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

Idox plc

Annual Report & Accounts 2015

Annual Report & Accounts 2015

Idox plc is a supplier of specialist information management solutions to the public sector and to highly regulated asset intensive industries around the world in the wider corporate sector.

Government Solutions

Funding Solutions

Information Services

Compliance Solutions

Integrated Transport Solutions

Digital Consultancy

Engineering Information Management Solutions

Facilities Management

For more information see www.idoxplc.com

Financial and Operational Highlights

Revenues up 3%

Acquisition of Cloud Amber and Reading Room

Adjusted EBITDA* increased 11%

Financial Highlights

- **Revenues up 3% to £62.6m (2014: £60.7m)**
- **Adjusted EBITDA* increased 11% to £18.2m (2014: £16.4m)**
- **Adjusted EBITDA* margin improved to 29.1% (2014: 27.0%)**
- **Adjusted profit before tax** was £14.5m up 14% (2014: £12.7m)**
- **Profit before tax was 29% higher at £9.8m (2014: £7.6m)**
- **Adjusted EPS** 3.28p up 17% (2014: 2.80p)**
- **Net debt as at 31 October 2015 stood at £23.1m (31 October 2014 £15.8m; £10.6m cost of the two acquisitions in the second half of the financial year)**
- **Proposed final dividend of 0.525p (2014: 0.425p) making a total of 0.85p (2014: 0.75p), an increase of 13% for the financial year**

Operational Highlights

- **Strong performance from Public Sector Software (PSS):**
  - **Represented 78% of Group revenues**
  - **Organic growth – won both more managed services and market share**
  - **Absorbed impact of lower elections revenues**
  - **14 new local authority customers – 92% of all local authorities now customers**
  - **Strong and improved margins**
- **Acquisitions:**
  - **Cloud Amber and Reading Room enhanced the Group's capabilities**
  - **Digital Spirit made a strong contribution to earnings**
- **Engineering (EIM) de-risked having absorbed in the year headwinds:**
  - **Double digits margins, costs rebased for current volumes**
- **Group potential strengthened with appointment of Laurence Vaughan as Chairman and Andrew Riley as Chief Operating Officer**

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

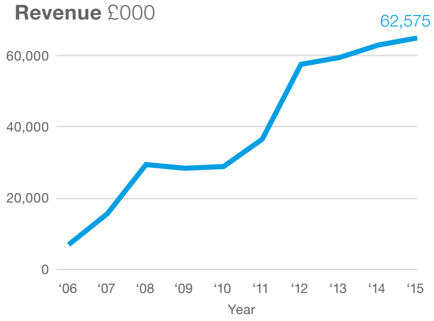
** Adjusted profit before tax and adjusted EPS excludes amortisation on acquired intangibles, restructuring and acquisition costs

Strategic Report

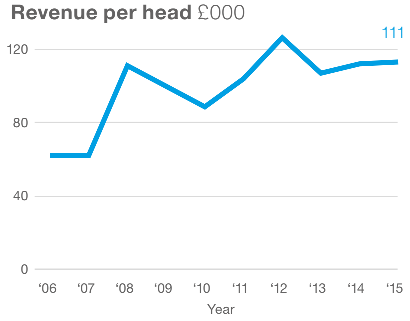
At a Glance

10 Year Performance

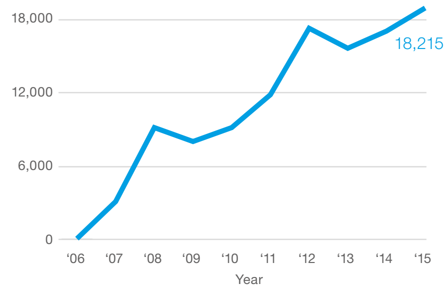
Revenue £000



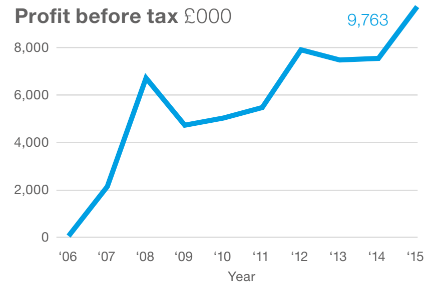
Revenue per head £000



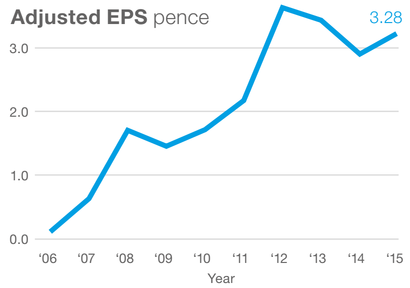
EBITDA £000



Profit before tax £000

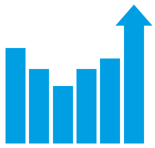


Adjusted EPS pence



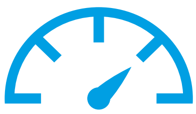
Financial Facts

£62.6m



Revenues up 3% to £62.6m (2014: £60.7m)

11%



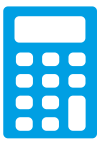
Adjusted EBITDA increased 11% to £18.2m (2014: £16.4m)

Adjusted EBITDA margin improved to 29.1% (2014: 27.0%)

£14.5m

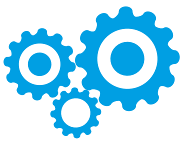
Adjusted profit before tax was £14.5m up 14% (2014: £12.7m)

£9.8m



Profit before tax was 29% higher at £9.8m (2014: £7.6m)

17%



Adjusted EPS 3.28p up 17% (2014: 2.80p)

13%

Proposed final dividend of 0.525p (2014: 0.425p) making a total of 0.85p (2014: 0.75p), an increase of 13% for the financial year

"Over the last ten years Idox has grown its revenues from £7m to £63m through organic growth and contributions from acquired businesses."

Laurence Vaughan, Chairman

Operational Facts

New Chairman

New Chairman appointed, Laurence Vaughan

New COO

New Chief Operating Officer appointed, Andrew Riley

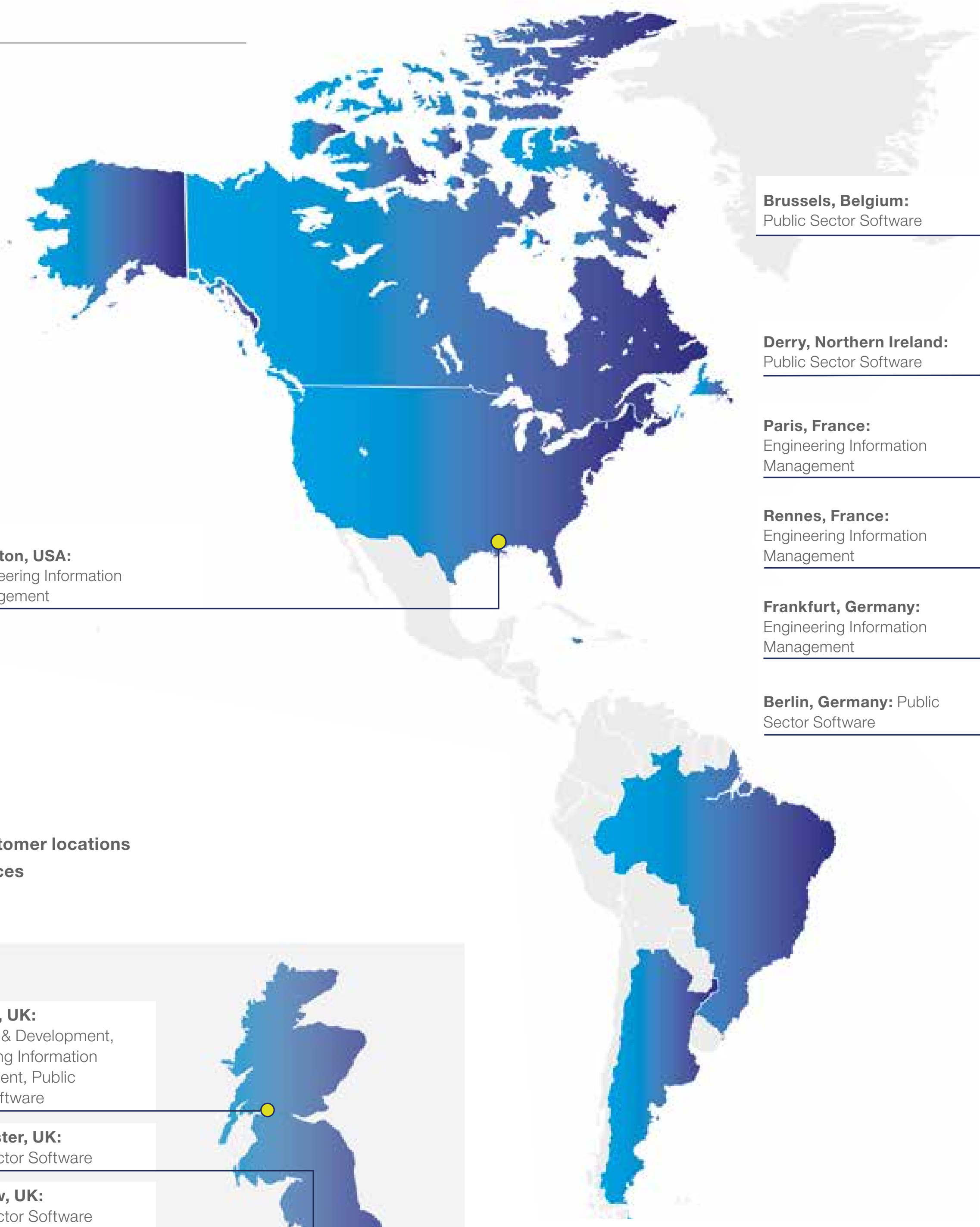
Acquisitions

Two acquisitions during the year: Cloud Amber, and Reading Room

Strategic Report

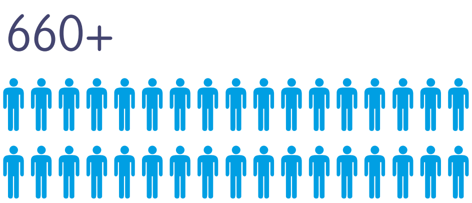
At a Glance continued

Locations



Idox customer locations

Idox offices



The Group employs over 660 staff

16 Idox offices worldwide

Strategic Report

Chairman's Statement

"The Group has made strategic progress towards positioning itself as a key partner for its customers to achieve efficiency savings through the use of digital technology."

Laurence Vaughan
Chairman

Overview

I am delighted to present Idox's first set of results since I joined as non-Executive Chairman in August 2015. Idox performed well in the year reporting further organic growth in its local government businesses (excluding elections) and first time contributions from acquisitions completed in the year; this performance was achieved despite continued headwinds in energy related markets and fluctuating exchange rates. In particular the Group has made strategic progress towards positioning itself as a key partner for its customers to achieve significant efficiencies through the use of digital technologies.

Results

The Group has achieved results in line with market expectations with improved margins due to well controlled costs and realisation of synergies across the Group. Revenue grew by 3.1% while adjusted EBITDA was ahead 11.1%. The Group continued to benefit from its diversified business model and sources of earnings which helped mitigate challenges in some of our markets.

88% (2014: 87%) of Idox's annual revenues were derived either from recurring contracts with customers or from repeat customers from whom the Group had derived revenues in the prior year; this gives the Group significant revenue visibility and is evidence of Idox's strong relationships and focus on customer service.

Group strategy

Idox is a highly regarded company with market leading positions in many segments of the public sector software market in the United Kingdom and Europe. The Group is also increasingly well positioned as a key partner with its customers to achieve efficiency savings through the use of digital technology.

Our intention is to continue Idox's transformation into a much larger business that is a market leader in its core markets. This will be achieved via a combination of organic and acquisitive growth, funded from the Group's cash flows and financial facilities. This is intended to deliver double digit annual growth with a short to medium term objective to grow the Group from its current £63m in annual revenue to £100m at sustainable margins.

Over the last ten years Idox has grown its revenues from £7m to £63m through organic growth and contributions from acquired businesses, a compound annual growth rate of 24.5%; the Board is therefore confident that the Group has the experience and track record to grow revenues from £63m to £100m in the coming years.

A summary of our financial key performance indicators is presented below:

	2015	2014	Change
Revenue	62,575	60,677	3.1%
Adjusted EBITDA*	18,215	16,393	11.1%
Adjusted EBITDA* margin	29.1%	27.0%	2.1%
Adjusted EPS**	3.28p	2.80p	17.1%

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

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

Acquisitions

During the financial year, two acquisitions were completed in line with our strategy, both of which contributed to the year's financial performance whilst expanding our capabilities and providing cross selling opportunities; the Group has a strong track record of acquisition integration and achieving earnings, enhancing contributions from such transactions. The recent acquisitions were:

- Cloud Amber in July 2015 broadened our capability to address the opportunities around enabling integrated traffic management systems and enhanced the international character of our product range.
- Reading Room in October 2015 added consultancy expertise in the area of digital change.
- In addition, there was a strong contribution from the acquisition of Digital Spirit, completed just prior to the previous year end in October 2014.

The addition of the two new businesses means that across all its specialist areas the Group is able to address the delivery of content, domain specific solutions, managed and hosted services, and now web services to improve processes, productivity and customer engagement.

Dividends

The Board is pleased to propose, subject to shareholder approval at the Group's Annual General Meeting, a final dividend of 0.525p, bringing the total for the year to 0.85p. This represents an increase of 13% over the previous year total of 0.75p, and is consistent with both our improved performance and our progressive dividend policy to grow dividends in line with earnings growth.

