £000
Current:		
Social security and other taxes	4,913	2,453
Other payables – deferred consideration	1,600	478
Other payables	2,681	1,387
Deferred income	19,843	15,896
	29,037	20,214

	£000	£000
Non-current:		
Other payables – deferred consideration	–	1,600
	–	1,600

Deferred income represents software revenue, where billing milestones have been reached but the appropriate proportion of work has not been completed, and maintenance, managed service and subscription revenues that are spread over the period, typically one year, for which the service is supplied.

19 Provisions

	2017 £000	2016 £000
At 1 November	39	29
Provision made during the year	161	10
Provision utilised during the year	(39)	–
At 31 October	161	39

The opening and closing provisions relate to estimated dilapidation costs expected to arise on exit of leased properties. The full provision of £161,000 is expected to be payable during the year ended 31 October 2018.

20 Bonds in Issue

Bonds in issue are measured at amortised cost.

	2017 £000	2016 £000
130,000 bonds at €100 each	11,394	–
	11,394	–

The bonds were acquired following the acquisition of 6PM Holdings plc. The bonds were issued in 2015 at a nominal value of €100 each bearing interest at 5.1% per annum. They are redeemable at par value in 2025. Interest on the bonds is paid annually in arrears in July each year.

The bonds are listed on the Official Companies List of the Malta Stock Exchange.

21 Borrowings

All borrowings are held at amortised cost and after set-off for unamortised loan facility fees:

	2017 £000	2016 £000
Current:		
Bank borrowings	2,410	2,425
Non-current:		
Bank borrowings	21,519	26,410
Total borrowings	23,929	28,835

The Group has two loan facilities in place through a two-bank facility with Royal Bank of Scotland and Silicon Valley Bank. The facilities consist of a term loan of £9.5m and a revolving credit facility of £23m. The facility is available until February 2019.

At the balance sheet date, the term loan had an outstanding balance of £9.5m (2016: £12m) and during the period the loan was held, the average interest rate was 2.81% (2016: 3.06%).

At the balance sheet date, the revolving credit facility had an outstanding balance of £14.5m (2016: £17m) and during the period the loan was held, the average interest rate was 2.58% (2016: 2.75%).

There are unamortised loan fees of £90,000 (2016: £190,000) at the balance sheet date.

An accounting adjustment of £19,000 has been processed during the period to take into account the effective rate of interest on the bank facilities.

As security for the above loans, Royal Bank of Scotland and Silicon Valley Bank hold a fixed and floating charge over the assets of Idox plc and certain subsidiaries, a guarantee supported by Idox plc and certain subsidiaries and a share pledge in respect of the entire issued share capital of each subsidiary company.

The acquisition of 6PM Holdings plc led to a breach in our Guarantor coverage covenant at the year end as the operations of a number of 6PM individual legal entities amount to more than 5% of group turnover, EBITDA and gross assets. As a result, we have an obligation to add the relevant legal entities as Guarantors to the facility. This process is in progress and the banks have provided a covenant waiver, which was in place at 31 October 2017, while the legal formalities are completed.

The Board highlighted to the lenders that due to a limitation of scope in relation to the 6PM sub-group the audit would result in a qualified audit opinion. It was explained to the lenders that due to poor record keeping in the early months of the period within 6PM there is a limitation of scope on 6PM revenue and deferred revenue and the books and records of the three immaterial subsidiaries, particularly relating to the period up to July 2017 when 6PM was integrated into Idox finance and the record keeping has been improved. Following discussions with the Board the bank was satisfied that, whilst this is technically a breach, they have given an advance waiver to cover the period of signing the statutory accounts.

During the period, the Group repaid two term loans from Oseo, France. At 31 October 2016, the total outstanding amount was £25,000 and the average interest rate paid during that period the facility was held was 8.10%.

The Directors estimate that the fair value of the Group's borrowing is not significantly different to the carrying value.

Notes to the Accounts continued

For the year ended 31 October 2017

22 Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short term deposits, bonds and bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments, which mainly comprise trade receivables and trade payables that arise directly from its operations.

Risk management is carried out by the finance department under policies approved by the Board. The Group's finance department identifies, evaluates and manages financial risks. The Board provides guidance on overall risk management including foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Board have evaluated the risks and are satisfied that the risk management objectives are met.

The impact of the risks required to be discussed under IFRS 7 are detailed below:

Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency of the operations. The Group has minimal exposure to foreign exchange risk as a result of natural hedges arising between sales and cost transactions.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk in respect of cash balances held with banks and other highly rated counterparties.

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2017 and 2016, all the Group's borrowings at variable rates were denominated in UK sterling. The average interest rate during the year ended 31 October 2017 was 2.81% for the term loan and 2.58% for the revolving credit facility. Interest payable in the year was £709,000. If the average interest rate during the year had been 1% different, this would have had an impact of £266,000 on the interest payable during the period.

Credit risk

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

Classes of financial assets – carrying amounts	2017 £000	2016 £000
Cash and cash equivalents	3,260	3,787
Trade receivables	18,840	18,347
Amounts recoverable on contracts	23,043	18,771
Other receivables	1,001	582
Financial assets at fair value	46,144	41,487

Credit risk is managed on a Group basis. Credit risks arise from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's credit risk is primarily attributable to its trade receivables. It is the policy of the Group to present the amounts in the balance sheet net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. The Group reviews the reliability of its customers on a regular basis and these reviews take into account the nature of the Group's trading history with the customer.

The credit risk on liquid funds is limited because the majority of funds are held with two banks with high credit-ratings assigned by international credit-rating agencies. Management does not expect any losses from non-performance of these counterparties.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis, to ensure that it has sufficient funds to meet obligations of the Group as they fall due.

