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COMPANIES HOUSE 05/05/2006

IDOX plc

Annual Report & Accounts 2005

software • information solutions • recruitment

Financial and Operational Highlights

For the year ended 31 October 2005

- **Turnover up 48% to £14.16m** (2004: £9.56m)
- **Profit before tax up 878% to £0.88m** (2004: profit £0.09m)
- **Cash up 69% to £4.72m** (2004: £2.80m)
- **Earnings per share up 270% to 0.85p** (2004: 0.23p)
- **Completion of core development of new Electronic Document and Records Management System and accreditation by The National Archive**
- **The Board is confident of the Company's cash generation and will take steps to facilitate payment of a regular dividend in calendar 2005/2006.**

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Chairman's Statement

For the year ended 31 October 2005

I am delighted to announce a strong set of results for the year ended 31 October 2005, during which significant and sustainable profits were achieved by IDOX plc at pre and post tax level, accompanied by excellent cash generation. These results, together with a strong sales pipeline, give the Board sufficient confidence in the business going forward to anticipate the declaration of a dividend during 2006. This will require a reduction in the share capital for which shareholder and legal approval will be sought at the next Annual General Meeting of the Group. As a result of the improvement in trading performance the Group recognised the deferred tax asset which resulted in a one off gain to the profit and loss account.

The Group's three business lines, Software, Information Solutions and Recruitment, have all made considerable progress during the period under review. The local authority market remains the Group's primary focus whilst it continues to develop its presence in the wider public sector with relationships gained through the companies the Group has acquired. The strength of IDOX's information and knowledge management capability, combined with its technical expertise, provides IDOX with a solid platform from which to further extend its innovative information solutions in the public and, where appropriate, the private sector.

During the year, significant steps have been taken in an ongoing process to strengthen the business ready for the

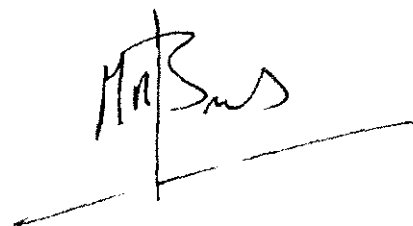
next stage of IDOX's development. These include:

- A strategy review testing our assumptions; we have confirmed our belief in the public sector and our information solutions approach and we will continue to look to identify strategic opportunities to accelerate IDOX's growth strategy
- A focus on organic growth, profitability, efficiency and cost control; some benefit has been recognised during this reporting period and there will be continued focus on this next year
- Strengthening the depth of the executive team through the appointment of Richard Kellett-Clarke as Chief Financial Officer and Richard Pinder as Group Sales and Marketing Director
- A comprehensive review of remuneration benefits and incentives undertaken by independent remuneration consultants, with a view to helping the Board achieve the optimum alignment between shareholder and employee interests
- The enhancement of a more formalised risk management process in line with recognised good practice
- The move to modern London offices, on expiry of the existing lease, which will aid efficiency, working of multi-disciplined teams and provide better facilities for customers and staff alike.

Looking to the coming year, it is the Group's intention to continue to build on the success of the past year and continue to pursue organic growth and resultant profits while seeking suitable acquisitions that fit its strategic business and stringent integration criteria.

It remains for me to thank our customers, suppliers and dedicated colleagues in the Company for helping IDOX to achieve such a successful and transforming year.

Martin Brooks
Chairman
9 December 2005



...we have confirmed
our belief in the public
sector and our information
solutions approach...

Chief Executive's Report

For the year ended 31 October 2005

Financial Review

IDOX revenues increased from £9.56 million to £14.16 million, an increase of 48% overall, for the twelve months ended 31 October 2005. Profit before tax amounted to £0.88 million (2004: profit of £0.09 million). Earnings per share was 0.85 pence (2004: 0.23 pence). Net cash at 31 October 2005 amounted to £4.72 million (2004: £2.80 million). IDOX Software and Information Services increased its annualised recurring revenue from £2.56 million at the end of October 2004 to £2.92 million at 31 October 2005.

Market Dynamics

The Group has continued to expand within the local authority market and now has a presence in over 45% of the 468 local authorities in the UK, with considerable scope to increase revenues per client. We have broadened and deepened our offering in this market, strengthening our position as a provider of corporate-wide information management solutions. In the last 12 months the Group has provided various software, information and knowledge management services to over 172 central government departments and agencies. The opportunity pipeline *for our products and services continues* to grow and the expected cross-selling opportunities among our business divisions have begun to materialise.

The drive for efficiency and effectiveness, the Freedom of Information Act, the Children's Bill, Priority Service Outcomes, the e-Government deadlines and other similar initiatives continue

to create opportunities for the Group within local authorities and the wider public sector. The approval this year of our Records Management Software product by The National Archives has further strengthened our position in local authorities and will open new opportunities in other government departments and agencies.

The unique combination of services built through acquisition and organically has continued to add revenues with growing interest in information architecture and our content auditing skills. The blend of our technical consultancy skills and our information consulting capability in this area is beginning to develop new offerings such as a content audit tool which semi-automates the content auditing process, reducing the cost and improving the results. As the volume of content accumulates within organisations the ability to manage, track and control this becomes a significant problem and we believe the skills base, products and services IDOX has built represent a significant opportunity.

Product and Service Offerings

The Group's respective business lines have made considerable progress during the period. The local authority market remained the primary sector with 46% of the Group's revenue. IDOX continued to strengthen its presence in the wider public sector as a result of relationships *gained through the companies the Group* acquired. This part of the business now represents 27% of the Group's revenues.

IDOX drives 27% of its business from the private sector which will continue to develop in specific areas, such as professional services, which have proven successful.

Software

The Software line of our business develops document and records management software, electronic forms and web publishing solutions to capture and deliver information via the web. Workflow is used to distribute information around an organisation, be it an e-form filled in by a member of the public or a scanned document. In addition to selling our software, the IDOX approach has been to use these technology platforms to build solutions to meet specific vertical requirements, such as the UK Planning Managed Service. This 'software as a service' model enables IDOX to manage the delivery of the product and services on behalf of the client. To date, 21 local authorities outsource to us the

administration and presentation of their planning applications on the web.