The Board

I took over as Chairman from Martin Brooks on 1 August 2015, having previously been Chairman of a number of public and private companies including Civica and Sytner Group. I would like to take this opportunity to thank Martin on behalf of the employees and shareholders for his contribution in growing the business substantially during his ten year tenure.

Strategic Report

Chairman's Statement continued

In July 2015 Andrew Riley joined the Board as Chief Operating Officer to focus on bringing the business together. Andrew's promotion to the Board is part of Idox's growing trend of leadership development, with Andrew becoming the second Director on the current Idox Board as a result of an internal promotion. He was previously chief executive of Idox's Public Sector Software Division having joined the Group in 2000.

Professor Dame Wendy Hall stepped down from her position of Non-Executive Director in December 2015 due to her increasing commitments and imminent move to take up a visiting post at the Library of Congress in Washington DC. I am pleased to announce that the Board have appointed Barbara Moorhouse in her place.

Outlook

I have joined the Group at an exciting period in its development as it steps up its emphasis on delivering customer facing solutions. Our potential has been enhanced by recent Board and senior management changes which will allow for greater focus on strategic initiatives to help deliver the Group's target to reach annual revenues of £100m.

Innovation is a key ingredient for Idox's growth and success. The product launch in December 2015 of our digital services platform, with its first product release of iApply, a national register for planning, building control and licensing services, opens up exciting new revenue opportunities and the ability to streamline and improve customer services and engagement.

For the first time in three years, there is a stable outlook in all our markets. We believe the continued political focus on delivering savings in the public sector will benefit our Public Sector Software business as its products are focused on delivering those savings. Engineering is well positioned to benefit from any recovery in its markets. We expect full year contributions from our two recent acquisitions will add approximately 20% to our pro forma annual revenues. In addition, we believe the business as a whole is capable of delivering around 3–5% organic revenue growth. Although we anticipate slightly lower margins due to a different mix of business in the coming year, our expectations for the Group's financial performance are unchanged.

Overall, the outlook for Idox in the coming years is therefore very encouraging. Interesting opportunities are opening up in our core markets and internationally through recent acquisitions and via potential partnerships. With the enhanced team and closer operational integration the Directors believe that the business is in a strong position and we are looking forward to a successful year ahead.

Laurence Vaughan
Chairman
18 January 2016

"Open 4 Learning really adds value to our financial support offer and enables the University to support students to access a much wider range of funding opportunities, particularly via charities and trusts. It is an excellent tool for undergraduates and postgraduates alike."

Matt Till, Assistant Director of Student Services, Birmingham City University

Strategic Report

Operational and Financial Review

Richard Kellett-Clarke
Chief Executive Officer

Jane Mackie
Chief Financial Officer

Introduction

We are pleased to report that we delivered profit growth in line with market guidance and were able to absorb the headwinds created by the slowdown in the global engineering and project market primarily as a result of the difficult environment in the energy sector. The year saw the continued development of our digital services platform, growth in all other parts of the business and the addition of new capabilities in traffic systems and web and digital change consultancy. The main focus of management time and effort during the year has been in the digital services platform and driving efficiencies and performance across the Group.

Public Sector Software (PSS)

The Public Sector Software business, which represented 78% of Group revenues for the year, had a particularly strong performance with revenues up 14%, and continued to win both more managed services and market share. With 14 new local authority customers in the year our market share rose to a record 83% of the back office market and 92% of all local authorities when including grants, traffic and Facilities Management services are included.

The total number of new systems wins was close to double the previous year at 86 bringing the total wins over the past three years to more than 240. The division continues to expand its offering into managed and hosted solutions and we now manage more than 80 systems to give us a market share in excess of 20% which is a significant platform to encourage other local authorities to consider us as their managed service partner.

We won 14 new local authority customers during the year, including Middlesbrough and Plymouth in England, Monmouthshire and Swansea in Wales, and Aberdeen in Scotland.

The Grants business grew in double digits (16.7%) during the period and closed its largest ever grants claim in the year. In addition, the Grants business extended its customer base to provide its managed services to larger companies thus improving its trading margin through both an increase in the volume and the quality of the business closed. We continue to invest in the business to deliver further growth in 2016.

As mentioned at the half year the Digital Spirit compliance acquisition completed in October 2014 was successfully integrated and merged with our E-learning business based in Brussels, outperforming our initial expectations on acquisition. As a result revenues grew 174% year-on-year and the combined business is to be rebranded as Idox Compliance. Plans are well advanced to grow this further and to utilise the digital platform to provide the compliance solution on demand online for small to medium sized enterprises.

The Facilities Management business was removed from the engineering division at the start of the year to help improve its focus away from the engineering market. It was a logical move given its existing customer base in health and local government and its diversity of customers outside pure construction environments. As a result it grew top line revenues 10% and improved its profitability.

"Group revenues grew by 3% to £63m."

Jane Mackie, Chief Financial Officer

The two acquisitions made in the second half of the year – Cloud Amber and Reading Room – are complementary to our ambitions to provide solutions for Smart Cities of tomorrow and to provide user solutions which are based around ease of use, self-taught, solutions:

- Cloud Amber through its data collection, aggregation, analytics and multiple reporting options allows consumers, fleet managers, and local government traffic managers to more efficiently handle accidents, road works, congestion and air quality and to redirect or make informed travel routing for cars, buses, taxis and other modes of transport to enable the Smart Cities of the future.
- Reading Room extends our reach into existing markets in the charities and government sector as well as the private sector. As architects of digital change the business has successfully provided consulting services across a broad range of customers to deliver operational improvements using digital technology and design as part of the solution to drive efficiency, productivity or a better user experience. We expect this addition to be complementary to our ambition to expand our digital services platform and apply it across a wide range of opportunities.

Both businesses are being rapidly integrated within the Group and, to date, have traded in line with our expectations and are expected to enhance earnings in a full year of ownership.

The results in our Election business partly reflected the expected lower level of activity in the election cycle during the year – with only the UK General Election – compared with 2014 as well as some unexpected delays beyond our control. However, the current financial year has started well with a contract to deliver local government elections in Scotland for early 2017.

Engineering Information Management (EIM)

We started the year with expectations of growth across all parts of Idox, but it became increasingly clear there was not going to be a quick rebound in the engineering markets as had happened in previous cyclical market downturns.

The Board quickly took the decision to address this head-on and successfully absorbed a considerable down shift in activity within the year. As a result although EIM revenues were down 21% on the prior year, our actions to reduce the cost base helped mitigate the impact to profitability. Given the strong recurring revenues and the spread between utilities, energy, and construction we now expect to maintain the business at this level and for it to continue to contribute in line with previous years. We continue to work on productivity and performance improvements and retain the flexibility to benefit from any market recovery.

EIM represented 22% of Group revenues during the year; on a pro forma basis assuming full year contributions from our recent acquisitions, EIM's revenues would have accounted for 18% of the Group total.

Operational and Financial Review continued

Technology

The core focus in the year was completing the first phase of a three year journey to deliver an improved managed services and digital services cloud platform. The first step was to re-engineer our products and the way they operated so they could be hosted more cost effectively and be applicable to both large and small authorities.

The second step was to deliver a national cloud platform that could assemble and integrate documents and data from any system and deliver an easily configurable platform to deliver applets for both citizens and business users in a more intuitive and easy to use format chargeable on a pay as you use or sponsored basis.

On 1 December 2015 the Group launched iApply, its national planning, building control and licensing portal for the UK with the ability to action and pay online for the filing of planning, building control and licensing applications nationally. This innovation streamlines the planning process and injects the applications into our back office systems. As a result we are developing additional services to complement this capability in partnership with our customers.

Markets

The Group continues to operate successfully and had grown in challenging markets with continued pressure on local government expenditure and grant funding and more recently the flattening in demand in engineering. Our diversity of offerings and tight integration of businesses into a single management structure allows us to take advantage of and respond to challenges in our markets as demonstrated by this year's performance.

We see no change in outlook for our core markets. Recent 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 broad portfolio of relevant and cost effective engineering solutions, where we address construction, energy and utility markets also gives us some resilience in an uncertain world as these markets develop at varying growth rates.

Growth strategy

Due to the continued pressure on public sector finances we believe the future revenue model needs to evolve as a 'pay as you go' sponsorship model for services rendered and increasingly business systems need smaller lightweight integration of documents and data to drive the efficient and cost effective execution of single actions.

The platform is an extension of our communication and forms technology sitting on top of our managed services infrastructure that can be adapted to help customers change their processes and streamline their actions by the application of digital services.

In addition to this publishing and transaction processing we hope the assembled data sets can be marketed to help customers with market intelligence and drive other actions. The acquisition of Reading Room, a web consultancy which specialises in digital change and web publishing, is expected to help drive wider consultancy services in the future.

In the first half of the year we completed the partial restructuring of the operational and supervisory board and the first stage of an integration of engineering into a profit center rather than a separate division within the Group. The first steps in a move towards broadening our offering in our core markets and reorienting the business to deliver front office, pay as you go solutions created with an emphasis on the user interface, mobility and ease of use.

FINANCIAL REVIEW

Group revenues grew by 3% to £63m (2014: £61m) due to the impact of one acquisition made during 2014 and two acquisitions in 2015 and also as a result of organic growth in the PSS division. The Group maintained the geographical split of its revenues with 34% generated outside of the UK (2014: 31%). Gross profit earned was 4% higher at £56m (2014: £54m) and the Group maintained gross margin at 89%. Earnings before amortisation, depreciation, restructuring, acquisition, corporate finance and share option costs ("Adjusted EBITDA") increased by 11% to £18.2m (2014: £16.4m) with Adjusted EBITDA margins of 29% (2014: 27%).

Performance by segment

The PSS division, which accounted for 78% of Group revenues (2014: 71%), delivered revenues of £49m (2014: £43m). Local authority revenue grew organically by 7% to £30.4m (2014: £28.3m) driven by further market share gains and a significant number of local council contract wins for managed services and hosting. Election revenue decreased from £4.9m to £2.6m due to less election activity during the year. In 2015 election revenue was only generated from the UK General Election, whereas in 2014 revenue was generated from the Scottish Referendum, European elections and the Individual Electoral Registration project. The Grants business in the UK and Netherlands saw double digit growth on the prior period with revenues of £6.5m (2014: £5.8m). The Compliance business in Europe saw significant growth on the prior year with the addition of Digital Spirit acquired in October 2014, with revenues of £6.1m (2014: £2.2m). Facilities management was transferred from the EIM division to PSS in the year and saw 10% growth in revenues to £2.3m (2014: £2.1m). The 2015 acquisitions of Cloud Amber (July 2015) and Reading Room (October 2015) respectively added £0.6m and £0.5m revenues to the division.

Recurring revenues within the PSS division were 41% (2014: 48%). Divisional Adjusted EBITDA increased by 24% to £16.0m (2014: £12.9m), delivering a 33% margin, a 3% increase on 2014 (30%) due to cost efficiencies and a change in mix of revenues.

The EIM division accounted for 22% of Group revenues (2014: 29%) and reported a revenue decline of 21% to £13.6m (2014: £17.3m). The proportion of recurring revenues in the EIM business from maintenance and Software-as-a-Service ("SaaS") were 56% (2014: 47%). Divisional Adjusted EBITDA for the EIM division declined 37% to £2.2m (2014: £3.5m), 12% of the Group total with margins down at 16% (2014: 20%).

Profit before tax

Adjusted EBITDA increased 11% to £18.2m (2014: £16.4m). Cost of sales were down 5% excluding acquisitions due to less print costs associated with election activity. Administrative expenses decreased 1% to £45.3m (2014: £45.8m), or excluding acquisitions in the year by 11%. Staff costs decreased by 7% on a like for like basis with EIM staff costs decreasing by 27% due to restructuring of the division. Other overheads decreased by 19% on a like-for-like basis with cost efficiencies achieved through reduction in travel costs and office rationalisation.

Financing costs were in line with the prior year at £1.2m (2014: £1.1m) and included interest payable of £0.7m (2014: £0.7m) and bank charges of £0.4m (2014: £0.4m).

Reported profit before tax was up 29% to £9.8m (2014: £7.6m). Amortisation of intangibles decreased £0.9m to £3.7m (2014: £4.6m) due to intangibles from prior acquisitions becoming fully amortised. Amortisation on Research and Development was £1.0m (2014: £0.9m) and amortisation on software licences increased to £0.7m (2014: £0.5m). Restructuring charges of £1.0m (2014: £0.4m) relate to the internal reorganisation of the EIM division and the integration of Digital Spirit.

The Group continues to invest in developing innovative technology solutions and has incurred capitalised Research and Development costs of £1.2m (2014: £1.0m). Research and Development costs expensed in the period were £4.1m (2014: £5.4m).

Strategic Report

Operational and Financial Review continued

Taxation

The effective tax rate for the period was 19.80% (2014: 22.91%). Work performed during 2015 resulted in a large overprovision which was reversed during the year. This work related primarily to the group R&D tax claim which lowered the final tax liability on 2014 profits, reflected in a lower effective tax rate for 2015. The higher effective tax rate in 2014 was due to a higher proportion of UK profits being subjected to tax following the unwind of all UK trading losses in 2013, alongside partial derecognition of deferred tax assets in the US. Other factors decreasing the tax rate in 2015 include an increase in the R&D provision following detailed work performed during the year and non-provided tax repayments received in the UK and the US of £166,000 relating to historic loss carry backs.

Earnings per share and dividends

Adjusted earnings per share increased by 17% to 3.28p (2014: 2.80p). Adjusted diluted earnings per share increased by 17% to 3.13p (2014: 2.68p).