The Board receives regular debt management forecasts, which estimate the cash inflows and outflows over the next twelve months, so that management can ensure that sufficient financing is in place as it is required. Surplus cash within the Group is put on deposit in accordance with limits and counterparties agreed by the Board, the objective being to maximise return on funds whilst ensuring that the short-term cash flow requirements of the Group are met.

Detailed analysis of the debt facilities taken out and available to the Group are disclosed in note 21.

As at 31 October 2017, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current			Non-current	
	Within 1 month £000	1–3 months £000	3–12 months £000	1–5 years £000	Later than 5 years £000
Bonds in issue	–	–	437	2,341	13,222
Bank borrowings	32	1,389	1,622	21,773	–
Trade and other payables	7,086	3,464	64	181	224

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current			Non-current	
	Within 1 month £000	1–3 months £000	3–12 months £000	1–5 years £000	Later than 5 years £000
Bank borrowings	44	1,423	1,701	27,190	–
Trade and other payables	5,718	1,664	261	–	–

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Capital for the reporting periods under review is summarised as follows:

	2017 £000	2016 £000
Total equity	91,148	65,232
Less unrestricted cash and cash equivalents (note 16)	(3,260)	(3,787)
	87,888	61,445
Total equity	91,148	65,232
Bonds in issue (note 20)	11,394	–
Borrowings (note 21)	23,929	28,835
	126,471	94,067
Capital-to-overall financing ratio	0.69	0.65

Notes to the Accounts continued

For the year ended 31 October 2017

23 Share Capital

	2017 £000	2016 £000
Authorised:		
650,000,000 ordinary shares of 1p each (2016: 650,000,000)	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	3,640	3,587
Issued and allotted during the year	505	53
414,464,265 ordinary shares of 1p each (2016: 364,012,063)	4,145	3,640

Movement in issued share capital in the year

During the year to 31 October 2017, six employees exercised share options across seventeen separate exercises. To satisfy the exercise of sixteen of these transactions, the Company issued and allotted 6,663,971 new ordinary shares of 1p each. The one remaining exercise was settled with treasury shares totalling 1,500,000 ordinary shares of 1p each.

During the year, the Company issued new 1p ordinary shares totalling 34,166,667 as part of a placing in respect of the acquisition of 6PM Holdings plc, then subsequently 7,182,540 as part of the consideration for the 6PM Holdings plc and 2,439,024 as part of the consideration for Halarose Holdings Limited.

The Company has one class of ordinary share which carries no right to fixed income.

At 31 October 2017, there were 2,479,532 (2016: 2,259,329) shares in issue under ESOP. During the year, the average issue share price was 67p (2016: 57p).

At 31 October 2017, there were 1,491,219 (2016: 2,991,219) shares held in treasury.

24 Share Options

The Company has an unapproved share option scheme for all employees (including Directors). All share options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The vesting period is quarterly from the date of grant. Per the contractual agreements, the options are settled in equity once exercised.

An Employee Share Investment Trust is in place to allow employees a tax efficient way of investing in the Company. The Company purchases matching shares which become the property of the employee after a three year vesting period.

Details of all share options over 1p Ordinary shares, falling within the measurement and recognition criteria of IFRS 2 "Share-based Payment" and forming part of the unapproved share scheme, including their contractual life and exercise prices are as follows:

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
666,000	–	666,000	–	–	7.50p	May 2007	May 2017
341,000	–	341,000	–	–	8.125p	Jun 2007	Jun 2017
3,311,727	–	1,701,971	–	1,609,756	10.25p	Mar 2010	Mar 2020
5,750,000	–	3,500,000	–	2,250,000	20.00p	Mar 2011	Mar 2021
965,000	–	575,000	–	390,000	18.00p	Mar 2011	Mar 2021
430,000	–	250,000	–	180,000	35.00p	Apr 2012	Apr 2022
300,000	–	300,000	–	–	44.00p	Sep 2012	Sep 2022
200,000	–	–	–	200,000	35.75p	Jul 2013	Jul 2023
500,000	–	500,000	–	–	39.12p	Mar 2014	Mar 2024
446,668	–	–	–	446,668	39.00p	Jul 2014	Jun 2024
1,130,000	–	330,000	–	800,000	38.38p	Feb 2016	Feb 2025
2,395,000	–	–	–	2,395,000	50.00p	Apr 2017	Apr 2026
700,000	–	–	–	700,000	50.00p	Apr 2016	Apr 2026
17,135,395	–	8,163,971	–	8,971,424			

The following table sets out the number of share options and associated weighted average exercise price (WAEP) outstanding during the year:

	2017		2016	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	17,135,395	25.95	17,728,081	20.23
Granted during the year	–	–	3,095,000	50.00
Exercised during the year	(8,163,971)	19.57	(3,437,686)	17.43
Lapsed during the year	–	–	(250,000)	35.75
Outstanding at the end of the year	8,971,424	31.75	17,135,395	25.95
Exercisable at the end of the year	8,796,424	31.39	15,313,635	23.15

Notes to the Accounts continued

For the year ended 31 October 2017

24 Share Options continued

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6 years. The share options exercised during the year had a weighted average exercise price of 19.57p and a weighted average market price of 63.05p.

No share options were granted during the year ended 31 October 2017.

The Group recognised a total charge of £146,000 (2016: £419,000) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. The charge of £146,000 (2016: £419,000) related to share options granted and £nil (2016: £nil) related to share options exercised.

Long-Term Incentive Plan (LTIP)

During the year, no further options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £178,000 (2016: £178,000) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to share options granted and £nil (2016: £nil) related to share options exercised.