We are particularly pleased with The National Archives accreditation of IDOX's Records Management Software product. This product will provide IDOX's customers with the tools to manage their information assets better and hence comply with relevant legislation. To date there are only 11 companies with this UK accreditation. This state of the art J2EE application, designed using the very latest software development techniques, provides significant technical and operational benefits to our clients in managing their information assets.

This year the Software teams have also expanded the way in which our technology is used within a Revenues and Benefits department, working in partnership with Tonbridge and Malling Borough Council to build the next generation of products to meet the specific needs of this complex,

IDOX is now positioned
as a leading provider of
information management
services and software in the
UK public sector.

Chief Executive's Report cont'd

For the year ended 31 October 2005

process-orientated environment. Together with our work to extend the product in partnership with existing customers for Housing and Social Services departments, the team have undoubtedly completed the suite of products needed to deliver corporate solutions to local government. This achievement provides the Group with the ability to deliver larger contracts and the potential to address more information management needs of its existing customers, creating bigger opportunities from its growing customer base.

Further new business opportunities in the wider public sector continue to materialise, such as the recent e-forms implementations in the Metropolitan Police and the Kent Police. The British Transport Police have recently subscribed to the IDOX Information Service, demonstrating the potential wider appeal of our solutions outside the local authority market. As we grow and develop relationships in the wider public sector we will continue to find new cross-selling opportunities for all of our business lines.

Information Solutions

IDOX's Information Solutions capability includes advisory and training services focused on information and knowledge management, content provision for the public sector arena and information orientated projects. These information projects typically combine the Group's products and services to deliver a particular outcome for a client.

We continue to expand our electronic library content to meet the needs of new customers. For example, NHS Scotland has commissioned us to source, abstract and add full text material on health inequalities and, as a consequence of four police forces joining the service, we now source additional content to suit their needs. Such developments benefit all of our subscribers with new content as well as bringing in specific new revenue.

We continue to develop our particular expertise in planning, development and regeneration through several information orientated projects for the Office of the Deputy Prime Minister, English Partnerships, Communities Scotland and the new Academy for Sustainable Communities. Our outsourced library service is now enabling us to create and manage specialist web-based libraries for a range of public sector clients.

In response to client demand we have combined our consultancy expertise in content management and information architecture with our technical capability to develop a new web and content management audit service. Our team has developed specialist tools and techniques to identify and collect large quantities of content across many different platforms, clean it, structure it and migrate it to new platforms, making it easier to access and manage.

This unique blend of advice, content and technology has earned the Group

recognition as a major information and knowledge management specialist within local and central government and their agencies.

Recruitment

The focus for the Recruitment team is to find and place information professionals to deliver knowledge management, information management and records management projects - this might be for interim management and project teams, permanent or temporary posts.

Contract recruitment revenues, from placing interim managers, temporary staff and project teams, was the area of strongest growth on the previous year. IDOX's recruitment strength is its horizontal approach, helping clients in all sectors recruit knowledge, information, content and records management staff. In the last year the division has seen considerable movement of people with private sector experience into the public and not-for-profit sectors where the demand for information and records skills has been high.

We anticipate continued strong demand from all sectors in the coming year and were particularly encouraged by the increase in the number of registered vacancies from the private sector in the last three months of our financial year.

The recruitment teams will be working with other parts of the Group to further extend revenues in the areas of web and content management and information

architecture; areas where roles require strong technical capability combined with traditional information management skills. During the last 12 months we have seen a growing interest in the value-added services that we provide, including career counselling, career management and career workshops to support employees experiencing change in the workplace.

Strategic Alliances

The Group will continue to develop strategic partnerships, where appropriate, in order to widen its offering to the public sector and other markets. Discussions are regularly held with other potential partners and we do expect to announce contracts with new partner organisations in coming months.

Personnel

The Group's employees totalled 139 at 31 October 2005, virtually unchanged compared with 140 at 31 October 2004. This is the result of completing core development projects and the redeployment of resources to customer facing roles. The Group possesses a team and infrastructure capable of delivering and managing continued business growth.

Strategy and Outlook

The Group concentrates on the delivery of Information and Knowledge management solutions in the local authority market while continuing to develop client base in the wider public sector. The focus of our work is on helping clients manage their information assets more efficiently, particularly unstructured data. As the

Chief Executive's Report cont'd

For the year ended 31 October 2005

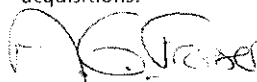
volume and diversity of information continues to grow, organisations have significant issues to overcome, be that legislation, compliance, efficiency or maximising the use of the information assets held. A shortage of qualified expertise in the market gives the Group confidence that we will be able to continue our growth in our chosen fields and market.

It is anticipated that over the next few years, as both local and central government bodies continue to deliver their e-Government programmes those established suppliers, such as IDOX, will have to adapt to efficiency and cost-saving drivers. The new initiatives such as the Gershon Efficiency Review aim to reduce expenditure on administration. IDOX believes it is ideally suited to continue assisting with improvements in efficiency, albeit under the Transformational Government Agenda.

The Group has positioned itself to take advantage of the need to deliver efficient content management solutions by uniquely being able to supply not just the software but the three key components needed:

- 'fit for purpose' software products
- the skills and know-how for content delivery
- the people to deliver consistency in order to gain a return on investment.

The Group is continuing to augment its product and service offering and gain market share, delivering increased revenues and profitability through organic growth and appropriate accretive acquisitions.