Basic earnings per share increased by 34% to 2.21p (2014: 1.65p). Diluted earnings per share increased by 32% to 2.10p (2014: 1.59p).

The Board proposes a final dividend 0.525p, an increase of 24% on the previous final dividend, giving a total dividend for the year of 0.85p and a 13% growth for the full year. This is in line with our progressive dividend policy for our dividends to track our earnings per share. Subject to shareholder approval at the forthcoming Annual General Meeting, the final dividend is expected to be paid on the 22nd April 2016 to shareholders on the register at 8th April 2016.

Balance sheet and cashflows

The Group's balance sheet continued to strengthen during the period and at 31 October 2015 net assets were £53.6m compared to £48.6m at 31 October 2014.

Cash generated from operating activities before tax as a percentage of Adjusted EBITDA was 53%, down from 81% in the previous year. This was partly due to a significant number of orders and longer term contracts closed and delivered in October resulting in a large increase in debtors and accrued income at the year end. The change in mix in revenues this year has also had an impact with election revenues decreasing on the prior year.

The Group ended the period with net debt of £23.1m (2014: £15.8m) after utilising the facility for the acquisition of Cloud Amber (£3.75m paid in cash and a further £1.2m which will be utilised in the next financial year) and Reading Room (£5.6m). The Group's total signed debt facilities at 31 October 2015 stood at £40m, a combination of a £17m term loan and £23m revolving credit facility, split £25m with the Royal Bank of Scotland and £15m with the Silicon Valley Bank.

Deferred income, representing invoiced maintenance and SaaS contracts yet to be recognised in revenue, stood at £14.6m at 31 October 2015 (2014: £13.3m). Accrued income, representing future cash flows from local authority longer term contracts increased to £13.2m (2014: £8.8m).

Richard Kellett-Clarke
Chief Executive Officer
18 January 2016

Jane Mackie
Chief Financial Officer
18 January 2016

"Working in partnership with Idox frees us up to focus on core activities and together we've embarked on a strategic collaboration that will generate longer term value as we progress our technology road map."

David Pettitt, IT Relationship Manager, Westminster City Council

Business Model and Principal Risks

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. 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. It also supplies in the UK and internationally, decision support content such as grants and planning policy information and corporate compliance services. Idox delivers engineering document control, project collaboration and facility management applications to many leading companies in industries such as oil & gas, architecture and construction, mining, utilities, pharmaceuticals and transportation in North America and around the world.

The Group employs over 660 staff located in the UK, the USA, Canada, Europe, India and Australia.

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.

Principal Risks and Uncertainties

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 both “bottom-up” with more detailed assessment at operational level, as well as through “top-down” assessment of strategic and market risk at the Executive Management and Board level.

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

Risk Profile

New and existing risks were identified and assessed during 2015. Executive management, the Risk Committee and the Board of Directors performed further analysis to prioritise these risks with a focus on those principal risks posing the highest current risk to the achievement of Company objectives. All risks facing Idox plc 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 of Directors. Whilst these principal key risks represent a significant portion of the Group’s overall risk profile, executive management and the Risk Committee continue to monitor the entire universe of risks to identify new or emerging risks as well as any changes in risk exposure. The overall Group risk profile continued to evolve during the year.

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.

Principal risks	Management of risks
Economic conditions in markets suppress organic growth which impacts upon our ability to grow by operating as business as usual.	We continue to focus on diversification of customers and geographical markets, for example, in 2015 our acquisitions of Cloud Amber and Reading Room expanded our customer base and geographical reach.
If we fail to deliver consistent development in our products we risk being outclassed by competitor products that deliver increased capabilities.	We strive to deliver quality products that deliver strong competition in the market, while continuing to invest in our quality assurance and research and development functions.
There is a risk that we fail to monitor and consider our sales pipeline and interrogate information thereby making erroneous trading updates.	We have committed and skilled senior management who use our robust processes in place across our business lines to fully qualify orders.
Due to recent acquisitions, we may inherit employees who have inconsistent levels of training and remuneration across Group, potentially leading to loss of skills and knowledge.	We manage this risk by focusing on investment in and consultation of staff. We leverage already-developed training courses that will cover the necessary risk management skills. It is our intention to identify and gradually eliminate skill gaps through targeted training.
Acquisitions/restructuring may not achieve the anticipated returns impacting on projected margin rates.	The success of our business depends on achieving our strategic objectives. We have set up a robust M&A team which works together with our integration function to carry out due diligence and mitigate risks where possible.
There is a risk that any business may face the failure of business continuity systems, disruption to normal business operations and offices closed for significant period of time. This would have a significant impact on our operations and trading capability.	In order to successfully manage this risk, we have developed effective business continuity and incident management plans. Our disaster recovery provides for re-build in already contracted secondary location. Our information management team have 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, we continue a wider business review of disaster recovery plans to ensure they are fit for purpose.

Strategic Report

Business Model and Principal Risks continued

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

- **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. However, 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.
- **Economic:** the software area of the business could be adversely affected if the government reduces the grants to local authorities in an economic downturn. However, all indications are that the government will maintain and may increase the grants during such a period. The Group has increased diversification through acquisitions to mitigate against economic risks.
- **Global macro-environment:** the Group operates across a number of countries and our 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. Our customer base in local government means that political changes can be disruptive and can interfere with our activities and operations in a particular country. In order to mitigate these risks we monitor and forecast for key changes in the territories in which we operate. We continue to diversify our business and operations in various territories. We risk assess changing geo-political environments which will allow us to ensure timely risk mitigation as and when volatility occurs. The Group gathers information and seeks expert advice where necessary.
- **Operational issues:** the Group produces a wide suite of increasingly sophisticated products and services that integrate with third party systems. Our companies have robust quality standards across all of our business lines and remain committed to environmental and regulatory compliance. We have proactive business continuity plans, however, issues such as increased competition or operational failures could have a material adverse effect on the business. We continually monitor and mitigate against this through our commitment to develop and market new products and services, while reviewing our current product suite to ensure that it is fit for purpose, continuing all the while to respond to technological change.
- **Acquisitions:** the Group has consistently delivered on a successful strategy of growth by acquisition. We recognise the success of this approach but remain vigilant to the inherent risk in this approach. The Group could be materially impacted if an acquisition does not perform in line with expectations. To mitigate this risk, for each acquisition, due diligence and integration planning is undertaken and all potential synergies are identified.

Key Performance Indicators

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

Indicator	2015	2014	Measure
Revenue (£000)	62,575	60,677	
Profitability ratios			
Gross margin	89%	89%	Gross profit as a percentage of revenue
Adjusted EBITDA	29%	27%	Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, corporate finance costs and share option costs as a percentage of revenue

Revenue from continuing operations grew by 3% over the year, due to the impact of one acquisition made during 2014 and two acquisitions in 2015 and also as a result of organic growth in the PSS division. The Group's gross margin has remained consistent at 89%, but the Group has benefited from an improvement in adjusted EBITDA margin from 27% to 29%.

Non-financial Indicators

Idox Group practises an integrated management system centred around its ISO accreditations as follows:

Quality Management	The Group quality policy has been accredited to BS EN ISO 9001:2008 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 14001:2004, the approved systems applying to the following: the development and sale of products for document, content and information management.
Information Security Management	The Group information security management policy has been accredited to BS EN ISO 27001:2005, the approved systems applying to the following: for the development and the sale of products for document, content and information management.

Composition of the Board

The Board of Directors comprises 29% female staff members.

Signed on behalf of the Board by:

Richard Kellett-Clarke
Chief Executive Officer
18 January 2016

Governance

Board of Directors

1 Laurence Vaughan (Aged 52)

Chairman (Appointed 1 August 2015)

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 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 2015. 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.

2 Richard Kellett-Clarke (Aged 61)

Chief Executive Officer

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 plc, 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, 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.

3 Jane Mackie (Aged 35)

Chief Financial Officer

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.

4 Andrew Riley (Aged 43)

Chief Operating Officer (Appointed 20 July 2015)

Andrew Riley has been the Managing Director of Idox's Public Sector Software Division 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.

5 Rt. Hon. Peter Lilley MP (Aged 72)

Non-Executive Director

Peter Lilley, 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.

6 Professor Dame Wendy Hall (Aged 63)

Non-Executive Director (Resigned 31 December 2015)

Wendy Hall is Professor of Computer Science and Executive Director of the Web Science Institute at the University of Southampton. She is a Fellow of the Royal Society and Royal Academy of Engineering and is the holder of a number of honorary degrees and other awards. Wendy has been a member of the Prime Minister's Council for Science and Technology and is currently a member of the Global Commission on Internet Governance. She has been involved with several start-up companies, including Active Navigation and Garlik, which attracted many million pounds of investment, and serves on a number of other Boards including the Defence, Science and Technology Laboratory (Dstl), the Digital Catapult and Seme4 Ltd. In 2014 she was voted the most influential woman in IT in the UK.

7 Jeremy Millard (Aged 44)

Non-Executive Director

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.

8 Barbara Moorhouse (Aged 57)

Non-Executive Director (Appointed 6 January 2016)

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.

Governance

Directors' Report

For the year ended 31 October 2015

The Directors are pleased to submit their report and audited financial statements for the year ended 31 October 2015.

Results and Dividends

The Group audited financial statements for the year ended 31 October 2015 are set out on pages 34 to 73. The Group's profit for the year after tax amounted to £7,829,000 (2014: £5,843,000). The Directors paid a dividend of 0.325 pence per share in the first half of the 2015 financial year, in respect of the year ended 31 October 2015. The Directors will propose, at the forthcoming AGM, a final dividend of 0.525 pence per share in respect of the year ended 31 October 2015.

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 2015	**1 November 2014**
L Vaughan * (appointed 1 August 2015)	200,000	–
M Brooks ** (resigned 31 July 2015)	7,970,027	7,970,027
R Kellett-Clarke***	12,572,339	12,562,911
J Mackie	51,633	43,169
A Riley (appointed 20 July 2015)	225,126	225,126
Rt. Hon. P B Lilley MP****	533,000	533,000
Prof W Hall (resigned 31 December 2015)	27,225	27,225
J Millard	–	–

* 200,000 (2014: Nil) of these shares are held through a Self-Invested Pension Plan.

** 3,198,948 (2014: 3,198,948) of these shares are held through a Self-Invested Pension Plan and 3,019,231 (2014: 3,019,231) shares are held through certain members of his family.

*** 2,761,667 (2014: 2,761,667) of these shares are held through Self-Invested Pension Plans and 9,762,900 (2014: 4,204,231) shares are held through certain members of his family and a family trust.

**** 111,300 (2014: 45,150) of these shares are held through a Self-Invested Pension Plan and 59,250 (2014: 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 25 to 27.

Details of the Directors' service contracts can be found in the Report on Remuneration on pages 25 to 27.

Substantial Shareholdings

As at 31 October 2015 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	54,168,037	15.23%
Kestrel Partners	34,291,345	9.64%
Investec Wealth & Investment	30,862,390	8.68%
Herald Investment Management	28,615,149	8.05%
Living Bridge EP LLP	17,433,409	4.90%
Hargreave Hale Stockbrokers	17,218,500	4.84%
Highclere International Investors	14,587,778	4.10%
Octopus Investments	12,882,397	3.62%
Richard Kellett-Clarke	12,572,339	3.53%
Charles Stanley	10,973,024	3.09%

Transaction in own shares

During the year, the Group purchased 700,000 of its own ordinary shares of 1 pence to be held as treasury shares in order to satisfy future employee share option exercises. In February 2015, the Group purchased 300,000 shares at a price of 37.25 pence per share and a further 200,000 shares at a price of 38.13 pence per share. In March 2015, the Group purchased 200,000 shares at a price of 41.00 pence per share.

During the year no employee share option exercises were satisfied using treasury shares.

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

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.

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 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.

Governance

Directors' Report continued

For the year ended 31 October 2015

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.

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 the LIBOR. To protect cash flows against movements in LIBOR the Group has a hedging policy in place. On a quarterly basis the Board review 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. 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.

Auditor

A resolution to reappoint Grant Thornton UK LLP as 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
Company Secretary
18 January 2016

Registered office

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

Report on Remuneration

For the year ended 31 October 2015

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 interests of managers with those of our shareholders in the grant of option and other equity rewards which underlying securities grantees are very much encouraged to retain over the longer-term.

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 for cash balances. In addition, the Group operates share option schemes for the Executive Directors.

Directors' Remuneration

2015	Basic salary and fees 2015 £000	Bonus* 2015 £000	Benefits in kind 2015 £000	Total 2015 £000	Pension 2015 £000
Executive Directors					
Richard Kellett-Clarke	310	50	11	371	–
Jane Mackie	140	10	10	160	7
Andrew Riley (appointed 20 July 2015)	57	–	3	60	1
Non-Executive Directors					
Laurence Vaughan** (appointed 1 August 2015)	26	–	–	26	–
Martin Brooks** (resigned 31 July 2015)	79	–	1	80	–
Peter Lilley	35	–	–	35	–
Wendy Hall (resigned 31 December 2015)	35	–	–	35	–
Jeremy Millard	35	–	–	35	1
	717	60	25	802	9

2014	Basic salary and fees 2014 £000	Bonus* 2014 £000	Benefits in kind 2014 £000	Total 2014 £000	Pension 2014 £000
Executive Directors					
Richard Kellett-Clarke	321	–	12	333	–
Jane Mackie (appointed 27 February 2014)	74	–	6	80	5
Non-Executive Directors					
Martin Brooks**	105	–	1	106	–
Peter Lilley	35	–	–	35	–
Wendy Hall (resigned 31 December 2015)	35	–	–	35	–
Jeremy Millard	35	–	–	35	–
	605	–	19	624	5

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

** Chairman

Governance

Report on Remuneration continued

For the year ended 31 October 2015

Directors' Remuneration continued

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

During the year no directors exercised share options. During 2014, Richard Kellett-Clarke exercised share options resulting in a taxable gain of £827,000.