The number of options in the LTIP scheme is as follows:

	2017 No.	2016 No.
Outstanding at the beginning of the year	3,600,000	3,600,000
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding at the end of the year	3,600,000	3,600,000
Exercisable at the end of the year	–	–

Richard Kellett-Clarke stepped down as CEO on 9 November 2016. The Nomination & Remuneration Committee of the Idox Board agreed that on the anniversary of that date, namely 9 November 2017, Richard's outstanding LTIP award of 1,900,000 shares will become unconditional and therefore vest on that date.

As part of the conditions of the LTIP under a Lock In deed, Richard is restricted from selling any or all of them, unless required to settle tax liability, for a further two years from that date.

Andrew Riley's LTIP entitlement, consisting of 1,700,000 shares at an exercise price of 1p, was forfeited following the end of the year on account of the failure to meet all specified criteria for vestment.

25 Acquisitions

6PM Holdings plc

On 3 February 2017, the Group acquired the entire share capital of 6PM Holdings plc for a total consideration of £18.46m, being £13.63m in cash and £4.83m in shares. 6PM Group delivers healthcare solutions, principally to the NHS within the UK, using a combination of proprietary software, infrastructure, and professional services that enables healthcare organisations to enhance and optimise efficiency. The products consist of primarily Hospital Management Solutions, Clinical Systems and Mobile Health Solutions. The acquisition supports the Group's strategy of expanding its health and social care presence.

Goodwill arising on the acquisition of 6PM has been capitalised and consists largely of the workforce value, synergies and economies of scale expected from combining the operations of 6PM with Idox. None of the goodwill recognised is expected to be deductible for income tax purposes. The purchase of 6PM has been accounted for using the acquisition method of accounting.

As the 6PM Group audit for the period ending 31 December 2016 has now concluded, the book value of the assets and liabilities of the 6PM Group has been updated from those previously reported in the Idox Group Interim Results.

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets – goodwill	–	–	–
Intangible assets – other	2,215	16,054	18,269
Property, plant and equipment	1,420	(1,115)	305
Investment property	721	(337)	384
Investment	20	–	20
Stock	341	(69)	272
Trade receivables	1,330	(92)	1,238
Other receivables	1,249	(1,115)	134
Deferred tax asset	71	–	71
Cash at bank	(1,907)	–	(1,907)
TOTAL ASSETS	5,460	13,326	18,786
Bank loans	(538)	–	(538)
Bond	(10,980)	–	(10,980)
Trade payables	(821)	–	(821)
Other liabilities	(1,996)	(543)	(2,539)
Deferred income	(4,111)	14	(4,097)
Corporation tax	(39)	–	(39)
Social security and other taxes	(989)	(7)	(996)
Deferred tax liability	–	(3,004)	(3,004)
TOTAL LIABILITIES	(19,474)	(3,540)	(23,014)
NET LIABILITIES			(4,228)
Purchased goodwill capitalised			22,693
Total consideration			18,465
Satisfied by:			
Cash to vendor			13,635
Issue of share capital			4,830
Total consideration			18,465

Due to the timing of the acquisition, the fair values stated above are provisional based on management's best estimate. The fair value adjustment for the intangible assets includes £16.7m in relation to customer relationships, trade names and software. A related deferred tax liability has also been recorded as a fair value adjustment. Adjustments were also processed to align company policies with Idox Group policies. These included £633,000 in respect of intangible assets, £1,115,000 in relation to property, plant and equipment, £337,000 in relation to the investment property, £69,000 in relation to stock, £661,000 in relation to trade & other receivables, £546,000 in relation to accrued income and £550,000 in relation to accruals and deferred income.

The fair value of trade receivables is equal to the gross contractual amounts receivable. An initial review of trade receivables has not indicated any recoverability issues.

Notes to the Accounts continued

For the year ended 31 October 2017

25 Acquisitions continued

The revenue included in the consolidated statement of comprehensive income since 3 February 2017, contributed by 6PM was £7,640,000. 6PM also made a loss after tax of £1,441,000 for the same period. If the 6PM Group had been included from 1 November 2016, it would have contributed £9,103,000 to Group revenue and a loss after tax of £2,517,000.

Acquisition costs of £152,000 have been written off in the consolidated statement of comprehensive income.

Halarose Holdings Limited

On 16 August 2017, the Group acquired the entire share capital of Halarose Holdings Ltd ('Halarose") for a total initial consideration of £5.0m, being £3.5m in cash and £1.5m in shares. As Halarose was acquired on a debt-free and cash-free basis, the total consideration on acquisition rose to £8.1m due to the net assets acquired on completion. Halarose, originally established in 1978 and based in Oxfordshire, develops, markets, sells and supports a range of electoral back office software and services to UK local authorities. It enables its customers to be more efficient both in the production and management of the electoral register and in the running of elections and referenda. The acquisition is in line with Idox's strategic focus on, and investment in, the public sector and will be fully integrated into Idox's existing elections business unit, Idox Elections.

Goodwill arising on the acquisition of Halarose has been capitalised and consists largely of the workforce value, synergies and economies of scale expected from combining the operations of Halarose with Idox. None of the goodwill recognised is expected to be deductible for income tax purposes. The purchase of Halarose has been accounted for using the acquisition method of accounting.

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets	2,405	1,447	3,852
Property, plant and equipment	17	–	17
Trade receivables	537	–	537
Accrued Income	209	–	209
Other receivables	125	–	125
Cash at bank	3,634	–	3,634
TOTAL ASSETS	6,927	1,447	8,374
Trade payables	(21)	–	(21)
Other liabilities	(224)	–	(224)
Deferred Income	(930)	–	(930)
Social security and other taxes	(185)	–	(185)
Deferred tax liability	–	(693)	(693)
TOTAL LIABILITIES	(1,360)	(693)	(2,053)
NET ASSETS			6,321
Purchased goodwill capitalised			1,824
Total consideration			8,145
Satisfied by:			
Cash to vendor			6,645
Issue of share capital			1,500
Total consideration			8,145

Due to the timing of the acquisition, the fair values stated above are provisional based on management's best estimate. The fair value adjustment for the intangible assets includes £3,852,000 in relation to customer relationships, software and brand & reputation. A related deferred tax liability has also been recorded as a fair value adjustment.