Andrew Fraser
Chief Executive
9 December 2005

2005 has been a transformational year for IDOX

Board of Directors

For the year ended 31 October 2005

Chairman:

Martin Brooks (Aged 55)

Martin Brooks was CEO of Financial Times Information, now FT Interactive, the world's leading supplier of securities valuation data (1994-98). Prior to that he was MD of Extel Financial Ltd., part of a career spanning over 25 years in information, publishing and IT. He chaired the publishing arm of The Institute of Chartered Accountants in England and Wales until 2002. He currently chairs the Trustees of the Camelot Foundation, the grant-giving charity working with disadvantaged young people, funded by Camelot Group plc. He is an independent Non-Executive Director.

Chief Executive Officer:

Andrew Fraser (Aged 48)

Andrew Fraser was appointed CEO of IDOX in 1999. He has held senior sales and marketing positions with a number of multinational blue-chip IT companies including Wang, Unisys and Honeywell. Andrew has considerable IT knowledge and experience, having been involved in information technology in various senior technical and managerial roles since the 1970s. Since joining IDOX as CEO the company has floated on AIM in 2000, made 3 successful acquisitions and continues to grow.

Chief Financial Officer:

Richard Kellett-Clarke (Aged 51)

Richard Kellett-Clarke has over 20 years of directorial experience. He was most recently Finance Director of Brady plc. Prior to this he was Managing Director of AFX NEWS Ltd. He has held a variety of finance directorships with companies such as Extel Financial Ltd, Eurotherm Ltd (now part of InvenSys plc), and Pickwick Group plc, as well as IT Director of Financial Times Information.

Non-Executive Director:

Rt. Hon. Peter Lilley MP (Aged 62)

Peter Lilley, MP for Hitchin and Harpenden, held two major cabinet posts in the last Conservative Government. He was Parliamentary Private Secretary to Ministers for Local Government from 1983-84. He was appointed Secretary of State for Trade and Industry from 1990-92, becoming Secretary of State for Social Security from 1992-97. He was previously a Director of Greenwell Montagu Limited. He is currently a Non-Executive Director of JP Morgan Flemings Claverhouse Investment Trust and a Member of the Advisory Board of the School of Management at the University of Southampton. He is the senior independent Non-Executive Director.

Non-Executive Director:

John Wisbey (Aged 49)

John Wisbey is Chairman and CEO of Lombard Risk Management plc, an AIM quoted company which is a specialist supplier of risk management, regulatory and valuation software and services to banks, hedge funds and the energy sector. He is the former Chairman of IDOX. He started his career at Kleinwort Benson and held various positions there including Head of Option Trading and a Director in the Swaps Group.

Non-Executive Director:

Christopher Wright (Aged 48)

Christopher Wright was Global Head of Dresdner Kleinwort Capital. He is now a Director of Merifin Capital and Advisory Director of Campbell Lutyens and Co Ltd. He is also a Non-Executive Director of Lombard Risk Management plc, Qvester VCT plc, Roper Industries Inc and other public and private companies in the USA and elsewhere. He is an independent Non-Executive Director.

Directors' Report

For the year ended 31 October 2005

The Directors are pleased to submit their report and audited accounts for the year ended 31 October 2005.

Principal Activities and Review of Business

The Company is a holding company. The principal activities of the Group are the development and supply of information and knowledge management products and services. A more detailed review of the business can be found in the Chairman's Statement and Chief Executive's Report on pages 2 to 8.

Results and Dividends

The audited accounts for the year ended 31 October 2005 are set out on pages 16 to 30. The Group's profit for the year after tax amounted to £1,576,000 (2004: £381,000). The Directors do not propose a dividend for the year.

Directors and their Interests

The Directors who served during the year and their beneficial interests in the Company's ordinary share capital were as follows:

	31 October 2005	1 November 2004
J. M. Wisbey ¹	17,073,212	16,918,212
A. G. Fraser	14,688,300	14,688,300
T. J. E. Bowen ²	1,600,000	2,334,000
R. G. Q. Kellett-Clarke ³	400,000	Nil
C. Wright	222,222	222,222
V. R. Brooks ⁴	186,046	Nil
St. Hon. P. B. Lilley VP	33,000	33,000

11,266,666 of these shares are held by Advanced Technology Trust, a trust in which John Wisbey is a beneficiary and 5,601,546 are held by Lombard Risk Management plc, a company in which John Wisbey has a major shareholding.

¹ Resigned 11 January 2005

² Appointed 1 November 2005

³ Appointed 9 February 2005

In addition to the shareholdings listed above, Andrew Fraser has been granted options over ordinary shares. Full details of these options are given in the Report on Remuneration on page 11.

In accordance with the articles of association, Andrew Fraser and Peter Lilley retired by rotation and were re-elected at the Annual General Meeting held on 10 March 2005. John Wisbey and Christopher Wright are due to retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

Details of the Directors' service contracts can be found in the Report on Remuneration on page 11.

Charitable and Political Donations

The Group made charitable donations of £1,000 and no political donations during the year (2004:nil).

Payment of Creditors

It is the Group's practice to agree credit terms with all suppliers and to pay all approved invoices within these agreed terms. The average trade creditor days for the year was 60 days (2004: 39 days).

Substantial Shareholdings

As at 29 November 2005 the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of shares	% holding
A. G. Fraser	14,688,300	7.84
Herald Investment Trust plc	14,666,667	7.83
Baronsmead VCTs	13,337,334	7.12
Advanced Technology Trust	11,266,666	6.02
Lion Trust	11,275,000	6.02
Nigel Oxbrow	7,738,376	4.13
Invesco Perpetual Smaller Company Core Fund	7,500,000	4.01
Merifin Capital N.V.	6,520,833	3.48
Nova Capital Management	6,366,667	3.40
Singer and Friedlander Investment Management	6,125,188	3.27

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.

Employee Consultation

The policy of informing and consulting with employees is maintained by means of regular team briefs and meetings as well as a monthly update report. Employees are encouraged to present their views and suggestions in respect of the Group's performance. In addition, the Group has an intranet which facilitates faster and more effective communication.

Post Balance Sheet Events

No circumstances have arisen since the balance sheet date in respect of matters which would require adjustment or disclosure in the accounts.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors and to authorise the Directors to agree their remuneration will be placed before the forthcoming Annual General Meeting of the Company.