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 not 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	Good leavers	New Directors	Granted during the year	Exercised	Lapsed	At end of 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
Martin Brooks	275,000	275,000	–	–	–	–	–	15p	Dec 2007	Dec 2017
Martin Brooks	423,077	423,077	–	–	–	–	–	13p	Aug 2008	Aug 2018
Martin Brooks	366,667	366,667	–	–	–	–	–	15p	Aug 2008	Aug 2018
Martin Brooks	975,610	975,610	–	–	–	–	–	10.25p	Mar 2010	Mar 2020
Martin Brooks	1,000,000	1,000,000	–	–	–	–	–	20p	Mar 2011	Mar 2021
Martin Brooks	300,000	300,000	–	–	–	–	–	44p	Sep 2012	Sep 2022
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	8,653,300	3,340,354	2,398,927	4,730,000	–	–	12,441,873			

The mid-market price of the Company's shares at close of business on 31 October 2015 was 42.75p and the low and high share prices during the year were 34.50p and 43.90p respectively.

The Company recognised total expenses of £415,000 (2014: £467,000) related to equity-settled share-based payment transactions during the year. Expenses of £309,000 (2014: £365,000) related to share options granted and £106,000 (2014: £102,000) related to share options exercised.

The pre-tax aggregate gain on exercise of share options during the year was £Nil (2014: £827,000).

Options totalling 3,600,000 were granted to Richard Kellett-Clarke and Andrew Riley during the year with an exercise price of 1p. These are the first share options granted under the Idox Long-Term Incentive Plan ('LTIP') share scheme. These LTIP options have a maximum of 3 years in which to vest and may only vest on satisfaction of certain market based and non-market based performance conditions, as follows:

- 50% of the LTIP options shall vest on satisfaction of the conditions A, B and C below. Up to a maximum of a further 50% of the LTIP options shall vest in accordance with condition D below, subject to conditions A, B and C also being satisfied.
  - (A) Group EBITDA for the most recently ended accounting period of the Group shall have been announced by the Company to have exceeded £24 million;
  - (B) The closing mid-market price of a share in the Company as shown on the London Stock Exchange must be equal to or more than 55p for the 60 calendar days immediately following the end of the most recent accounting period for which condition A was satisfied;
  - (C) At no time period to the satisfaction of (A) and (B) above shall the funded indebtedness (leverage ratio) of the Group have exceeded 2.5x Group EBITDA;
  - (D) This discretionary element shall vest in whole or in part (or not at all) at the discretion of the Board, taking into account the personal performance of the Participants.

To the extent that the performance conditions have not been met in full or in part, the remainder of the LTIP options will lapse on the third anniversary of award, in March 2018.

Of the total recognised expenses of £415,000 (2014: £467,000) related to equity-settled share-based payment transactions during the year, £104,000 (2014: £Nil) related to the LTIP share option scheme.

Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 22.

Governance

Corporate Governance Report

For the year ended 31 October 2015

The Group is committed to achieving and maintaining the highest standards of corporate governance. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice. We receive regular advice on best practice corporate governance compliance and this has informed a number of significant changes in our practice this year.

Board of Directors

Subject to our 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, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk, ultimately taking 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 financing matters.

The Board appoints its members and those of its principal Committees having received the recommendations of the Nominations and Remuneration Committee. It also reviews recommendations of the Board Committees and the financial performance and operation of the Group's businesses. It 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 are appropriate in particular in relation to income recognition and research and development.

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 four non-executive Directors and three executive Directors. During the year Martin Brooks stepped down from his position as Chairman on 31 June 2015 and Laurence Vaughan succeeded him as Chairman on 1 August 2015. Andrew Riley was promoted to the Board on 20th July 2015. He acted as the Managing Director of Idox's Public Sector Software Division in the period 2011 to 2015, having been promoted from the role of Sales & Marketing Director. Andrew's promotion to the Board is part of Idox's growing trend of leadership development, with Andrew becoming the second Director on the current Idox Board as a result of an internal promotion.

Board and Committee meetings are scheduled in line with the financial calendar of the Company, which 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 with all Directors in attendance. Beyond these principal meetings the Board held a strategy day which was fully attended. Advice from independent sources is available if required. The Group has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group.

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 Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, the Chief Executive Officer regularly meets the Executive Management Team which additionally comprises the other executive Directors and senior members of the management team. The day to day operations of the Group are managed by the Executive Management Team.

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.

The Board comprises the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and three Non-Executive Directors. Short biographies of the Directors are given on pages 20 to 21.

The Board is satisfied with the balance between Executive and Non-Executive Directors. 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 undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. The Board continue to annually review the composition of the Board to ensure there is adequate diversity to allow for the proper functioning of the Board 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.

During the current financial year a formal and robust process was undertaken to appoint a Non-Executive Chairman. The skills and experience required were discussed by the Board and a list of suitable candidates drawn up. The candidates were then interviewed by certain members of the Board following which a shortlist of candidates were then interviewed by the full Board. The Board then voted on who they believed to be the most suitable candidate for the role.

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 page 32. The Audit Committee is chaired by Jeremy Millard and includes Laurence Vaughan, Barbara Moorhouse and Peter Lilley. Wendy Hall was a member of the committee until December 2015 when she resigned and was replaced by Barbara Moorhouse.

The Nomination and Remuneration Committee is chaired by Peter Lilley and includes Barbara Moorhouse, Laurence Vaughan and Jeremy Millard. Wendy Hall was a member of the committee until December 2015 when she resigned and was replaced by Barbara Moorhouse. This Committee has responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors which includes:

- 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 make 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
- vet and approve recommendations from the executive directors for the appointment of senior executives.

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

Executive Risk Committee reporting to the Board

The Board of Directors 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 Company are aligned with overall goals and strategic objectives. The Risk Committee supports the Board in monitoring the 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.

Governance

Corporate Governance Report continued

For the year ended 31 October 2015

Re-election

Under the Code, Directors should offer themselves for re-election at regular intervals and, under the Company's Articles of Association, at every Annual General Meeting 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. 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.

Three Directors will retire from office at the Company'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 plc 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 preparation and review of strategy plans and the preparation and review of 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 which need to be disclosed in the accounts.

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 Strategic Report and Annual Report 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 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 under UK Generally Accepted Accounting Practice ("UK GAAP").

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 Company and Group 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 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 Company'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 Company's Auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company'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 Chief Financial Officer and Company Secretary.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board 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 in matters relevant to their role on the Board 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 plc is committed to open communication with all its shareholders. The Directors hold regular meetings with institutional shareholders to discuss and review the Group's activities and objectives. Communication with private shareholders is principally through the Annual General Meeting, where participation is encouraged and where the Board is available to answer questions. Idox plc maintains up-to-date information on the Investor Relations section of its website www.idoxplc.com.

The Chief Executive Officer and Chief Financial Officer meet institutional investors immediately after publication of the annual and interim results, and together with the Chairman, they meet with investors and on an ongoing basis as required. In 2015, this included investor roadshows and meetings held over a total of 18 days in both London and Edinburgh. In respect of the annual and interim results our Directors also undertake consultation on certain matters with major shareholders from time to time. Through these consultations, the Company 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 Company's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings. Information offered at the analysts' meetings together with our 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 plc strives to give a full, timely and realistic assessment of its business in all price-sensitive reports and presentations.

AIM Rule Compliance Report

Idox plc is quoted on AIM and as a result the Group has 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 Advisor ("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 Advisors, 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.

Governance

Report of the Audit Committee

For the year ended 31 October 2015

Membership and Meetings

The Audit Committee is a committee of the Board and is comprised of four Non-Executive Directors: Jeremy Millard, Laurence Vaughan, Peter Lilley and Barbara Moorhouse. Wendy Hall was a member of the committee until December 2015 when she resigned and was replaced by Barbara Moorhouse. The Audit Committee is chaired by Jeremy Millard.

The Audit Committee invites the Executive Directors, the Chairman, the external 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 the parent Company, 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, attended all of the four scheduled meetings.

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 Company, 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 external 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 the internal audit and other internal control functions and the Auditor's assessment thereon; and
- the Company'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. At this point in time non-audit services provided by the Auditor are non-material.

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 plc Annual General Meeting in February.

Other matters

The Committee is authorised to seek any information it requires from any employee of any Company within the Group in order to perform its duties. The Committee can obtain, at the Company'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 and the requirements of the UK Listing Authority's Listing Rules, Prospectus and Disclosure and Transparency Rules and any other applicable rules as appropriate and oversees any investigation of activities which are within its terms of reference.

The Audit Committee operates within agreed terms of reference, which can be found on the Company's website.

Jeremy Millard
Chairman of the Audit Committee
18 January 2016

Independent Auditor's Report to the Members of Idox plc

For the year ended 31 October 2015

We have audited the Group financial statements of Idox plc for the year ended 31 October 2015 which comprise Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes. 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.

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.

Respective responsibilities of directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out in page 30 the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 October 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent Company financial statements of Idox plc for the year ended 31 October 2015.

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

18 January 2016

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2015

	Note	2015 £000	2014 £000
Revenue	2	62,575	60,677
Cost of sales		(6,684)	(6,413)
Gross profit		55,891	54,264
Administrative expenses		(45,347)	(45,774)
Operating profit		10,544	8,490
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, corporate finance costs and share option costs		18,215	16,393
Depreciation	3	(785)	(813)
Amortisation	3	(5,480)	(5,953)
Restructuring costs	4	(1,025)	(365)
Acquisition costs	5	34	(148)
Corporate finance costs	5	–	(157)
Share option costs	22	(415)	(467)
Finance income	6	445	233
Finance costs	6	(1,226)	(1,144)
Profit before taxation		9,763	7,579
Income tax expense	8	(1,934)	(1,736)
Profit for the year		7,829	5,843
Other comprehensive income for the year			
Items that will be reclassified subsequently to profit or loss:			
Exchange losses on retranslation of foreign operations		(276)	(107)
Other comprehensive income for the year, net of tax		(276)	(107)
Total comprehensive income for the year attributable to owners of the parent		7,553	5,736
Earnings per share attributable to owners of the parent during the year			
Basic	9	2.21p	1.65p
Diluted	9	2.10p	1.59p

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

Consolidated Balance Sheet

At 31 October 2015

	Note	2015 £000	Restated 2014 £000	2014 £000
ASSETS				
Non-current assets				
Property, plant and equipment	10	1,077	1,449	1,449
Intangible assets	11	74,812	66,794	66,794
Deferred tax assets	12	1,649	1,570	1,570
Other receivables	14	4,956	3,256	2,262
Total non-current assets		82,494	73,069	72,075
Current assets				
Trade and other receivables	14	26,713	17,852	18,846
Cash and cash equivalents	15	4,084	5,855	5,855
Total current assets		30,797	23,707	24,701
Total assets		113,291	96,776	96,776
LIABILITIES				
Current liabilities				
Trade and other payables	16	7,109	4,788	4,788
Other liabilities	17	19,083	16,649	16,649
Provisions	18	29	18	18
Current tax		1,815	1,003	1,003
Borrowings	19	2,428	7,397	7,397
Total current liabilities		30,464	29,855	29,855
Non-current liabilities				
Deferred tax liabilities	12	4,357	4,038	4,038
Borrowings	19	24,831	14,293	14,293
Total non-current liabilities		29,188	18,331	18,331
Total liabilities		59,652	48,186	48,186
Net assets		53,639	48,590	48,590
EQUITY				
Called up share capital	21	3,587	3,587	3,587
Capital redemption reserve		1,112	1,112	1,112
Share premium account		11,741	11,741	11,741
Treasury reserve		(1,271)	(1,001)	(1,001)
Share options reserve		1,900	1,636	1,636
Merger reserve		1,294	1,294	1,294
ESOP trust		(242)	(213)	(213)
Foreign currency retranslation reserve		(238)	38	38
Retained earnings		35,756	30,396	30,396
Total equity		53,639	48,590	48,590

The financial statements were approved by the Board of Directors and authorised for issue on 18 January 2016 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

Financial Statements

Consolidated Statement of Changes in Equity

At 31 October 2015

	Called up share capital £000	Capital redemption reserve £000	Share premium account £000
Balance at 1 November 2013	3,493	1,112	10,355
Issue of share capital	94	–	1,386
Share options granted	–	–	–
Transfer on exercise of share options	–	–	–
Purchase of treasury shares	–	–	–
Deferred tax movement on share options	–	–	–
ESOP trust	–	–	–
Equity dividends paid	–	–	–
Transactions with owners	94	–	1,386
Profit for the period	–	–	–
Other comprehensive income			
Exchange gains on retranslation of foreign operations	–	–	–
Total comprehensive income for the period	–	–	–
Balance at 31 October 2014	3,587	1,112	11,741
Share options granted	–	–	–
Exercise of share options	–	–	–
Purchase of treasury shares	–	–	–
Deferred tax movement on share options	–	–	–
ESOP trust	–	–	–
Equity dividends paid	–	–	–
Transactions with owners	–	–	–
Profit for the period	–	–	–
Other comprehensive income			
Exchange gains on retranslation of foreign operations	–	–	–
Total comprehensive income for the period	–	–	–
At 31 October 2015	3,587	1,112	11,741