The fair value of trade receivables is equal to the gross contractual amounts receivable. An initial review of trade receivables has not indicated any recoverability issues.

The revenue included in the consolidated statement of comprehensive income since 16 August 2017, contributed by Halarose was £814,000. Halarose also made a profit after tax of £242,000 for the same period. If Halarose had been included from 1 November 2016, it would have contributed £3,474,000 to Group revenue and a profit after tax of £1,310,000.

There is no earn out period for Halarose.

Acquisition costs of £84,000 have been written off in the consolidated statement of comprehensive income.

Had the above acquisitions occurred at the beginning of the financial year, the revenue of the Group would be £93.0m and the profit after tax of the Group would be £2.5m.

Cloud Amber Limited

During the period the contingent consideration was adjusted from £478,000 to £250,000. The reduction was a result of missing the revenue target as set out in the Share Purchase Agreement. At the reporting date, the adjusted contingent consideration had been paid. The adjustment of £228,000 is included in 'Acquisition costs' in the Consolidated Statement of Comprehensive Income.

Rippleffect Studio Limited

During the period there have been further fair value adjustments in respect of the acquisition of Rippleffect Studio Limited on 22nd August 2016. The adjustments totalled £449,000. A number of adjustments were processed to align company policies with Idox Group policies. These included an adjustment of £18,000 in respect of accrued income and £467,000 in respect of deferred income.

In October 2017, due to the aforementioned fair value adjustments required to align revenue recognition with Group policy, there was a post completion adjustment which resulted in a settlement of £550,000 in favour of Idox plc. This inflow reduced the value of the investment in Rippleffect Studio Limited by £550,000 and, consequently, the value of the intangible assets allocated on acquisition by the same amount.

Acquisition cash flows

Acquisition cash flows in the year are as follows:

	Net cash outflow £000
Subsidiaries acquired during the year:	
6PM Holdings plc	15,542
Halarose Limited	2,523
Rippleffect Studios Limited	(550)
	17,515

No additional fair value adjustments have been made in the year in respect of prior year acquisitions.

Notes to the Accounts continued

For the year ended 31 October 2017

26 Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Amounts due:	2017 £000	2016 £000
Within one year	2,640	2,160
Between one and five years	6,138	3,979
After five years	3,643	1,752
	12,421	7,891

Operating lease payments represent rentals payable by the Group for office premises, motor vehicle leasing charges and equipment.

27 Capital Commitments

The Group had no capital commitments at 31 October 2017 or 31 October 2016.

28 Contingent Liabilities

There were no material Group contingent liabilities at 31 October 2017 or 31 October 2016.

29 Related Party Transactions

Compensation paid to key management (which comprises the executive management team and the Board) of the Group:

	2017 £000	2016 £000
Salaries and other short-term employee benefits including NIC	2,705	1,669
Post-employment benefits	55	30
Share-based payments	178	178
	2,938	1,877

During the year ended 31 October 2017, three Directors and one member of the executive management team exercised share options resulting in a taxable gain of £3,318,000. No Directors or executive management team members exercised share options in the year ended 31 October 2016.

Barbara Moorhouse, Non-Executive Director of Idox plc, also acts as a non-executive director of Balfour Beatty plc. During the year ended 31 October 2017, Idox Software Limited generated revenue of £19,000 to subsidiaries of Balfour Beatty plc and at the year end there was an outstanding trade receivables balance of £25,000. McLaren Software Limited generated revenue of £18,000 to a subsidiary of Balfour Beatty plc and at the year end there was an outstanding trade receivables balance of £21,000.

30 Post Balance Sheet Events

On 6 February 2018, the Group acquired the entire share capital of Atlas Adviesgroep Twente B.V. (‘Atlas”) for a total consideration of €270,000 (£237,000). Atlas is a small grants consultancy business based in the Netherlands, working predominantly with local and regional government bodies, and will complement the Group’s existing grants business in the Netherlands.

Independent auditor's report

to the members of Idox plc for the year ended 31 October 2017

Our opinion on the parent company financial statements is unmodified

We have audited the parent company financial statements of Idox plc for the year ended 31 October 2017, which comprise the parent company Balance Sheet, the parent company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 October 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the parent company financial statements' section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