By order of the Board

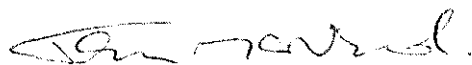
John McNicol

Company Secretary

9 December 2005

Registered office

2nd Floor, Times Square
160 Queen Victoria Street
London
EC4V 4BF



Report on Remuneration

For the year ended 31 October 2005

Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises all of the Non-Executive Directors and 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.

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 turnover and profits as well as for cash balances.

Non-Executive Directors

The Board, based on a recommendation by the Non-Executive Chairman or, in the case of the Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors. The Non-Executive Directors are not eligible to join the pension scheme.

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.

Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 10.

Share Options

The Directors believe it is important to incentivise key management and employees. The following options have been granted to the Executive Directors over ordinary 1p shares in the Company:

Director	At start of year	Granted during the year	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
Tim Bowen	1,500,000	-	-	-	1,500,000	12.75p	Nov 2001	Jun 2010
Tim Bowen	500,000	-	-	(500,000)	-	11p	Apr 2004	Oct 2012
Andrew Fraser	500,000	-	-	-	500,000	11p	Apr 2004	Oct 2012
Tim Bowen	5,000,000	-	-	-	5,000,000	10p	Sep 2004	May 2014

The mid market price of the Company's shares at close of business on 31 October 2005 was 11.25p and the high and low share prices during the year were 12.38p and 9.00p respectively.

Directors' Remuneration

	Salary £000	Bonus £000	Benefits £000	Total 2005 £000	Total 2004 £000	Pension 2005 £000	Pension 2004 £000
Executive Directors							
Andrew Fraser	118	59	11	188	169	4	4
Richard Kellett-Clarke ²	-	-	-	-	-	-	-
Tim Bowen	70	10	8	88	149	2	3
Non Executive Directors							
John Wisbey	25	-	-	25	33	-	-
Christopher Wright	16	-	-	16	16	-	-
Peter Lilley	26	-	-	26	16	-	-
Martin Brooks ³	57	-	-	57	-	-	-
	<u>312</u>	<u>69</u>	<u>19</u>	<u>400</u>	<u>383</u>	<u>6</u>	<u>7</u>

¹ resigned 11 January 2005

² appointed 1 November 2005

³ appointed 9 February 2005

Prior to being appointed a Director, Richard Kellett-Clarke provided consultancy services to the Company to the value of £46,000. The amounts in respect of pension represent money purchase pension contributions.

Corporate Governance Report

For the year ended 31 October 2005

Corporate Governance

The Group is committed to applying the highest principles of corporate governance commensurate with its size. During the year the Group adopted the Quoted Company Alliance (QCA) Corporate Governance Guidelines for AIM Companies as published in July 2005. The Group complies with the QCA Corporate Governance Guidelines except:

- Whereby the Board is currently considering performance evaluation of the Board, its committees, and its individual directors
- Whereby given the small size of the Board, not all the members of the Remuneration Committee are independent Non-Executive Directors
- Whereby given the small size of the Board, not all the members of the Audit Committee are independent Non-Executive Directors
- Whereby the Board has not disclosed the number of Board meetings and of the Committees and individual Directors' attendance at them
- Whereby the Board has not yet put in place a formal policy regarding the reporting of improprieties and their investigation.

Internal Controls

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

The key features of 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, 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
- Sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management
- The Group has an ongoing process for identifying, evaluating and managing the significant risks that it faces. This process has been in place for the year and is periodically reviewed by the Board.

The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties which need to be disclosed in the accounts.

The Board has considered the need for an internal audit function and concluded that there is no current need for such a function within the Group. In the absence of a dedicated function, internal audits are carried out cross-departmentally during the year when considered necessary. Furthermore in compliance with the Group's quality standards additional internal reviews are also carried out.

Following publication of Internal Control: Guidance for Directors on the Combined Code (the "Turnbull Guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is currently being reviewed by the Board.

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with United Kingdom company law. They are also responsible for ensuring that the Annual Report includes information required by the AIM Market Rules.

The maintenance and integrity of the Group's web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and the dissemination of the accounts and other information included in annual reports

Corporate Governance Report

For the year ended 31 October 2005

may differ from legislation in other jurisdictions.

Accounting Policies

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies and estimation techniques are appropriate in particular in relation to income recognition, research and development and deferred expenses.

International Financial Reporting Standards

The Board has continued the work begun last year on the implementation of International Financial Reporting Standards. The Directors have identified the following areas which may potentially affect the results of the Group:

Share Options – in accordance with IFRS2 there will be a profit and loss charge for share options.

Business Combinations – in accordance with IFRS3 there will be no amortisation of goodwill. An annual impairment review of the carrying value of the goodwill will be required. Any subsequent acquisitions will involve the identification and recognition of all assets. This would include intangible assets other than goodwill if their fair value can be measured reliably.

Intangible Assets – in accordance with IAS38 development expenditure that meets certain criteria must be capitalised, amortised over its useful life, and subject to annual impairment reviews.

During the forthcoming year, the Group will continue work on compliance. The Directors have given consideration as to the timing of adoption of the standards and will update shareholders in due course.

Board of Directors

The Board, comprising two Executive Directors, a Non-Executive Chairman

and three Non-Executive Directors, is responsible for the overall strategy and direction of IDOX plc as well as for approving potential acquisitions, major capital expenditure items and financing matters. The Board has a formal schedule of business reserved to it and meets regularly during the year. The Board is supplied in a timely manner with information in a form and of a suitable quality appropriate to enable it to discharge its duties. Advice from independent sources is available if required. The Board monitors exposure to key business risks and reviews the strategic direction of the Group, the annual budgets as well as their progress against those budgets.

The Board members and their roles are described on page 9. The Executive Directors have service contracts which are terminable upon six month's notice. In accordance with the Company's Articles of Association, one third of the Directors are required to retire by rotation at the Annual General Meeting.

Shareholder Relations

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.