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

	Treasury reserve £000	Share options reserve £000	Merger reserve £000	ESOP trust £000	Foreign currency retranslation reserve £000	Retained earnings £000	Total £000
	(12)	1,955	1,294	(142)	145	26,486	44,686
	–	–	–	–	–	–	1,480
	–	365	–	–	–	–	365
	8	(684)	–	–	–	663	(13)
	(997)	–	–	–	–	–	(997)
	–	–	–	–	–	(21)	(21)
	–	–	–	(71)	–	–	(71)
	–	–	–	–	–	(2,575)	(2,575)
	(989)	(319)	–	(71)	–	(1,933)	(1,832)
	–	–	–	–	–	5,843	5,843
	–	–	–	–	(107)	–	(107)
	–	–	–	–	(107)	5,843	5,736
	(1,001)	1,636	1,294	(213)	38	30,396	48,590
	–	309	–	–	–	–	309
	–	(45)	–	–	–	–	(45)
	(270)	–	–	–	–	–	(270)
	–	–	–	–	–	199	199
	–	–	–	(29)	–	–	(29)
	–	–	–	–	–	(2,668)	(2,668)
	(270)	264	–	(29)	–	(2,469)	(2,504)
	–	–	–	–	–	7,829	7,829
	–	–	–	–	(276)	–	(276)
	–	–	–	–	(276)	7,829	7,553
	(1,271)	1,900	1,294	(242)	(238)	35,756	53,639

Financial Statements

Consolidated Cash Flow Statement

At 31 October 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit for the period before taxation	9,763	7,579
Adjustments for:		
Depreciation	785	813
Amortisation	5,480	5,953
Acquisition costs	(156)	–
Finance income	(135)	(48)
Finance costs	892	856
Interest rate swap liability	–	(66)
Debt issue costs amortisation	100	233
Share option costs	309	365
Movement in receivables	(7,070)	(1,300)
Movement in payables	(225)	(1,078)
Cash generated by operations	9,743	13,307
Tax on profit paid	(1,670)	(1,807)
Net cash from operating activities	8,073	11,500
Cash flows from investing activities		
Acquisition of subsidiaries	(9,350)	(1,586)
Cash acquired on acquisition of subsidiaries	433	93
Purchase of property, plant and equipment	(559)	(909)
Purchase of intangible assets	(1,826)	(1,647)
Finance income	135	48
Net cash used in investing activities	(11,167)	(4,001)
Cash flows from financing activities		
Interest paid	(579)	(892)
New loans	13,000	22,000
Loan related costs	(178)	(532)
Loan repayments	(7,538)	(23,337)
Equity dividends paid	(2,668)	(2,575)
Purchase of own shares	(344)	(1,084)
Sale of own shares	–	1,483
Net cash flows from financing activities	1,693	(4,937)
Net movement on cash and cash equivalents	(1,401)	2,562
Cash and cash equivalents at the beginning of the period	5,855	3,399
Exchange gains on cash and cash equivalents	(370)	(106)
Cash and cash equivalents at the end of the period	4,084	5,855

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

Notes to the Accounts

For the year ended 31 October 2015

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 24 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, for which effective dates have not been announced for EU-adopted IFRS, are not expected to have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 19 (revised) – Defined Benefits – Employee Contributions
- IFRIC 21 Levies
- Annual Improvements 2010 – 2012
- Annual Improvements 2011 – 2013

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:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- Amendments to IAS 19 (revised) – Defined Benefits – Employee Contributions
- Amendments to IAS 27 (revised) – Separate Financial Statements
- Amendments to IAS 28 (revised) – Investments in Associates and Joint Ventures
- Amendments to IAS 32 (revised) – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 (revised) – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 (revised) – Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

1 ACCOUNTING POLICIES CONTINUED

Restatement of comparative figures

The Group have restated the consolidated balance sheet for 2014 to reflect a change in the amounts recoverable on contracts which are receivable in greater than one year. Amounts recoverable on contracts are included in trade and other receivables and represent revenue recognised in excess of payments on account. The Group have reclassified £994k from current assets into non-current assets following a review of the 2014 balances.

The Group have revised the adjusted earnings per share calculation to conform to common practice within the industry. The calculation now adjusts for amortisation on acquired intangibles, acquisition costs, restructuring costs and the tax effect on these. The impact of this is a reduction in the 2014 adjusted EPS from 3.25p to 2.80p and a reduction in the adjusted diluted EPS from 3.11p to 2.68p.

During 2015, the Facilities Management team was transferred from the EIM division to the PSS division. As a result of this, the comparative figures for 2014 have been restated to show Facilities Management results within the PSS division within segmental analysis. This resulted in a transfer of segment profit of £927,000 from EIM to PSS for 2014.

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. Furthermore, management must 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 has given consideration to the length of time that its own software is typically used within its market. In addition, management reviewed competitor products and the length of time they had also been in use.

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. 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.

(iv) Revenue recognition

The Group recognises 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. 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. Subsidiaries are those entities over which the Group has the power to control the financial and operating policies. Idox plc obtains and exercises control over all of its subsidiaries through ownership of 100% of the voting rights.

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.

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. 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 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 are 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.

Notes to the Accounts continued

For the year ended 31 October 2015

1 ACCOUNTING POLICIES CONTINUED

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.

Management have reviewed the requirements of IFRS 15 Revenue from Contracts from Customers which will replace IAS 18 in the financial year commencing 1 November 2017 and they do not expect this to result in any significant changes to the Group's revenue recognition policies.

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 comprises 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 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 and Reading Room Limited. 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 and Reading Room 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 20, 10 and 5 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, 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 and Cloud Amber 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 5 and 10 years. Software also includes software licences purchased which are amortised using the straight line method over a period of 3 years.

(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.

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

1 ACCOUNTING POLICIES CONTINUED

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

Useful economic lives and residual values are reviewed annually.

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.
- "Merger reserve" which 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.
- "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.

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.

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.

Notes to the Accounts continued

For the year ended 31 October 2015

1 ACCOUNTING POLICIES CONTINUED

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.

Capital policy

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 a capital structure that optimises 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 or issue new shares.

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 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.

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

As at 31 October 2015, the Group is primarily organised into two main operating segments, which are detailed below.

Financial information is reported to the chief operating decision maker, which comprises the Chief Executive Officer, the Chief Financial Officer and the Chief Operating 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) – 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. It also supplies in the UK and internationally, decision support content such as grants and planning policy information and corporates compliance services.
- Engineering Information Management (EIM) – delivers engineering document control and project collaboration to many leading companies in industries such as oil & gas, architecture and construction, mining, utilities, pharmaceuticals and transportation in North America and around the world

During 2015 the Facilities Management team was transferred from the EIM division to the PSS division. As a result of this, the comparative figures for 2014 have been restated to show Facilities Management results within the PSS division. This resulted in a transfer of segment profit of £927,000 from EIM to PSS for 2014.

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.

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	2015 £000	2014 £000
United Kingdom	41,463	41,628
USA	6,987	10,051
Europe	12,804	7,519
Australia	617	595
Rest of World	704	884
	62,575	60,677

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

Revenues by type	2015 £000	2014 £000
Recurring revenues	27,613	29,173
Non-recurring revenues	34,962	31,504
	62,575	60,677

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

2 SEGMENTAL ANALYSIS CONTINUED

The segment results by business unit for the year ended 31 October 2015 are as follows:

	PSS £000	EIM £000	Total operations £000
Revenues from external customers	48,969	13,606	62,575
Cost of sales	(5,022)	(1,662)	(6,684)
Gross profit	43,947	11,944	55,891
Administrative expenses	(27,974)	(9,702)	(37,676)
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs and restructuring costs	15,973	2,242	18,215
Depreciation	(656)	(129)	(785)
Amortisation	(4,124)	(1,356)	(5,480)
Restructuring	(610)	(415)	(1,025)
Acquisition costs	34	–	34
Share option costs	(422)	7	(415)
Profit before interest and taxation	10,195	349	10,544
Finance income	(23)	428	405
Finance costs	(214)	(8)	(222)
Segment profit (see reconciliation below)	9,958	769	10,727

The segment results by business unit for the year ended 31 October 2014 are as follows:

	Restated PSS £000	Restated EIM £000	Restated Total operations £000
Revenues from external customers	43,336	17,341	60,677
Cost of sales	(4,739)	(1,674)	(6,413)
Gross profit	38,597	15,667	54,264
Administrative expenses	(25,699)	(12,172)	(37,871)
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs and restructuring costs	12,898	3,495	16,393
Depreciation	(671)	(142)	(813)
Amortisation	(4,695)	(1,258)	(5,953)
Restructuring	(183)	(182)	(365)
Acquisition costs	(144)	(4)	(148)
Share option costs	(322)	(145)	(467)
Profit before interest and taxation	6,883	1,764	8,647
Finance income	45	3	48
Finance costs	114	(86)	28
Segment profit (see reconciliation below)	7,042	1,681	8,723

Reconciliations of reportable profit	2015 £000	2014 £000
Total profit for reportable segments	10,727	8,723
Corporate finance costs	–	(157)
Net financial costs	(964)	(987)
Profit before taxation	9,763	7,579

Net financial costs relate to Group bank loan interest, bank facility fee amortisation and fair value gain on financial derivatives which have not been included in reportable segments. Corporate finance costs are in relation to the banking facility which was opened during 2014.

3 OPERATING PROFIT FOR THE YEAR

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

	2015 £000	2014 £000
Auditor's remuneration:		
Fees payable to the Company Auditor for the audit of the parent Company and consolidated annual accounts	54	53
The audit of the Company's subsidiaries, pursuant to legislation	60	55
Other services pursuant to legislation	33	40
	147	148
Tax services – compliance	35	49
Tax services – advisory	3	2
Operating lease rentals – buildings & equipment	1,176	1,071
Depreciation – owned	785	813
Amortisation of intangibles	5,480	5,953
Equity-settled share-based payments	415	467
Research & development costs	4,114	5,473

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2015 £000	2014 £000
Wages and salaries	25,633	25,599
Social security costs	2,744	2,558
Pension costs	921	1,014
	29,298	29,171

During the year share based payment charges of £415,000 (2014: £467,000) were incurred.

During the year the Group incurred restructuring costs of £1,025,000 (2014: £365,000). The restructuring costs represent redundancy payments to former staff.

The average number of employees of the Group during the year was 572 (2014: 554) and was made up as follows:

	2015 No.	2014 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	24	23
Sales	40	59
Development	101	115
Operations	407	357
	572	554

Remuneration in respect of Directors was as follows:

	2015 £000	2014 £000
Emoluments	802	624
Pension contributions	9	5
Share based payment charge	134	116
	945	745

In addition to the remuneration stated above, the Group incurred social security costs in respect of Directors of £103,000 (2014: £79,000).

During the year no directors exercised share options. During 2014 Richard Kellett-Clarke exercised share options resulting in a taxable gain of £827,000.

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

	2015 £000	2014 £000
Aggregate emoluments	371	333
Pension contributions	–	–
	371	333

During the year the Group incurred social security costs in respect of the highest paid director of £50,000 (2014: £44,000).

During the year the highest paid director did not exercise any share options (2014: £827,000).

Details of the remuneration for each Director are included in the remuneration report which can be found on pages 25 to 27 but does not form part of the audited accounts.

5 ACQUISITION COSTS AND CORPORATE FINANCE 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 23.

Acquisition costs

	2015 £000	2014 £000
Acquisition costs	(122)	(148)
Release of contingent consideration	156	–
	34	(148)

Acquisition costs in 2015 included a £156,000 release of the Digital Spirit GmbH contingent consideration as the consideration conditions were not met.

Corporate finance costs in the prior year were in relation to bank financing costs which were expensed in the period.

6 FINANCE INCOME AND COSTS

	2015 £000	2014 £000
Interest receivable	2	4
Fair value gain on financial liabilities recognised in profit or loss	–	66
Dividends receivable	16	17
Foreign exchange differences	310	119
Other income	117	27
Finance income	445	233
Bank loans interest payable	(714)	(724)
Bank charges and loan facility fees	(358)	(393)
Fair value loss on financial assets recognised in profit or loss	(154)	(27)
Finance costs	(1,226)	(1,144)

7 DIVIDENDS

	2015 £000	2014 £000
Final dividend paid in respect of the year ended 31 October 2014 and 31 October 2013	1,512	1,417
Pence per ordinary share	0.425p	0.40p
Interim dividend paid in respect of the year ended 31 October 2015 and 31 October 2014	1,156	1,158
Pence per ordinary share	0.325p	0.325p

The Directors have proposed the payment of a final dividend of 0.525p per share, which would amount to £1,867,000 (2014: 0.425p).

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

8 INCOME TAX

The tax charge is made up as follows:

	2015 £000	2014 £000
Current tax		
UK corporation tax on profits for the period	2,310	1,439
Foreign tax on overseas companies	498	489
Over provision in respect of prior periods	(259)	(75)
Total current tax	2,549	1,853
Deferred tax		
Origination and reversal of temporary differences	(555)	(4)
Adjustment for rate change	–	(104)
Adjustments in respect of prior periods	(60)	(9)
Total deferred tax	(615)	(117)
Total tax charge	1,934	1,736

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:

	2015 £000	% ETR movement	2014 £000	% ETR Movement
Profit before taxation on continuing operations	9,763		7,579	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014: 21.83%)	1,953	20.00	1,654	21.83
Effects of:				
Share option deduction	84	0.86	(325)	(4.29)
International losses not recognised	3	0.03	166	2.19
Other timing differences	150	1.54	222	2.93
Expenses not deductible for tax purposes	103	1.06	52	0.69
Prior year over-provision	(330)	(3.38)	(77)	(1.02)
Non-taxable income	(46)	(0.47)	(4)	(0.05)
Adjustment for tax rate differences in foreign jurisdictions	85	0.86	40	0.53
R&D enhanced relief	(99)	(1.01)	(6)	(0.08)
Foreign tax suffered	31	0.31	14	0.18
	1,934	19.80	1,736	22.91

The effective tax rate for the period was 19.80% (2014: 22.91%). Work performed during 2015 resulted in a large overprovision which was reversed during the year. This work related primarily to the Group R&D tax claim which lowered the tax liability on 2014 profits, reflected in a lower effective tax rate for 2015. The higher effective tax rate in 2014 was due to higher anticipated tax on UK profits following the unwind of all UK trading losses in 2013, alongside partial derecognition of deferred tax assets in the US. Another factor decreasing the tax rate in 2015 is an increase in the R&D provision following detailed work performed during the year.