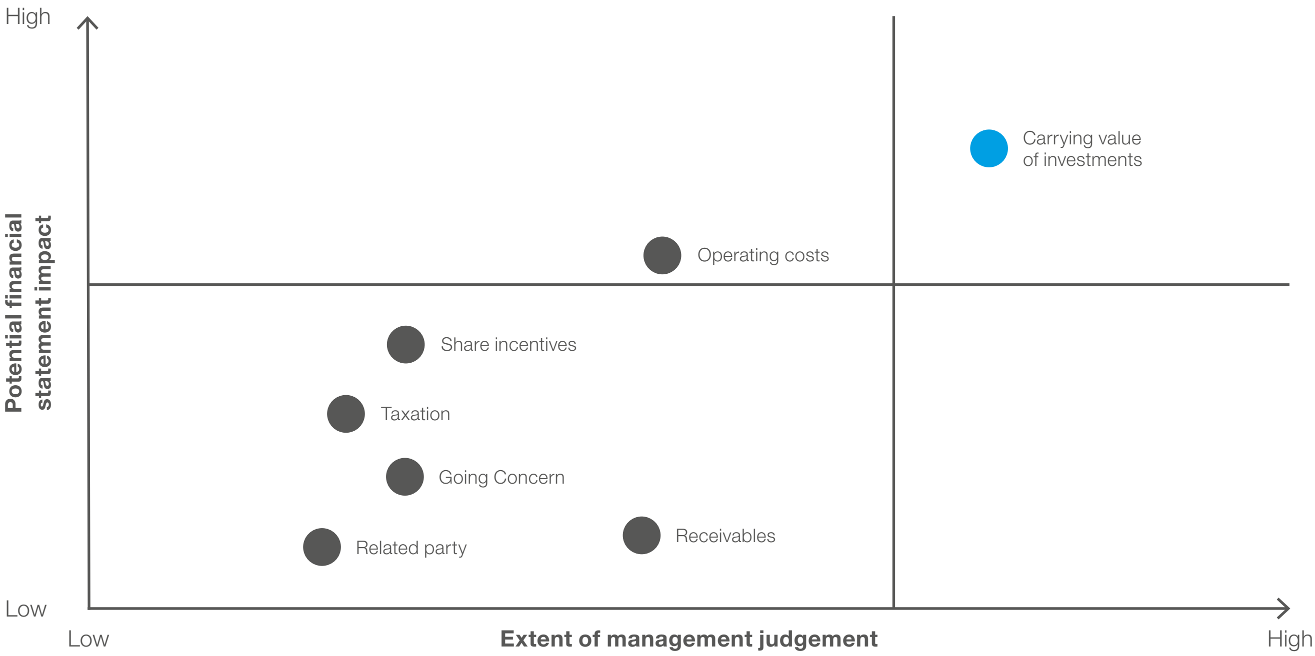
- Overall materiality: £1,638,000, which represents 1.5% of the company's total assets
- Key audit matters were identified as carrying value of investments
- Our audit was scoped by obtaining an understanding of the company and its environment, including its internal controls, and assessing the risks of material misstatement

Independent auditor's report continued

to the members of Idox plc continued

Key audit matters

- The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Carrying value of investments	
The carrying value of investments is £114 million (2016: £93 million) with the significant uplift being driven by the acquisitions of 6PM Holdings PLC and Halarose Limited during the year. During the year end audit process, it was identified that £1.5 million of historic adjustments were made to offset share option reserve impact of share option exercises against fixed asset investment cost rather than a transfer to the retained earnings reserve. An adjustment has been processed in current year to correct this treatment, and the net impact is to increase investments and retained earnings by £1.5 million. Investments are the largest asset on the balance sheet, and there is a risk that the carrying amount of individual investments is in excess of the net assets of the subsidiary or the net present value of future cash flows. We therefore identified the carrying value of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Checking the details of the acquisitions in year to sale and purchase agreements; • Comparing the carrying value of investments to the net assets of each subsidiary to identify any indicators of impairment; and • Assessing the value of the investment against the net present value of future cash flows to obtain evidence about any investments with indicative impairment triggers. The parent company's accounting policy on the carrying value of investments is shown in note 2 to the financial statements and related disclosures are included in note 6. **Key observations** We have completed our testing on the carrying value of investments, and noted no indicators of impairment or impairment triggers. We have obtained sufficient audit evidence to conclude that the carrying value of investments is materially correct.

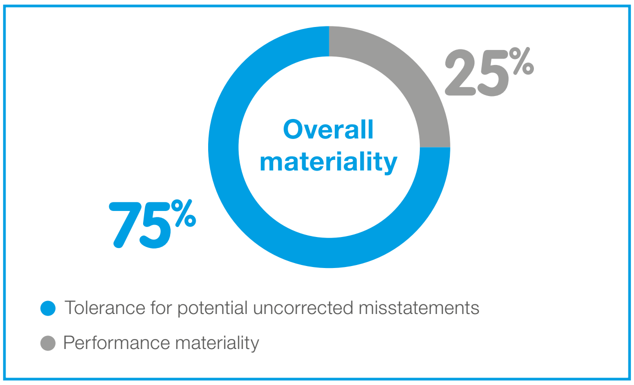
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the parent company financial statements as a whole to be £1,638,000, which is 1.5% of the company's total assets. This benchmark is considered the most appropriate because the company is a holding company with no trading revenue. Given the primary purpose of this company is to hold the investments in the group's subsidiaries, we determined total assets to be the most appropriate benchmark.

Materiality for the current year is higher than the level that we determined for the year ended 31 October 2016 to reflect the significant acquisitions of 6pm Holdings plc and Halarose Limited during the year.

We use a different level of materiality, performance materiality, to drive the extent of our testing. This was determined to be £517,000. The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We also determine a lower level of specific materiality for Directors' remuneration, related party transactions and auditor's remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £81,900. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile and in particular included:

- obtaining an understanding of the company and its environment, including its internal controls, and assessing the risks of material misstatement;
- focusing our work on the carrying value of investments as the largest balance and most significant judgement in the financial statements; and
- there were no material changes in the overview of the scope of the current year audit from the scope of that of the prior year.

Other information

The Directors are responsible for the other information. The other information comprises theinformation included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the parent company financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued

to the members of Idox plc continued

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the statement of Directors' responsibilities set out on page 31, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the Directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

A further description of our responsibilities for the audit of the parent company financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the group financial statements of Idox plc for the year ended 31 October 2017. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit. The opinion in that report is qualified.