Every shareholder is sent a full Annual Report each year end and at the half year end they are sent an Interim Report. Care is taken to ensure that any price sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements.

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

During the year, the Group adopted the QCA suggested terms of reference for the various Board committees as set out in the Corporate Governance Guidelines for AIM Companies published by the QCA in July 2005.

The Audit Committee

The Audit Committee is chaired by Christopher Wright and comprises Martin Brooks and John Wisbey. The Report of the Audit Committee Report can be found on page 14.

The Nomination Committee

The Nomination Committee is chaired by Peter Lilley and comprises all Non-Executive Directors.

The Remuneration Committee

The Remuneration Committee is chaired by Peter Lilley and comprises all Non-Executive Directors. This Committee determines the remuneration and benefits packages for the Executive Directors and any changes to the service contracts. During the year, the Committee engaged remuneration consultants to review Executive Director and senior management remuneration. The Committee also approves any share related incentive schemes within the Group.

Going Concern

The Directors have reviewed the Group's budget and cash flows for 2006 and the medium term plan produced to the year 2007 and are satisfied that it is appropriate to prepare accounts on a going concern basis.

Report of the Audit Committee

For the year ended 31 October 2005

Membership and Meetings

The Audit Committee is a committee of the Board and is comprised of Non-Executive Directors, a majority of whom the Board considers to be independent.

The Audit Committee invites the Executive Directors and other senior managers to attend its meetings as appropriate.

During the year the Audit Committee was chaired by Christopher Wright and also comprised John Wisbey and Martin Brooks. The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions.

The Audit Committee invites others, including the external auditors to attend its meetings as appropriate. The Company Secretary is the Secretary of the Audit Committee.

During the period under review, the Audit Committee met three times.

Role, Responsibilities and Terms of Reference

The Audit Committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting and internal control.

The Audit Committee's responsibilities include:

- Reviewing the integrity of the annual and interim financial statements of the Company ensuring they comply with legal requirements, accounting standards and listing rules, and any other formal announcements relating to the Company's financial performance
- Reviewing the company's internal financial control and risk management systems

- Monitoring and reviewing the requirement for an internal audit function
- Overseeing the relationship with the external auditor, including approval of their remuneration, reviewing the scope of the audit engagement, assessing their independence, monitoring the provision of non-audit services, and considering their reports on the Company's financial statements.

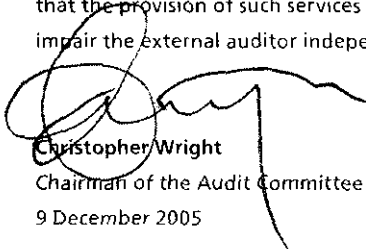
The Audit Committee operates within agreed terms of reference, which can be found on the Company's website.

Independence of External Auditors

The Audit Committee keeps under review the relationship with the external auditors including:

- The independence and objectivity of the external auditors, taking into account the relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of the non-audit services
- The consideration of audit fees and any fees for non-audit services.

The Audit Committee develops and recommends to the Board the Company's policy in relation to the provision of non-audit services by the auditors, and ensures that the provision of such services does not impair the external auditor independence.



Christopher Wright
Chairman of the Audit Committee
9 December 2005

Report of the Independent Auditors

to the members of IDOX plc

We have audited the financial statements of IDOX plc for the year ended 31 October 2005 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have

not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the annual report and accounts and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Report, the Directors' Report, the Report on Remuneration, the Corporate Governance Report and the Report of the Audit Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

Basis of Opinion

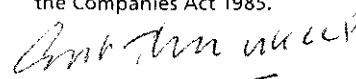
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with

sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 October 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
9 December 2005

Consolidated Profit and Loss Account

For the year ended 31 October 2005

		2005	2004
	Note	£000	£000
Turnover	2	14,155	9,555
External charges		<u>(5,048)</u>	<u>(2,636)</u>
		9,107	6,919
Staff costs	4	(5,665)	(4,778)
Other operating charges		<u>(2,685)</u>	<u>(2,134)</u>
Operating profit	3	757	7
Interest receivable		<u>119</u>	<u>82</u>
Profit on ordinary activities before taxation		876	89
Tax on profit on ordinary activities	5	<u>700</u>	<u>292</u>
Profit for the year transferred to reserves	16	<u>1,576</u>	<u>381</u>
Earnings per share - basic and diluted (pence)	7	0.85p	0.23p

All operations are attributable to continuing operations.

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

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

Consolidated Balance Sheet

At 31 October 2005

	Note	2005 £000	2004 £000
Fixed assets			
Intangible assets	8	4,602	5,265
Tangible assets	9	325	247
		<u>4,927</u>	<u>5,512</u>
Current assets			
Debtors	11	4,132	3,312
Cash at bank and in hand		4,722	2,797
		<u>8,854</u>	<u>6,109</u>
Creditors: amounts falling due within one year	12	<u>(3,960)</u>	<u>(3,266)</u>
Net current assets		<u>4,894</u>	<u>2,843</u>
Total assets less current liabilities		<u>9,821</u>	<u>8,355</u>
Creditors: amounts falling due after more than one year	13	(10)	(20)
Net assets		<u>9,811</u>	<u>8,335</u>
Capital and reserves			
Called up share capital	15	1,873	1,821
Capital redemption reserve	16	1,112	1,112
Share premium account	16	8,162	7,614
Shares to be issued	16	1,300	2,000
Other reserves	16	1,294	1,294
ESOP trust	16	(79)	(79)
Profit and loss account	16	(3,851)	(5,427)
Shareholders' funds	16	<u>9,811</u>	<u>8,335</u>

The accounts were approved by the Board of Directors on 9 December 2005.