Movement on trading losses during 2015 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 2014	–	3,289	3,289	658
Recognised during the year	397	(693)	(296)	(59)
Utilised during the year	(397)	(315)	(712)	(143)
	–	2,281	2,281	456
Unrecognised trading losses				
Losses not recognised	–	(131)	(131)	(26)
	–	(131)	(131)	(26)

As noted above, no UK trading losses were brought forward to 2015. Additional losses were uncovered on finalisation of the 2014 UK corporation tax returns following an increase in identified R&D qualifying expenditure. This resulted in additional losses of £397,000, all of which were utilised in 2015. The foreign losses utilised during the year of £315,000 occurred mainly in France with a small element utilised in the US. The foreign losses derecognised in the year of £693,000 all relate to the US. The decision was made to derecognise these assets following uncertainty over their future utilisation. Across the year the total deferred tax asset in respect of unrelieved trading losses has decreased from £658,000 to £456,000.

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

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:

	2015 £000	2014 £000
Profit for the year	7,829	5,843
Basic earnings per share		
Weighted average number of shares in issue	354,730,817	353,448,442
Basic earnings per share	2.21p	1.65p
Weighted average number of shares in issue	354,730,817	353,448,442
Add back:		
Treasury shares	2,863,552	1,005,841
ESOP shares	1,139,245	1,263,989
Weighted average allotted, called up and fully paid share capital	358,733,614	355,718,272
Diluted earnings per share		
Weighted average number of shares in issue used in basic earnings per share calculation	354,730,817	353,448,442
Dilutive share options	17,234,828	15,015,960
Weighted average number of shares in issue used in dilutive earnings per share calculation	371,965,645	368,464,402
Diluted earnings per share	2.10p	1.59p

	2015 £000	Restated 2014 £000
Adjusted earnings per share		
Profit for the year	7,829	5,843
Add back:		
Amortisation on acquired intangibles	3,778	4,569
Acquisition costs	(34)	148
Restructuring costs	1,025	365
Tax effect	(961)	(1,036)
Adjusted profit for year	11,637	9,889
Weighted average number of shares in issue – basic	354,730,817	353,448,442
Weighted average number of shares in issue – diluted	371,965,645	368,464,402
Adjusted earnings per share	3.28p	2.80p
Adjusted diluted earnings per share	3.13p	2.68p

10 PROPERTY, PLANT AND EQUIPMENT

	Computer hardware £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Library books and journals £000	Total £000
Cost					
At 1 November 2013	856	177	11	214	1,258
Additions	587	273	–	78	938
Additions on acquisition	459	44	–	–	503
Disposals	(47)	–	–	(56)	(103)
At 31 October 2014	1,855	494	11	236	2,596
Additions	464	20	–	72	556
Additions on acquisition	132	198	–	–	330
Internal reallocation to intangible assets	(432)	–	–	–	(432)
Disposals	(1,010)	(198)	(11)	(124)	(1,343)
At 31 October 2015	1,009	514	–	184	1,707
Depreciation					
At 1 November 2013	240	23	10	135	408
Provided in the year	609	134	1	69	813
Eliminated on disposal	(18)	–	–	(56)	(74)
At 31 October 2014	831	157	11	148	1,147
Provided in the year	536	140	–	109	785
Eliminated on disposal	(996)	(195)	(11)	(124)	(1,326)
Fair value adjustment	22	2	–	–	24
At 31 October 2015	393	104	–	133	630
Net book amount at 31 October 2015	616	410	–	51	1,077
Net book amount at 31 October 2014	1,024	337	–	88	1,449

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

During the year the Group reclassified assets from computer hardware to intangible assets following the acquisition of Digital Spirit GmbH in October 2014.

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

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 2013	43,130	17,965	7,761	10,070	4,736	569	4,200	88,431
Additions	–	–	–	681	974	–	–	1,655
Additions on acquisition	739	465	206	206	–	–	–	1,616
At 31 October 2014	43,869	18,430	7,967	10,957	5,710	569	4,200	91,702
Revaluation of opening balance	–	–	–	(10)	8	–	–	(2)
At 1 November 2014	43,869	18,430	7,967	10,947	5,718	569	4,200	91,700
Additions	–	–	–	628	1,203	–	121	1,952
Additions on acquisition	4,921	3,330	1,646	739	491	–	–	11,127
Disposals	–	–	–	(599)	(25)	–	–	(624)
Internal reallocation	–	–	–	432	–	–	–	432
Fair value adjustment	301		–	(239)	(59)	–	–	3
At 31 October 2015	49,091	21,760	9,613	11,908	7,328	569	4,321	104,590
Amortisation								
At 1 November 2013	647	5,816	2,463	4,386	2,121	500	3,022	18,955
Amortisation for the year	–	1,796	764	1,522	902	54	915	5,953
At 31 October 2014	647	7,612	3,227	5,908	3,023	554	3,937	24,908
Amortisation for the year		1,724	780	1,776	956	15	229	5,480
Disposals	–	–	–	(599)	(11)	–	–	(610)
At 31 October 2015	647	9,336	4,007	7,085	3,968	569	4,166	29,778
Carrying amount at 31 October 2015	48,444	12,424	5,606	4,823	3,360	–	155	74,812
Carrying amount at 31 October 2014	43,222	10,818	4,740	5,049	2,687	15	263	66,794

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, Impairment of assets. There were no impairment charges identified as a result of this review (2014: £Nil).

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:

	2015 Remaining amortisation period (years)	Restated 2014 Remaining amortisation period (years)	2015 Carrying value £000	2014 Carrying value £000
CAPS intangibles				
Customer relationships	11.5	12.5	3,371	3,665
Trade names	11.5	12.5	1,436	1,560
Software	1.5	2.5	456	760
Plantech intangibles				
Customer relationships	12	13	694	752
Trade names	12	13	312	338
Software	2	3	168	252
J4B intangibles				
Customer relationships (project)	3.5	4.5	46	59
Trade names	3.5	4.5	71	92
Grantfinder intangibles				
Trade name	4.5	5.5	105	128
Database	–	0.5	–	15
Customer contracts and relationships	–	0.5	–	130
Order backlog	–	0.5	–	130
Strand intangibles				
Trade name	–	0.8	–	53
Software	–	0.8	–	67
Customer relationships	4.8	5.8	1,102	1,335
LAMP contracts intangibles				
Backlog order book	2	3	43	133
McLaren intangibles				
Customer relationships	5.1	6	519	621
Trade names	0.1	1	26	231
Software	0.1	1	19	173
Lalpac intangibles				
Customer relationships	5.5	6.5	905	1,069
Trade names	5.5	6.5	90	107
Software	5.5	6.5	181	213
Interactive Dialogues intangibles				
Customer relationships	6	7	211	247
Trade names	6	7	123	144
Software	6	7	247	288

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

11 INTANGIBLE ASSETS CONTINUED

	2015 Remaining amortisa tion period (years)	Restated 2014 Remaining amortisation period (years)	2015 Carrying value £000	2014 Carrying value £000
CT Space intangibles				
Customer relationships	1	2	125	250
Trade names	6	7	743	867
Software	6	7	892	1,040
Opt2Vote intangibles				
Customer relationships	1.4	2.4	217	370
Trade names	6.4	7.4	339	391
Software	6.4	7.4	451	522
Currency Connect intangibles				
Customer relationships	6.4	7.4	1,266	1,463
Trade names	6.4	7.4	167	193
Software	6.4	7.4	180	208
FMx intangibles				
Customer relationships	1.9	2.9	259	393
Trade names	6.9	7.9	154	178
Software	6.9	7.9	231	262
Artesys intangibles				
Customer relationships	–	0.4	–	4
Trade names	7.4	8.4	223	253
Software	7.4	8.4	265	301
Digital Spirit intangibles				
Customer relationships	9	10	418	460
Trade names	9	10	185	205
Software	9	10	185	205
Cloud Amber intangibles				
Customer relationships	9.7	–	993	–
Trade names	9.7	–	323	–
Software	9.7	–	484	–
Miria contracts intangibles				
Backlog order book	4.7	–	112	–
Reading Room intangibles				
Customer relationships	10	–	2,298	–
Trade names	10	–	1,309	–
Development costs	5	5	3,360	2,687
Software costs	3	3	1,064	758

The remaining amortisation period for Digital Spirit customer relationships for 2014 has been restated from 2 to 10 years to bring this in line with Group accounting policies.

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 review results on a segmental level the Group is monitoring goodwill on the same basis.

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

Cash Generating Units (CGU)	2015 £000	2014 £000
Public Sector Software	32,448	27,226
Engineering Information Management	15,996	15,996
	48,444	43,222

The recoverable amount of all CGU's 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 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 2015, 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 2014.

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 CGU:

Cash Generating Unit (CGU)	Discount rate 2015	Growth rate 2015	Discount rate 2014	Growth rate 2014
Public Sector Software	12.65%	2%	12.64%	2%
Engineering Information Management	11.93%	2%	11.92%	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.

There have been no impairment charges identified for the year ended 31 October 2015 (2014: None).

Sensitivities have been run on cash flow forecasts for all CGU's. 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. A 0% growth rate would result in the following headroom:

Cash Generating Unit (CGU)	Growth rate 0% headroom £000
Public Sector Software	70,579
Engineering Information Management	3,939

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.

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

12 DEFERRED INCOME TAX

Deferred tax assets and liabilities are summarised as follows:

	2015 £000	2014 £000
Deferred tax assets	1,649	1,570
Deferred tax liabilities (non-current)	(4,357)	(4,038)
	(2,708)	(2,468)

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

	2015 £000	2014 £000
At 1 November	(2,468)	(2,361)
Credit to income for the year	555	(20)
Adjustment for changes in rate	–	104
Prior year adjustment	66	9
Other movements	42	(5)
Charged to goodwill for the year	(1,102)	(175)
Transferred to equity	199	(20)
At 31 October	(2,708)	(2,468)

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 2013	495	412	1,175	427	2,509	(4,870)
Charge to income	(17)	(342)	(462)	1	(820)	854
Changes in rate	(24)	(20)	(56)	(20)	(120)	153
Deferred tax recognised on acquisition	–	–	1	–	1	(175)
At 31 October 2014	454	50	658	408	1,570	(4,038)
At 1 November 2014	454	50	658	408	1,570	(4,038)
Charge to income	94	(19)	(202)	7	(120)	776
Charge to equity	199	–	–	–	199	–
Changes in rate	–	–	–	–	–	–
Deferred tax recognised on acquisition	–	–	–	–	–	(1,095)
At 31 October 2015	747	31	456	415	1,649	(4,357)

13 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	2015 £000	Restated 2014 £000
Non-current:			
Amounts recoverable on contracts	14	4,956	3,256
		4,956	3,256
Current:			
Trade and other receivables	14	24,384	16,221
Cash and cash equivalents	15	4,084	5,855
		28,468	22,076

Financial liabilities	Note	2015 £000	2014 £000
Financial liabilities measured at amortised cost:			
Non-current:			
Bank borrowings	19	24,831	14,293
		24,831	14,293
Current:			
Bank borrowings	19	2,428	7,397
Trade and other payables	16	7,109	4,788
Other liabilities	17	1,303	1,639
Other liabilities at fair value through profit or loss*	17	1,200	156
		12,040	13,980

* Hierarchy 3 being inputs for the asset or liability which are not based on observable market data. The liability relates to a deferred consideration on the acquisition of Cloud Amber Limited. The prior year liability related to a deferred consideration on the acquisition of Digital Spirit GmbH which was released during 2015 as it did not become payable.

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

14 TRADE AND OTHER RECEIVABLES

	2015 £000	Restated 2014 £000
Trade receivables, gross	15,557	10,242
Allowance for credit losses	(421)	(144)
Trade receivables, net	15,136	10,098
Amounts recoverable on contracts	8,230	5,634
Other receivables	1,018	489
Financial assets	24,384	16,221
Prepayments	2,329	1,631
Non-financial assets	2,329	1,631
Trade and other receivables due within one year	26,713	17,852

	2015 £000	Restated 2014 £000
Amounts recoverable on contracts	4,956	3,256
Trade and other receivables due after one year	4,956	3,256

Amounts recoverable on contracts represent work completed and delivered to the customer, but due to the contractual payment terms have not yet been invoiced.