Simon Bevan

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28 February 2018

Company Balance Sheet

	Note	2017 £000	2016 £000
Non-current assets			
Investments	6	121,096	93,236
Debtors: falling due after one year	7	56	145
		121,152	93,381
Current assets			
Debtors: falling due within one year	7	128	100
Creditors: amounts falling due within one year	8	(14,086)	(5,333)
Net current liabilities		(13,958)	(5,233)
Total assets less current liabilities		107,194	88,148
Creditors: amounts falling due after more than one year	9	(21,519)	(26,500)
Net assets		85,675	61,648
Capital and reserves			
Called up share capital	10	4,145	3,640
Capital redemption reserve		1,112	1,112
Share premium account		34,109	13,480
Other reserve		6,234	–
Treasury reserve		(621)	(1,244)
Share option reserve	11	1,726	2,218
Retained earnings		38,970	42,442
Shareholders' funds		85,675	61,648

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £1,209,000 (2016: profit £37,159,000).

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2018 and are signed on its behalf by:

Richard Kellett-Clarke
Chief Executive Officer

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

Company name: Idox plc Company number: 03984070

Company Statement of Changes in Equity

	Share Capital £000	Capital redemption reserve £000	Share premium account £000	Other reserve £000	Treasury reserve £000	Share option reserve £000	Retained earnings £000	Total £000
At 31 October 2015	3,587	1,112	11,741	–	(1,271)	1,900	8,451	25,520
Issue of share capital	53	–	1,739	–	–	–	–	1,792
Share options reserve movement	–	–	–	–	–	318	–	318
Exercise of options from treasury reserve	–	–	–	–	27	–	(19)	8
Dividends paid	–	–	–	–	–	–	(3,149)	(3,149)
Transactions with owners	53	–	1,739	–	27	318	(3,168)	(1,031)
Profit for the year	–	–	–	–	–	–	37,159	37,159
Total comprehensive income for the year	–	–	–	–	–	–	37,159	37,159
At 31 October 2016	3,640	1,112	13,480	–	(1,244)	2,218	42,442	61,648
Issue of share capital	505	–	20,629	6,234	–	–	–	27,368
Share options reserve movement	–	–	–	–	–	(492)	–	(492)
Exercise of options catch-up	–	–	–	–	–	–	2,278	2,278
Exercise of options from treasury reserve	–	–	–	–	623	–	(324)	299
Dividends paid	–	–	–	–	–	–	(4,217)	(4,217)
Transactions with owners	505	–	20,629	6,234	623	(492)	(2,263)	25,236
Loss for the year	–	–	–	–	–	–	(1,209)	(1,209)
Total comprehensive income for the year	–	–	–	–	–	–	–	–
At 31 October 2017	4,145	1,112	34,109	6,234	(621)	1,726	38,970	85,675

Notes to the Company Financial Statements

1 Company Information

Idox plc is a company which is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA. The registered number of the Company is 03984070.

2 Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis as modified by the revaluation of certain financial assets and liabilities, being derivatives at fair value through profit or loss.

The financial statements are presented in sterling (£).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS101. Therefore, these financial statements do not include:

- A statement of cash flows and related notes
- Disclosure of key management personnel compensation
- Certain disclosure in relation to Share-Based payments
- Disclosures in relation to impairment of assets
- The effect of future accounting standards not adopted

Share-Based payment

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 November 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

Employees to whom share options have been granted provide their services in subsidiary companies of Idox plc. All equity settled share-based payments are recognised as an expense in the profit and loss account of the relevant subsidiary company. In Idox plc, the cost is allocated to investments in subsidiaries.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to reserves.

Investments

Fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment. If there is a subsequent change in the total consideration paid, such as a refund received from the seller, then the Company will recognise an adjustment to the acquisition price which will reduce the cost, and consequently the next book value, of that investment.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet.

Share capital is classed as an equity instrument where the contractual terms do not have any terms meeting the definition of a financial liability. Dividends and distributions relating to equity instruments are debited direct to equity.

Interest and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

Notes to the Company Financial Statements continued

2 Accounting Policies continued

Reserves

Equity comprises the following:

- "Capital redemption reserve" for the Company was created during 2003 when the entire deferred ordinary share capital was bought in exchange for one ordinary 1p share.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Other reserves" arose as a result of share premium arising on consideration shares issued on the acquisition of 6PM Holdings plc and Halarose Holdings Limited.
- Treasury reserve" represents shares repurchased by the Company to be held for redistribution as share options. The cost of treasury shares is debited to the Treasury reserve.
- "Share options reserve" represents shares to be issued on potential exercise of those share options that have been accounted for under FRS 101.
- "Retained earnings" represents retained profits.

3 Directors and Employees

There are no wages and salaries paid by the parent company.

The Company has no employees and Directors are remunerated by other Group companies. Details of the remuneration for each Director are included in the Report on Remuneration which can be found on pages 27 to 28 but which do not form part of the audited accounts.

4 Dividends

	2017 £000	2016 £000
Final dividend paid in respect of the year ended 31 October 2016 and 31 October 2015	2,627	1,885
Pence per ordinary share	0.650p	0.525p
Interim dividend paid in respect of the year ended 31 October 2017 and 31 October 2016	1,590	1,263
Pence per ordinary share	0.385p	0.350p

The Directors have proposed the payment of a final dividend of 0.655p per share, which would amount to £2,705,000 (2016: 0.650p).

5 Profit for the Financial Year

The parent company's loss for the year was £1,209,000 (2016: profit £37,159,000). During the prior year, the Idox Group performed a review of intercompany balances and elected to waive various balances. This resulted in a credit of £32,816,000 to the Company's profit for the year ended 31 October 2016.