Andrew Fraser
Chief Executive Officer



Richard Kellett-Clarke
Chief Financial Officer

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

Company Balance Sheet

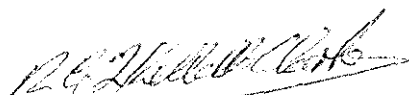
At 31 October 2005

	Note	2005 £000	2004 £000
Fixed assets			
Investments	10	7,100	7,200
Current assets			
Debtors due after one year	11	5,396	5,396
Creditors: amounts falling due within one year	12	-	-
Net current assets		<u>5,396</u>	<u>5,396</u>
Total assets less current liabilities		<u>12,496</u>	<u>12,596</u>
Capital and reserves			
Called up share capital	15	1,873	1,821
Capital redemption reserve	16	1,112	1,112
Share premium account	16	8,162	7,614
Shares to be issued	16	1,300	2,000
Profit and loss account	16	49	49
Shareholders' funds	16	<u>12,496</u>	<u>12,596</u>

The accounts were approved by the Board of Directors on 9 December 2005.



Andrew Fraser
Chief Executive Officer



Richard Kellett-Clarke
Chief Financial Officer

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

Consolidated Cash Flow Statement

For the year ended 31 October 2005

		2005	2004
	Note	£000	£000
Net cash inflow/(outflow) from operating activities	18	2,126	(801)
Returns on investments and servicing of finance			
Interest received		119	82
Net cash inflow from returns on investments and servicing of finance		119	82
Tax credit received		-	244
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(320)	(240)
Sale of tangible fixed assets		-	12
Purchase of investment (ESOP trust)		-	(51)
Net cash outflow from capital expenditure and financial investment		(320)	(279)
Acquisitions			
Purchase of companies during the year		-	(1,668)
Deferred consideration		-	(10)
Net cash balances acquired with the company		-	380
Net cash outflow from acquisitions		-	(1,298)
Financing			
Issue of shares		-	2,300
Costs for issue		-	(98)
Net cash inflow from returns on investments and servicing of finance		-	2,202
Increase in cash	19	1,925	150

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

Notes to the Accounts

For the year ended 31 October 2005

1 ACCOUNTING POLICIES

Basis of Preparation

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

Basis of Consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings (see note 10) drawn up to 31 October. The Group's subsidiary, i-documentsystems Limited, has been consolidated using merger accounting in accordance with FRS 6. All other acquisitions of subsidiaries are dealt with by the acquisition method of accounting. All inter-company transactions are eliminated on consolidation.

Turnover

Turnover represents the amounts receivable in respect of goods and services provided during the year, stated net of value added tax. Analysis of turnover by geographical market is not disclosed because in the opinion of the Directors the majority of the turnover arises in the United Kingdom and overseas sales are not material.

Revenue is measured at the fair value of the right to consideration. The Group derives its revenue streams from information and recruitment services. Information services can be further analysed into software, content and managed services. Software revenue is recognised in stages based on contract signing, delivery, configuration and client acceptance and is dependent on the percentage of completion of the Group's contractual obligations. Maintenance revenue is spread over the period of the agreement, which is typically one year. Revenue derived from the provision of 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. Revenue from managed services is recognised on a usage basis as the service is performed.

Information management recruitment revenue from permanent placements is recognised in the month when the placement starts. Revenue from contract recruitment is recognised as the service is performed.

Goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over a period of 10 years, being its estimated useful life.

Tangible Fixed Assets and Depreciation

Depreciation is provided using the following rates and bases so as to write off the cost or valuation of tangible fixed assets over their expected useful lives. The rates generally applicable are:

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

Investments

Investments are included at cost less the amounts written off.

Notes to the Accounts cont'd

For the year ended 31 October 2005

Deferred Taxation

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

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Contributions to Defined Contribution Pension Schemes

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

Research and Development

Research and development costs are written off to the profit and loss account immediately.

Financial Instruments

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

Government Grants

Where government grants are received in respect of capital expenditure, these are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets when it is reasonably certain that they will not become repayable.

Where government grants are received in respect of revenue expenditure, these are credited to the profit and loss account in the same period as the related expenditure when it is reasonably certain they will not become repayable.

Operating Leases

Amounts paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the Accounts cont'd

For the year ended 31 October 2005

2 SEGMENTAL ANALYSIS

Turnover, operating profit and net assets by class of business are set out below:

	2005 £000	2004 £000
Turnover		
Information management solutions	9,070	7,142
Information management recruitment	5,085	2,413
	<u>14,155</u>	<u>9,555</u>
Operating profit		
Information management solutions	1,005	111
Information management recruitment	315	275
	<u>1,320</u>	<u>386</u>
Goodwill amortisation	(563)	(379)
	<u>757</u>	<u>7</u>
Net assets		
Information management solutions	4,717	2,416
Information management recruitment	492	654
	<u>5,209</u>	<u>3,070</u>
Goodwill	4,602	5,265
	<u>9,811</u>	<u>8,335</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after charging/(crediting):

	2005 £000	2004 £000
Auditors' remuneration:		
Audit services	38	35
Non-audit services (review of the interim report and tax compliance)	14	12
Goodwill amortisation	563	379
(Gain)/Loss on foreign exchange translation	(1)	5
Operating lease rentals – buildings	232	250
Research and development	1,108	1,184
Depreciation:		
Tangible fixed assets, owned	242	256
Loss on disposal of fixed assets	-	1
Government grants	(23)	(67)

Notes to the Accounts cont'd

For the year ended 31 October 2005

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2005	2004
	£000	£000
Wages and salaries	5,005	4,214
Social security costs	530	466
Pension costs	130	98
	<u>5,665</u>	<u>4,778</u>

The average number of employees of the Group during the year was 141 (2004: 124):

	2005	2004
	No	No
Office and administration (including Directors of the Company and its subsidiary undertakings)	28	22
Sales	32	27
Software development	21	22
Training	4	2
Support	12	13
Information services	36	35
Advisory	8	3
	<u>141</u>	<u>124</u>

Remuneration in respect of the Company's Directors was as follows:

	2005	2004
	£000	£000
Emoluments	400	383
Pension contributions	6	7
	<u>406</u>	<u>390</u>

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

	2005	2004
	£000	£000
Aggregate emoluments	188	169
Pension contributions	4	4
	<u>192</u>	<u>173</u>

Details of the remuneration for each Director are included in the Report on Remuneration which can be found on page 11 but which do not form part of the audited accounts.