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

	2015	2014
Euros	€5,187,000	€2,347,000
Australian dollars	AUD30,000	AUD37,000
Emirati dirham	AED190,000	AED152,000
US dollars	$4,801,000	$2,224,000
Canadian dollars	$2,000	$1,000
Swiss Franc	CHF1,000	–

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:

	2015 £000	2014 £000
Local authorities and other public bodies	5,757	4,560
Private companies	9,800	5,682
	15,557	10,242

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

	Gross 2015 £000	Impairment 2015 £000	Gross 2014 £000	Impairment 2014 £000
Not past due	10,424	–	6,662	–
Past due 0 to 30 days	2,088	–	1,413	–
Past due 31 to 60 days	374	–	289	–
More than 61 days	2,671	421	1,878	144
	15,557	421	10,242	144

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

	2015 £000	2014 £000
At 1 November 2014	144	728
Charge for the year	98	383
Relating to acquisitions	220	-
Utilised	(41)	(967)
At 31 October 2015	421	144

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.

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

15 CASH AND CASH EQUIVALENTS

	2015 £000	2014 £000
Cash at bank and in hand	4,084	5,855
Cash and cash equivalents per cash flow statements	4,084	5,855

16 TRADE AND OTHER PAYABLES

	2015 £000	2014 £000
Trade payables	3,084	2,504
Accruals	4,025	2,284
	7,109	4,788

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

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

17 OTHER LIABILITIES

	2015 £000	2014 £000
Social security and other taxes	2,015	1,599
Other payables	2,503	1,795
Deferred income	14,565	13,255
	19,083	16,649

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 which are spread over the period, typically one year, for which the service is supplied.

18 PROVISIONS

	2015 £000	2014 £000
At 1 November 2014	18	56
Provision made during the year	17	11
Provision utilised during the year	(6)	(49)
At 31 October 2015	29	18

The opening and closing provisions relate to estimated dilapidation costs expected to arise on exit of leased properties.

19 BORROWINGS

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

	2015 £000	2014 £000
Current:		
Bank borrowings	2,428	7,397
Non-current:		
Bank borrowings	24,831	14,293
Total borrowings	27,259	21,690

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 facility consists of a term loan and a revolving credit facility.

At the balance sheet date, the term loan had an outstanding balance of £14,500,000 and during the period the loan was held the average interest rate was 3.16%.

At the balance sheet date the revolving credit facility had an outstanding balance of £13,000,000 and during the period the loan was held the average interest rate was 3.06%.

There are unamortised loan fees of £290,000 (2014: £390,000) at the balance sheet date.

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 of its subsidiaries, a guarantee supported by Idox plc and certain of its subsidiaries and a share pledge in respect of the entire issued share capital of each subsidiary Company.

The Group also has two term loans in place with Oseo, France. At the balance sheet date the total outstanding amount was £49,000 and the average interest rate paid during the period the facility was held was 6.93%.

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

20 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, short term deposits 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 which arise directly from its operations.

Risk management is carried out by the finance department under policies approved by the Board of Directors. The Group 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 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 2015 and 2014, all the Group's borrowings at variable rate were denominated in UK Sterling. If the average interest rate during the year had been 1% different, this would have had an impact of £220,000 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	2015 £000	2014 £000
Cash and cash equivalents	4,084	5,855
Trade receivables	15,136	10,098
Amounts recoverable on contracts	13,186	8,890
Other receivables	1,018	489
Financial assets at fair value	33,424	25,332

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, such a review takes 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.

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

20 RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

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 19.

As at 31 October 2015, 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
Bank borrowings	79	222	2,941	26,491	–
Trade and other payables	6,902	35	172	–	–

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	64	5,164	2,744	15,671	–
Trade and other payables	4,644	48	96	–	–

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:

	2015 £000	2014 £000
Total equity	53,639	48,590
Less unrestricted cash and cash equivalents (note 15)	(4,084)	(5,855)
	49,555	42,735
Total equity	53,639	48,590
Borrowings (note 19)	27,259	21,690
	80,898	70,280
Capital-to-overall financing ratio	0.61	0.61

21 SHARE CAPITAL

	2015 £000	2014 £000
Authorised:		
650,000,000 ordinary shares of 1p each (2014: 650,000,000)	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	3,587	3,493
Issued and allotted during the year	–	94
358,733,615 ordinary shares of 1p each (2014: 358,733,615)	3,587	3,587

Movement in issued share capital in the year

During the year to 31 October 2015, six employees exercised share options. All six exercises were cash-settled, and the Company issued no new ordinary shares during the year.

The Company has one class of ordinary shares which carry no right to fixed income.

At 31 October 2015 there were 2,093,953 (2014: 2,489,915) shares in issue under ESOP. During the year the average issue share price was 40p (2014: 39p).

At 31 October 2015 there were 3,055,219 (2014: 2,355,219) shares held in treasury.

22 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
866,000	–	200,000	–	666,000	7.50p	May 2007	May 2017
417,000	–	32,000	–	385,000	8.125p	Jun 2007	Jun 2017
275,000	–	–	–	275,000	15.00p	Dec 2007	Dec 2017
423,077	–	–	–	423,077	13.00p	Aug 2008	Aug 2018
366,667	–	–	–	366,667	15.00p	Aug 2008	Aug 2018
4,482,459	–	195,122	–	4,287,337	10.25p	Mar 2010	Mar 2020
6,750,000	–	–	–	6,750,000	20.00p	Mar 2011	Mar 2021
1,055,000	–	50,000	–	1,005,000	18.00p	Mar 2011	Mar 2021
520,000	–	82,500	7,500	430,000	35.00p	Apr 2012	Apr 2022
600,000	–	–	–	600,000	44.00p	Sep 2012	Sep 2022
450,000	–	–	–	450,000	35.75p	Jul 2013	Jul 2023
500,000	–	–	–	500,000	39.12p	Mar 2014	Mar 2024
700,000	–	–	700,000	–	39.00p	Apr 2014	Apr 2024
610,000	–	–	150,000	460,000	39.00p	Jul 2014	Jun 2024
–	1,130,000	–	–	1,130,000	38.38p	Feb 2015	Feb 2025
18,015,203	1,130,000	559,622	857,500	17,728,081			

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

22 SHARE OPTIONS CONTINUED

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

	2015		2014	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	18,015,203	19.78	26,274,006	17.17
Granted during the year	1,130,000	38.38	1,810,000	39.03
Exercised during the year	(559,622)	13.49	(9,508,801)	15.79
Lapsed during the year	(857,500)	38.97	(560,002)	27.14
Outstanding at the end of the year	17,728,081	20.23	18,015,203	19.78
Exercisable at the end of the year	17,360,025	19.86	16,940,481	18.57

The share options outstanding at the end of the year have a weighted average remaining contractual life of 5 years. The share options exercised during the year had a weighted average exercise price of 13.49p and a weighted average market price of 38.71p.

The fair values were calculated using the Black-Schöles Pricing Model and the following information:

Date of issue	Number granted No.	Weighted average share price Pence	Weighted average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Weighted average fair value at grant date £
Feb 15	1,130,000	39.88	38.38	32.50	8	0.61	1.9	0.11

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised a total charge of £311,000 (2014: £467,000) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. A charge of £205,000 (2014: £365,000) related to share options granted and £106,000 (2014: £102,000) related to share options exercised.

Long-Term Incentive Plan (LTIP)

During the year, two directors were granted options over a total of 3,600,000 shares under a new Long-Term Incentive Plan. On granting, the fair value per share was 14p. The fair values were calculated using a Monte Carlo Model and the following information:

Date of issue	Number granted No.	Weighted average share price Pence	Exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Weighted average fair value at grant date £
Mar 15	3,600,000	40.00	1.00	34.80	2.8	0.61	1.9	0.14

The vesting of the awards under the LTIP is subject to the attainment of performance conditions as described in the Report on Remuneration. Any shares which do not vest will lapse.

The Group recognised a total charge of £104,000 (2014: £Nil) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to share options granted (2014: £Nil).

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

	2015 No. of options
Outstanding at the beginning of the period	–
Granted	3,600,000
Forfeited	–
Vested	–
Outstanding at the end of the period	3,600,000
Exercisable at the end of the period	–

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

23 ACQUISITIONS

Cloud Amber Limited

On 7th July 2015 the Group acquired the entire share capital of Cloud Amber Limited for a total consideration of £4.95m in cash. Cloud Amber is a provider of solutions delivering integrated intelligence for the management and control of traffic and public transport networks. The product suite is focused on strategic highway control, local transport network management, public transport information and fleet management systems. The acquisition is complementary to Idox's solution in support of highways planning and will provide a more comprehensive solution to new and existing customers of the Group.

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

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets	491	1,802	2,293
Property, plant and equipment	4	(3)	1
Trade receivables	1,075	(107)	968
Other receivables	163	–	163
Cash at bank	347	–	347
TOTAL ASSETS	2,080	1,692	3,772
Trade payables	(758)	–	(758)
Other liabilities	(294)	–	(294)
Deferred income	(334)	(240)	(574)
Social security and other taxes	(167)	–	(167)
Deferred tax liability	–	(373)	(373)
TOTAL LIABILITIES	(1,553)	(613)	(2,166)
NET ASSETS			1,606
Purchased goodwill capitalised			3,344
Total consideration			4,950
Satisfied by:			
Cash to vendor			3,750
Earn out consideration			1,200
Total consideration			4,950

The fair values stated above are provisional based on management's best estimate. The fair value adjustment for the intangible assets includes £1,861,000 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 £59,000 in respect of intangible assets and £3,000 in relation to property, plant and equipment.

The fair value of trade receivables is equal to the gross contractual amounts receivable. An initial review of trade receivables has indicated a fair adjustment of £107,000 for bad debt provision.

The revenue included in the consolidated statement of comprehensive income since 7th July 2015, contributed by Cloud Amber was £565,000. Cloud Amber also made a loss of £133,000 for the same period. If Cloud Amber had been included from 1 November 2014, it would have contributed revenue of £2,242,000 and a loss after tax of £483,000.

The earn out period is 1 December 2014 to 30 November 2015. The earn out arrangement requires the Group to pay the former owners of Cloud Amber an amount to be determined by revenue in the earn out period, up to a maximum of £1,200,000 in cash. £1,200,000 has been recognised at the date of acquisition, which represents the fair value of the contingent consideration. At the reporting date, management's best estimate is that the full contingent consideration will be payable.

Acquisition costs of £63,000 have been written off in the consolidated statement of comprehensive income.

Reading Room Limited

On 8th October 2015 the Group acquired the entire share capital of Reading Room Limited for a total consideration of £5.6m in cash. Reading Room is an international digital consultancy with a reputation for digital innovation, strategy and delivery. Reading Room services are centred on digital change and range from full enterprise strategy development to projects related to specific aspects of digital business. The acquisition supports the Group's strategy of expansion into sector neutral content and digital platforms.

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

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets	238	3,616	3,854
Property, plant and equipment	329	–	329
Trade receivables	1,245	–	1,245
Other receivables	1,326	–	1,326
Cash at bank	86	–	86
TOTAL ASSETS	3,224	3,616	6,840
Trade payables	(384)	–	(384)
Other liabilities	(1,113)	–	(1,113)
Social security and other taxes	(597)	–	(597)
Deferred tax liability	–	(723)	(723)
TOTAL LIABILITIES	(2,094)	(723)	(2,817)
NET ASSETS			4,023
Purchased goodwill capitalised			1,577
Total consideration			5,600
Satisfied by:			
Cash to vendor			5,600
Earn out consideration			–
Total consideration			5,600

The fair values stated above are provisional, based on management's best estimate. The fair value adjustment for the intangible assets relates to customer relationships and trade names. 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 8 October 2015, contributed by Reading Room was £518,000. Reading Room also made a loss of £9,000 for the same period. If Reading Room had been included from 1 November 2014, it would have contributed revenue of £9,531,000 and a loss after tax of £179,000.

There is no earn out period for Reading Room.

Acquisition costs of £50,000 have been written off in the consolidated statement of comprehensive income.

Financial Statements

Notes to the Accounts continued

For the year ended 31 October 2015

23 ACQUISITIONS CONTINUED

Digital Spirit GmbH

During the period there have been several fair value adjustments in respect of the acquisition of Digital Spirit GmbH on 22 October 2014. The adjustments totalled £300,000.

A number of adjustments were processed to align company policies with Idox Group policies. These included £239,000 in respect of intangible assets, £24,000 in respect of property, plant and equipment, £98,000 in respect of the bad debt provision, and the release of a £102,000 guarantee provision.

There were adjustments totalling £41,000 processed in respect of pre-acquisition trading, including £48,000 for a pre-acquisition management charge.

During the period the deferred consideration relating to the acquisition was released to acquisition costs in the statement of comprehensive income as the consideration conditions were not met.

Acquisition cash flows

Acquisition cash flows in the year are as follows:

	Net cash outflow £000
Subsidiaries acquired during the year:	
Cloud Amber Limited	3,403
Reading Room Limited	5,514
	8,917

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

24 OPERATING LEASE COMMITMENTS

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

	2015 £000	2014 £000
Amounts due:		
Within one year	1,565	754
Between one and five years	4,477	1,792
After five years	1,747	58
	7,789	2,604

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

25 CAPITAL COMMITMENTS

The Group had no capital commitments at 31 October 2015 or 31 October 2014.

26 CONTINGENT LIABILITIES

There were no material Group contingent liabilities at 31 October 2015 or 31 October 2014.

27 RELATED PARTY TRANSACTIONS

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

	2015 £000	2014 £000
Salaries and other short term employee benefits	1,540	1,433
Post-employment benefits	23	32
Share-based payments	134	265
	1,697	1,730

In the year ended 31 October 2015 Martin Brooks, Chairman of Idox plc, was entitled to remuneration of £6,750 (2014: £6,750) as Chairman of Cornwall Development Company, which he elected not to take. Cornwall Development Company Ltd is a Company limited by guarantee which is wholly owned by Cornwall Council. Cornwall Council is a customer of Idox Software Limited which is a wholly owned subsidiary of Idox plc.