6 Investments

	Investment in Group undertakings £000
Cost or market value	
At 1 November 2016	96,293
Additions	26,948
Reversal of disposals	1,462
Adjustment to acquisition price	(550)
At 31 October 2017	124,153
Impairment	
At 1 November 2016 and 31 October 2017	3,057
Net book amount	
At 31 October 2017	121,096
At 31 October 2016	93,236

On review of the treatment of share option exercises which had previously been treated as disposals of investments, we do not believe this reflects the substance of the transactions. As a result, we have processed a catch up amount of £1,462,000 which is not material. We have reviewed the revised investment value and do not consider this value has any indicators of impairment.

The adjustment to the acquisition price of £550,000 (2016: £nil) was processed in the period in relation to a cash refund relating to the historical acquisition price of Rippleffect Limited.

At 31 October 2017 the Company held investments in the following companies:

	Country of registration	Class of share held	Proportion held	Nature of business
Idox Trustees Limited*	England	Ordinary	100%	Corporate trustee of Employee share ownership trust
Idox Software Limited	England	Ordinary	100%	Software services
Cloud Amber Limited	England	Ordinary	100%	Dormant Company
Open Objects Software Limited	England	Ordinary	100%	Dormant Company
Reading Room Limited	England	Ordinary	100%	Dormant Company
Reading Room London Limited	England	Ordinary	100%	Dormant Company
Reading Room Studio Limited	England	Ordinary	100%	Dormant Company
Reading Room Manchester Limited	England	Ordinary	100%	Dormant Company
Rippleffect Studio Limited	England	Ordinary	100%	Dormant Company
Idox Belgium NV	Belgium	Ordinary	100%	Information services
Idox Netherlands BV	Holland	Ordinary	100%	Information services
Idox Germany GmbH	Germany	Ordinary	100%	Software services
McLaren Software Limited	Scotland	Ordinary	100%	Software services
McLaren Software Inc	USA	Ordinary	100%	Software services
Idox France SARL	France	Ordinary	100%	Software services
Idox India Private Limited**	India	Ordinary	100%	Software services
Interactive Dialogues Limited	England	Ordinary	100%	Dormant Company
McLaren Software Group Limited	Scotland	Ordinary	100%	Holding Company
McLaren Software GmbH	Germany	Ordinary	100%	Dormant Company
McLaren Consulting BV	Holland	Ordinary	100%	Dormant Company
McLaren Software SARL	Switzerland	Ordinary	100%	Dormant Company
Buildonline Global Limited	England	Ordinary	100%	Dormant Company
Buildonline Ireland Limited	Ireland	Ordinary	100%	Dormant Company
CT Space Limited	England	Ordinary	100%	Dormant Company
CT Space Inc	USA	Ordinary	100%	Dormant Company
Citadon Inc	USA	Ordinary	100%	Dormant Company
6PM Holdings plc	Malta	Ordinary	100%	Software services
Halarose Holdings Limited	England	Ordinary	100%	Software services

* i-documentsystems Trustees Limited was renamed Idox Trustees Limited during the accounting period.

** CT Space India Technologies Pvt Ltd was renamed Idox India Private Limited during the accounting period.

7 Debtors

	2017 £000	2016 £000
Falling due within one year:		
Other debtors	128	100
Falling due after one year:		
Other debtors	–	90
Amounts owed by Group undertakings	56	55
	56	145

Included in the above for the Company is £56,000 (2016: £55,000) owed by Group undertakings which is due after more than one year. The Directors consider this loan to be recoverable.

Notes to the Company Financial Statements continued

8 Creditors: Amounts Falling Due Within One Year

	2017 £000	2016 £000
Bank loan	2,500	2,500
Amounts owed to Group undertakings	9,246	452
Other creditors	2,206	2,209
Accruals and deferred income	134	172
	14,086	5,333

9 Creditors: Amounts Falling Due After More Than One Year

	2017 £000	2016 £000
Bank loan	21,519	26,500

At the balance sheet date, the Group had two loan facilities in place through a two-bank facility with Royal Bank of Scotland and Silicon Valley Bank. The facilities consist of a term loan of £9.5m and a revolving credit facility of £23m.

At the balance sheet date, the term loan had an outstanding balance of £9.5m (2016: £12m) and during the period the loan was held, the average interest rate was 2.81% (2016: 3.06%).

At the balance sheet date, the revolving credit facility had an outstanding balance of £14.5m (2016: £17m) and during the period the loan was held, the average interest rate was 2.58% (2016: 2.75%).

There are unamortised loan fees of £90,000 (2016: £190,000) at the balance sheet date.

An accounting adjustment of £19,000 has been processed during the period to take into account the effective rate of interest on the bank facilities.

As security for the above loans, Royal Bank of Scotland and Silicon Valley Bank hold a fixed and floating charge over the assets of Idox plc and certain subsidiaries, a guarantee supported by Idox plc and certain subsidiaries and a share pledge in respect of the entire issued share capital of each subsidiary company.

The Directors estimate that the fair value of the Group's borrowing is not significantly different to the carrying value.

10 Share Capital

	2017 £000	2016 £000
Authorised:		
650,000,000 ordinary shares of 1p each (2016: 650,000,000)	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	3,640	3,587
Issued and allotted during the year	505	53
414,464,265 ordinary shares of 1p each (2016: 364,012,063)	4,145	3,640

Movement in issued share capital in the year

During the year to 31 October 2017, six employees exercised share options across seventeen separate exercises. To satisfy the exercise of sixteen of these transactions, the Company issued and allotted 6,663,971 new ordinary shares of 1p each. The one remaining exercise was settled with treasury shares totalling 1,500,000 ordinary shares of 1p each.

During the year, the Company issued new 1p ordinary shares totalling 34,166,667 as part of a placing in respect of the acquisition of 6PM Holdings plc, then subsequently 7,182,540 as part of the consideration for the 6PM Holdings plc and 2,439,024 as part of the consideration for Halarose Holdings Limited.