Notes to the Accounts cont'd

For the year ended 31 October 2005

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax credit is made up as follows:

	2005	2004
	£000	£000
Current tax		
UK corporation tax	2	(27)
Research and development tax credit	-	(244)
Total current tax	<u>2</u>	<u>(271)</u>
Deferred tax – origination and reversal of timing differences	(702)	(21)
Tax on profit on ordinary activities	<u>(700)</u>	<u>(292)</u>

Unrelieved trading losses of £1,974,000 (2004: £3,337,000) which, when calculated at the standard rate of corporation tax in the United Kingdom of 30%, amounts to £592,000 (2004: £1,001,000). These remain available to offset against future taxable trading profits. During the year ended 31 October 2004 £1,514,000 of tax losses relating to prior periods (years ended 31 October 2001 and 31 October 2002) were surrendered in exchange for the research and development tax credit. The tax credits may be subject to claw back by the HMRC but if this occurred 2/3 of the tax losses surrendered in respect of that year would be reinstated.

During the year the Group recognised deferred tax asset of £702,000 (2004: £21,000). This was due to the improvement in the trading performance for the past year and the strong sales pipeline for the forthcoming year.

Factors affecting the tax charge/(credit) in the period:

	2005	2004
	£000	£000
Profit on ordinary activities before taxation	<u>876</u>	<u>89</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	263	27
Effects of:		
Prior year adjustment	2	-
Expenses not deductible for tax purposes	154	22
Depreciation in excess of capital allowances	45	72
Other timing differences	(21)	19
Difference in tax rates	-	(4)
Research and development	-	(244)
Decrease in tax losses	(441)	(163)
	<u>2</u>	<u>(271)</u>

6 PROFIT FOR THE FINANCIAL YEAR

The parent Company has taken advantage of section 230 of the companies act 1985 and has not included its own profit and loss account in these financial statements. The parent Company's profit for the year was nil (2004: nil).

Notes to the Accounts cont'd

For the year ended 31 October 2005

7 EARNINGS PER SHARE

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

	2005	2004
	£000	£000
Profit for the year	1,576	381
Weighted average number of shares in issue	185,229,865	166,384,328
Dilutive effect of share options	357,474	-
Total	185,587,339	166,384,328
Earnings per share - basic and diluted (pence)	0.85p	0.23p

8 INTANGIBLE FIXED ASSETS

	Purchased goodwill
	£000
The Group	
Cost	
At 1 November 2004	5,756
Adjustment	(100)
At 31 October 2005	5,656
Amortisation	
At 1 November 2004	491
Provided in the year	563
At 31 October 2005	1,054
Net book amount at 31 October 2005	4,602
Net book amount at 31 October 2004	5,265

The adjustment to purchased goodwill relates to the acquisition of TFPL Limited which took place during the year ending 31 October 2004. The maximum deferred consideration was provided for at the time TFPL Limited was acquired. The Directors now estimate that £100,000 less will become payable. Goodwill and shares to be issued have been adjusted accordingly.

9 TANGIBLE FIXED ASSETS

	Computer hardware	Computer software	Fixtures, fittings and equipment	Library books and journals	Total
	£000	£000	£000	£000	£000
The Group					
Cost					
At 1 November 2004	758	109	270	229	1,366
Additions	110	22	82	106	320
At 31 October 2005	868	131	352	335	1,686
Depreciation					
At 1 November 2004	672	93	204	150	1,119
Provided in the year	103	29	47	63	242
At 31 October 2005	775	122	251	213	1,361
Net book amount at 31 October 2005	93	9	101	122	325
Net book amount at 31 October 2004	86	16	66	79	247

Notes to the Accounts cont'd

For the year ended 31 October 2005

10 INVESTMENTS

	Shares in Group undertakings
The Company	£000
Cost	
At 1 November 2004	7,200
Adjustment	(100)
At 31 October 2005	<u>7,100</u>
Amounts written off	
At 1 November 2004 and 31 October 2005	<u>-</u>
Net book amount	
At 31 October 2005	<u>7,100</u>
At 31 October 2004	<u>7,200</u>

The adjustment is a reduction in the investment of TFPL Limited to reflect the Directors' estimate of the amount of deferred consideration likely to become payable.

At 31 October 2005 the Company held more than 10% of the allotted share capital of the following companies:

	Country of registration	Class of share held	Proportion held	Nature of business
i-document systems Limited	England	Ordinary	100%	Software services
IDOX Information Services Limited	England	Ordinary	100%	Information services
IDOX Software Limited (formerly IDOX Limited)	England	Ordinary	100%	Dormant company
Information into Intelligence Limited	England	Ordinary	100%	Dormant company
The Planning Exchange Limited	England	Ordinary	100%	Dormant company
i-document systems Trustees Limited	England	Ordinary	100%	Corporate trustee of employee share ownership trust
Netgain Solutions Limited	England	Ordinary	100%	Dormant company
Mandoforms Limited	England	Ordinary	100%	Dormant company
TFPL Limited	England	Ordinary	100%	Information services
Wastedocs Limited	Scotland	Ordinary	100%	Dormant company

All subsidiaries have been consolidated in the accounts.

11 DEBTORS

	The Group 2005 £000	The Group 2004 £000	The Company 2005 £000	The Company 2004 £000
Trade debtors	3,118	3,062	-	-
Amounts owed by Group undertakings	-	-	5,396	5,396
Deferred tax asset	717	15	-	-
Other debtors	102	100	-	-
Prepayments and accrued income	195	135	-	-
	<u>4,132</u>	<u>3,312</u>	<u>5,396</u>	<u>5,396</u>

Included in the above for the Company is £5,396,000 (2004: £5,396,000) which is due after more than one year. The Directors consider this loan to be recoverable.