During the year ended 31 October 2015, the Group generated revenue of £10,000 (2014: £39,000) from De Jong & Laan Subsidieadviseurs BV. This entity was 51% owned by the Group until April 2015 when it was sold for net proceeds of £32,000.

28 POST BALANCE SHEET EVENTS

Professor Dame Wendy Hall resigned from her position of Non-Executive Director on 31 December 2015. On 6 January 2016 the Board appointed Barbara Moorhouse in her place.

Financial Statements

Independent Auditor's Report to the Members of Idox plc

For the year ended 31 October 2015

We have audited the parent Company financial statements of Idox plc for the year ended 31 October 2015 which comprise the parent Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, 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. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs and its profit for the year ended 31 October 2015;
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Other matter

We have reported separately on the Group financial statements of Idox plc for the year ended 31 October 2015.

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

18 January 2016

Company Balance Sheet

At 31 October 2015

	Note	2015 £000	2014 £000
Fixed assets			
Investments	5	84,642	73,775
Current assets			
Debtors: falling due within one year	6	131	164
Debtors: falling due after one year	6	2,039	2,064
Creditors: amounts falling due within one year	7	(36,292)	(37,408)
Net current liabilities		(34,122)	(35,180)
Total assets less current liabilities		50,520	38,595
Creditors: amounts falling due after more than one year	8	(25,000)	(14,500)
Net assets		25,520	24,095
Capital and reserves			
Called up share capital	9	3,587	3,587
Capital redemption reserve	11	1,112	1,112
Share premium account	11	11,741	11,741
Treasury reserve	11	(1,271)	(1,001)
Share option reserve	11	1,900	1,636
Profit and loss account	11	8,451	7,020
Shareholders' funds		25,520	24,095

The financial statements were approved by the Board of Directors and authorised for issue on 18 January 2016 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

Notes to the Company Financial Statements

For the year ended 31 October 2015

1 ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act, 2006. A cash flow statement has not been provided as permitted by FRS1 (Revised) Cash Flow Statements.

FRS 20 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.

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. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. 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. The Company does not apply FRS 26.

Treasury reserve

The 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.

2 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 25 to 27 but which do not form part of the audited accounts.

3 DIVIDENDS

	2015 £000	2014 £000
Final dividend paid in respect of the year ended 31 October 2014 and 31 October 2013	1,512	1,417
Pence per ordinary share	0.425p	0.40p
Interim dividend paid in respect of the year ended 31 October 2015 and 31 October 2014	1,156	1,158
Pence per ordinary share	0.325p	0.325p

The Directors have proposed the payment of a final dividend of 0.525p per share, which would amount to £1,867,000 (2014: 0.425p).

4 PROFIT FOR THE FINANCIAL YEAR

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 profit for the year was £4,099,000 (2014: £3,678,000).

5 INVESTMENTS

	Investment in Group undertakings £000
Cost or market value	
At 1 November 2014	76,832
Additions	10,867
At 31 October 2015	87,699
Impairment	
At 1 November 2014 and 31 October 2015	3,057
Net book amount	
At 31 October 2015	84,642
At 31 October 2014	73,775

Financial Statements

Notes to the Company Financial Statements continued

For the year ended 31 October 2015

5 INVESTMENTS CONTINUED

At 31 October 2015 the Company held investments in the following companies:

	Country of registration	Class of share held	Proportion held	Nature of business
i-documentsystems 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%	Software services
Reading Room Limited	England	Ordinary	100%	Software services
Reading Room London Limited	England	Ordinary	100%	Software services
Reading Room Studio Limited	England	Ordinary	100%	Software services
Reading Room Manchester Limited	England	Ordinary	100%	Software services
Interactive Dialogues NV	Belgium	Ordinary	100%	Information services
J4B Nederland BV	Holland	Ordinary	100%	Information services
Currency Connect Holdings BV	Holland	Ordinary	100%	Holding Company
Currency Connect BV	Holland	Ordinary	100%	Information services
Digital Spirit GmbH	Germany	Ordinary	100%	Software services
McLaren Software Limited	Scotland	Ordinary	100%	Software services
McLaren Software Inc	USA	Ordinary	100%	Software services
Artesys International SA	France	Ordinary	100%	Software services
CT Space GmbH	Germany	Ordinary	100%	Software services
CT Space SARL	France	Ordinary	100%	Software services
CT Space Technologies Pty	India	Ordinary	100%	Software services
Interactive Dialogues Limited	England	Ordinary	100%	Dormant Company
Uwsubsidie BV	Holland	Ordinary	100%	Dormant Company
Strand Electoral Management Services Limited	England	Ordinary	100%	Dormant Company
Strand Enterprises Limited	England	Ordinary	100%	Dormant Company
Idox Information Solutions Limited (formerly J4B Software & Publishing Limited)	England	Ordinary	100%	Dormant Company
Grantfinder Limited	England	Ordinary	100%	Dormant Company
Plantech Limited	England	Ordinary	100%	Dormant Company
Opt2Vote Limited	England	Ordinary	100%	Dormant Company
CAPS Solutions Limited	England	Ordinary	100%	Dormant Company
Lalpac Limited	England	Ordinary	100%	Dormant Company
Idox Information Services 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
FMx Limited	England	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

During the year the Company disposed of its investment in the De Jong & Laan Subsidieadviseurs BV joint venture which resulted in a gain on disposal of £32,000. The results of the joint venture have not been consolidated into the 2015 or 2014 accounts as they were immaterial.

Cloud Amber Limited draws up accounts to 30 November each year, and the Reading Room companies draw up accounts to 31 March each year.

6 DEBTORS

	2015 £000	2014 £000
Falling due within one year:		
Other debtors	131	164
Falling due after one year:		
Other debtors	190	257
Amounts owed by Group undertakings	1,849	1,807
	2,039	2,064

Included in the above for the Company is £1,849,000 (2014: £1,807,000) owed by Group undertakings which is due after more than one year. The Directors consider this loan to be recoverable.

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Bank loan	2,500	7,500
Amounts owed to Group undertakings	32,213	29,421
Other creditors	1,345	314
Accruals and deferred income	234	173
	36,292	37,408

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £000	2014 £000
Bank loan	25,000	14,500

At the balance sheet date the Company had two loan facilities in place through a two-bank facility with Royal Bank of Scotland and Silicon Valley Bank. These banking facilities consist of a term loan and a revolving credit facility.

At the balance sheet date, the term loan had an outstanding balance of £14,500,000 and during the period the loan was held the average interest rate was 3.16%.

At the balance sheet date the revolving credit facility had an outstanding balance of £13,000,000 and during the period the loan was held the average interest rate was 3.06%.

There are unamortised loan fees of £290,000 (2014: £390,000) at the balance sheet date.

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 of its subsidiaries, a guarantee supported by Idox plc and certain of its 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 Company's borrowing is not significantly different to the carrying value.

Financial Statements

Notes to the Company Financial Statements continued

For the year ended 31 October 2015

9 SHARE CAPITAL

	2015 £000	2014 £000
Authorised:		
650,000,000 ordinary shares of 1p each (2014: 650,000,000)	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	3,587	3,493
Issued and allotted during the year	–	94
358,733,615 ordinary shares of 1p each (2014: 358,733,615)	3,587	3,587

Movement in issued share capital in the year

During the year to 31 October 2015, six employees exercised share options. All six exercises were cash-settled, and the Company issued no new ordinary shares during the year.

The Company has one class of ordinary shares which carry no right to fixed income.

At 31 October 2015, there were 2,093,953 (2014: 2,489,915) shares in issue under ESOP. During the year the average issue share price was 40p (2014: 39p).

At 31 October 2015 there were 3,055,219 (2014: 2,355,219) shares held in treasury.

10 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. The options are normally 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 FRS 20 "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
866,000	–	200,000	–	666,000	7.50p	May 2007	May 2017
417,000	–	32,000	–	385,000	8.125p	Jun 2007	Jun 2017
275,000	–	–	–	275,000	15.00p	Dec 2007	Dec 2017
423,077	–	–	–	423,077	13.00p	Aug 2008	Aug 2018
366,667	–	–	–	366,667	15.00p	Aug 2008	Aug 2018
4,482,459	–	195,122	–	4,287,337	10.25p	Mar 2010	Mar 2020
6,750,000	–	–	–	6,750,000	20.00p	Mar 2011	Mar 2021
1,055,000	–	50,000	–	1,005,000	18.00p	Mar 2011	Mar 2021
520,000	–	82,500	7,500	430,000	35.00p	Apr 2012	Apr 2022
600,000	–	–	–	600,000	44.00p	Sep 2012	Sep 2022
450,000	–	–	–	450,000	35.75p	Jul 2013	Jul 2023
500,000	–	–	–	500,000	39.12p	Mar 2014	Mar 2024
700,000	–	–	700,000	–	39.00p	Apr 2014	Apr 2024
610,000	–	–	150,000	460,000	39.00p	Jul 2014	Jun 2024
–	1,130,000	–	–	1,130,000	38.38p	Feb 2015	Feb 2025
18,015,203	1,130,000	559,622	857,500	17,728,081			

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

	2015		2014	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	18,015,203	19.78	26,274,006	17.17
Granted during the year	1,130,000	38.38	1,810,000	39.03
Exercised during the year	(559,622)	13.49	(9,508,801)	15.79
Lapsed during the year	(857,500)	38.97	(560,002)	27.14
Outstanding at the end of the year	17,728,081	20.23	18,015,203	19.78
Exercisable at the end of the year	17,360,025	19.86	16,940,481	18.57

The share options outstanding at the end of the year have a weighted average remaining contractual life of 5 years. The share options exercised during the year had a weighted average exercise price of 13.49p and a weighted average market price of 38.71p.

The fair values were calculated using the Black-Schöles Pricing Model and the following information:

Date of issue	Number granted No.	Weighted average share price Pence	Weighted average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Weighted average fair value at grant date £
Feb 15	1,130,000	39.88	38.38	32.50	8	0.61	1.9	0.11

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised a total charge of £311,000 (2014: £467,000) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. A charge of £205,000 (2014: £365,000) related to share options granted and £106,000 (2014: £102,000) 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.

Financial Statements

Notes to the Company Financial Statements continued

For the year ended 31 October 2015

10 SHARE OPTIONS CONTINUED

Long-Term Incentive Plan (LTIP)

During the year, two directors were granted options over a total of 3,600,000 shares under a new Long-Term Incentive Plan. On granting, the fair value per share was 14p. The fair values were calculated using a Monte Carlo Model and the following information:

Date of issue	Number granted No.	Weighted average share price Pence	Exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Weighted average fair value at grant date £
Mar 15	3,600,000	40.00	1.00	34.80	2.8	0.61	1.9	0.14

The vesting of the awards under the LTIP is subject to the attainment of performance conditions as described in the Report on Remuneration. Any shares which do not vest will lapse.

The Group recognised a total charge of £104,000 (2014: £Nil) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to share options granted (2014: £Nil).

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

	2015 No. of options
Outstanding at the beginning of the period	–
Granted	3,600,000
Forfeited	–
Vested	–
Outstanding at the end of the period	3,600,000
Exercisable at the end of the period	–

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

11 SHARE PREMIUM ACCOUNT AND RESERVES

	Capital redemption reserve £000	Share premium account £000	Treasury reserve £000	Share option reserve £000	Profit and loss account £000	Total £000
At 1 November 2014	1,112	11,741	(1,001)	1,636	7,020	20,508
Share options reserve movement	–	–	–	264	–	264
Shares repurchased	–	–	(270)	–	–	(270)
Dividends paid	–	–	–	–	(2,668)	(2,668)
Profit for the year	–	–	–	–	4,099	4,099
At 31 October 2015	1,112	11,741	(1,271)	1,900	8,451	21,933

The capital redemption reserve for the Group and the Company was created during 2003 when the entire deferred ordinary share capital was bought in exchange for one ordinary 1p share. Other reserves relate to the issued share capital and share premium account in the Company's subsidiary undertaking, Idox Software Limited, and has been treated in accordance with FRS 6 under merger accounting. The share options reserve represents shares to be issued on potential exercise of those share options that have been accounted for under FRS 20 (IFRS 2) Share Based Payments.

The purpose of the treasury reserve is to enable the Board to issue share options to employees.

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £000	2014 £000
Profit for the financial year	4,099	3,678
Issue of share capital	–	1,480
Dividends paid	(2,668)	(2,575)
Exercise of options from treasury reserve	–	2
Treasury shares purchased	(270)	(997)
Shares option reserve movement	264	(319)
Net increase in shareholders' funds	1,425	1,269
Shareholders' funds at 1 November 2014	24,095	22,826
Shareholders' funds at 31 October 2015	25,520	24,095

13 RELATED PARTY DISCLOSURES

As the parent company of a wholly-owned Group, the Company is exempt from the requirements of FRS 8 to disclose transactions with other members of the Group headed by Idox plc.

As in the prior year, no transactions with other related parties, including key management personnel, were undertaken with the Company.

Company Information

For the year ended 31 October 2015

Secretary and Registered Office:	J Mackie 2nd Floor 1310 Waterside Arlington Business Park Theale Reading RG7 4SA
Nominated Advisor and Broker:	N+1 Singer 1 Bartholomew Lane London EC2N 2AX
Auditor:	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 1AP
Corporate Solicitors:	Memery Crystal 44 Southampton Buildings London WC2A 1AP
Registrars:	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA
Financial PR:	MHP Communications 6 Agar Street London WC2N 4HN
Company Registration Number:	03984070

Designed and produced by
ACCRUE FULTON
www.accruefulton.com