The Company has one class of ordinary share which carries no right to fixed income.

At 31 October 2017, there were 2,479,532 (2016: 2,259,329) shares in issue under ESOP. During the year, the average issue share price was 67p (2016: 57p).

At 31 October 2017, there were 1,491,219 (2016: 2,991,219) shares held in treasury.

11 Share Options

The Company has an unapproved share option scheme for all employees (including Directors). All share options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The vesting period is quarterly from the date of grant. Per the contractual agreements, the options are settled in equity once exercised.

An Employee Share Investment Trust is in place to allow employees a tax efficient way of investing in the Company. The Company purchases matching shares which become the property of the employee after a three year vesting period.

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
666,000	–	666,000	–	–	7.50p	May 2007	May 2017
341,000	–	341,000	–	–	8.125p	Jun 2007	Jun 2017
3,311,727	–	1,701,971	–	1,609,756	10.25p	Mar 2010	Mar 2020
5,750,000	–	3,500,000	–	2,250,000	20.00p	Mar 2011	Mar 2021
965,000	–	575,000	–	390,000	18.00p	Mar 2011	Mar 2021
430,000	–	250,000	–	180,000	35.00p	Apr 2012	Apr 2022
300,000	–	300,000	–	–	44.00p	Sep 2012	Sep 2022
200,000	–	–	–	200,000	35.75p	Jul 2013	Jul 2023
500,000	–	500,000	–	–	39.12p	Mar 2014	Mar 2024
446,668	–	–	–	446,668	39.00p	Jul 2014	Jun 2024
1,130,000	–	330,000	–	800,000	38.38p	Feb 2016	Feb 2025
2,395,000	–	–	–	2,395,000	50.00p	Apr 2017	Apr 2026
700,000	–	–	–	700,000	50.00p	Apr 2016	Apr 2026
17,135,395	–	8,163,971	–	8,971,424			

Details of all share options over 1p Ordinary shares, falling within the measurement and recognition criteria of IFRS 2 "Share-based Payment" and forming part of the unapproved share scheme, including their contractual life and exercise prices are as follows:

The following table sets out the number of share options and associated weighted average exercise price (WAEP) outstanding during the year:

	2017		2016	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	17,135,395	25.95	17,728,081	20.23
Granted during the year	–	–	3,095,000	50.00
Exercised during the year	(8,163,971)	19.57	(3,437,686)	17.43
Lapsed during the year	–	–	(250,000)	35.75
Outstanding at the end of the year	8,971,424	31.75	17,135,395	25.95
Exercisable at the end of the year	8,796,424	31.39	15,313,635	23.15

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6 years. The share options exercised during the year had a weighted average exercise price of 19.57p and a weighted average market price of 63.05p.

No share options were granted during the year ended 31 October 2017.

The Group recognised a total charge of £146,000 (2016: £419,000) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. The charge of £146,000 (2016: £419,000) related to share options granted and £nil (2016: £nil) related to share options exercised.

As the share option scheme is a Group scheme, there has been no charge recognised in the parent Company accounts.

Notes to the Company Financial Statements continued

11 Share Options continued

Long-Term Incentive Plan (LTIP)

During the year, no further options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £178,000 (2016: £178,000) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to share options granted and £nil (2016: £nil) related to share options exercised.

The number of options in the LTIP scheme is as follows:

	2017 No.	2016 No.
Outstanding at the beginning of the year	3,600,000	3,600,000
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding at the end of the year	3,600,000	3,600,000
Exercisable at the end of the year	–	–

As the LTIP share option scheme is a Group scheme, there has been no charge recognised in the parent Company accounts.

Richard Kellett-Clarke stepped down as CEO on 9 November 2016. The Nomination & Remuneration Committee of the Idox Board agreed that on the anniversary of that date, namely 9 November 2017, Richard's outstanding LTIP award of 1,900,000 shares will become unconditional and therefore vest on that date.

As part of the conditions of the LTIP under a Lock In deed, Richard is restricted from selling any or all of them, unless required to settle tax liability, for a further two years from that date.

Andrew Riley's LTIP entitlement, consisting of 1,700,000 shares at an exercise price of 1p, was forfeited following the end of the year on account of the failure to meet all specified criteria for vestment.

12 Related Party Disclosures

As permitted by FRS 101, related party transactions with wholly owned members of the Group have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management of the Company have been disclosed in note 29 of the Group financial statements.

13 Capital Commitments

The Company had no capital commitments at 31 October 2017 or 31 October 2016.

14 Contingent Liabilities

There were no material Company contingent liabilities at 31 October 2017 or 31 October 2016.

15 Ultimate Controlling Party

There is no ultimate controlling party.

Company Information

Secretary and Registered Office:

J Mackie
2nd Floor
1310 Waterside
Arlington Business Park
Theale
Reading
RG7 4SA

Nominated Adviser and Broker:

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

Auditor:

Grant Thornton UK LLP
Grant Thornton House
30 Finsbury Square
London
EC2P 2YU

Corporate Solicitors:

Memery Crystal
44 Southampton Buildings
London
WC2A 1AP

Registrars:

Neville Registrars Ltd
Neville House
18 Laurel Lane
Halesowen
B63 3DA

Financial PR:

MHP Communications Ltd
6 Agar Street
London
WC2N 4HN

Company Registration Number:

03984070

Designed and produced by **emperor**
Visit us at **emperor.works**

Idox plc

Second Floor, 1310 Waterside,
Arlington Business Park,
Theale, RG7 4SA
T +44 (0) 870 333 7101
F +44 (0) 870 333 7131
E investors@idoxplc.com

idoxplc.com