Notes to the Accounts cont'd

For the year ended 31 October 2005

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group	The Group	The Company	The Company
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade creditors	846	417	-	-
Social security and other taxes	724	683	-	-
Other creditors	200	154	-	-
Deferred consideration	10	10	-	-
Accruals and deferred income	2,180	2,002	-	-
	<u>3,960</u>	<u>3,266</u>	<u>-</u>	<u>-</u>

Included in accruals and deferred income is nil (2004: £23,000) of unamortised Government grants.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group	The Group	The Company	The Company
	2005	2004	2005	2004
	£000	£000	£000	£000
Deferred consideration	<u>10</u>	<u>20</u>	<u>-</u>	<u>-</u>

There is no interest payable on the deferred consideration.

14 FINANCIAL INSTRUMENTS

The Group does not trade in financial instruments. As permitted by FRS 13, short term debtors and creditors have been excluded from disclosures, other than the currency risk disclosures. The Group's objective in respect of financial instruments is to minimise risk through effective management of working capital, and placing surplus funds with major financial institutions.

Interest Rate Risk

	Fixed rate financial assets	Floating rate financial assets	Financial assets on which no interest is paid	Total financial assets
	£000	£000	£000	£000
Sterling financial assets at 31 October 2005	<u>-</u>	<u>4,722</u>	<u>-</u>	<u>4,722</u>
Sterling financial assets at 31 October 2004	<u>-</u>	<u>2,797</u>	<u>-</u>	<u>2,797</u>

The benchmark interest rate for determining receipts for floating rate Sterling financial assets is the Bank of England base rate. Any funds over and above the current working capital requirements of the Group are invested in high interest deposit accounts.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group has no financial liabilities other than short term creditors, accruals and deferred consideration.

Currency Risk

There are no material net monetary assets or liabilities that are not denominated in Sterling. Fair values are not materially different from book values.

Notes to the Accounts cont'd

For the year ended 31 October 2005

15 SHARE CAPITAL

	2005	2004
	£000	£000
Authorised:		
297,000,000 ordinary shares of 1p each	<u>2,970</u>	<u>2,970</u>
Allotted, called up and fully paid		
187,243,083 ordinary shares of 1p each (2004: 182,048,278)	<u>1,873</u>	<u>1,821</u>

Movement in Issued Share Capital in the Year

On 27 January 2005, a total of 5,194,805 new ordinary 1p shares (New Ordinary Shares) were issued to the Vendors of TFPL Limited, at a price of 11.55p. This share issue was part of the earnout for the acquisition of TFPL Limited. The difference between the total consideration of £600,000 and the total nominal value of £52,000 has been credited to the share premium account (£548,000). The New Ordinary Shares rank pari passu with the existing ordinary shares of the Company and represented 2.77 per cent of the enlarged issued share capital of the company at that time. The new shares started trading on the 27 January 2005 on the AIM Market of the London Stock Exchange.

Share Options

Details of share options over 1p ordinary shares are as follows:

At start of year	Granted during year	Exercised	Lapsed in year	At end of year	Exercise price	Exercise date from	Exercise date to
1,500,000	-	-	-	1,500,000	12.75p	Nov 2001	Jun 2010
1,166,667	-	-	666,667	500,000	12.00p	Dec 2003	Dec 2013
1,666,667	-	-	-	1,666,667	12.00p	Jun 2002	Dec 2012
903,224	-	-	258,065	645,159	15.50p	Jul 2004	Jul 2014
1,032,258	-	-	-	1,032,258	15.50p	Jan 2003	Jul 2013
1,677,420	-	-	258,065	1,419,355	15.50p	Oct 2004	Feb 2015
2,727,273	-	-	500,000	2,227,273	11.00p	Apr 2004	Oct 2012
608,696	-	-	434,783	173,913	11.50p	Oct 2006	Oct 2016
487,805	-	-	487,805	-	10.25p	Oct 2006	Oct 2016
<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>10.00p</u>	<u>Sep 2004</u>	<u>May 2014</u>
16,770,010	-	-	2,605,385	14,164,625			

Notes to the Accounts cont'd

For the year ended 31 October 2005

16 SHARE PREMIUM ACCOUNT AND RESERVES

	Issued share capital	Capital redemption reserve	Share premium	Shares to be issued	Other reserves	ESOP trust	Profit and loss account	Total
The Group	£000	£000	£000	£000	£000	£000	£000	£000
At 1 November 2004	1,821	1,112	7,614	2,000	1,294	(79)	(5,427)	8,335
New shares issued	52	-	548	(600)	-	-	-	-
Adjustment	-	-	-	(100)	-	-	-	(100)
Profit for the year	-	-	-	-	-	-	1,576	1,576
At 31 October 2005	<u>1,873</u>	<u>1,112</u>	<u>8,162</u>	<u>1,300</u>	<u>1,294</u>	<u>(79)</u>	<u>(3,851)</u>	<u>9,811</u>

	Issued share capital	Capital redemption reserve	Share premium	Shares to be issued	Other reserves	ESOP trust	Profit and loss account	Total
The Company	£000	£000	£000	£000	£000	£000	£000	£000
At 1 November 2004	1,821	1,112	7,614	2,000	-	-	49	12,596
New shares issued	52	-	548	(600)	-	-	-	-
Adjustment	-	-	-	(100)	-	-	-	(100)
At 31 October 2005	<u>1,873</u>	<u>1,112</u>	<u>8,162</u>	<u>1,300</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>12,496</u>

The capital redemption reserve for the Group and the Company was created during 2003 when the entire deferred ordinary share capital was bought-in in exchange for one ordinary 1p share. Shares to be issued for the Group and the Company represents provision for the amount payable in shares for the deferred contingent earnout consideration in respect of the acquisition of TFPL Limited. Other reserves relate to the issued share capital and share premium account in the Company's subsidiary undertaking, i-documentsystems Limited, and has been treated in accordance with FRS 6 under merger accounting.

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£000	£000
Profit for the financial year	1,576	381
Additions to ESOP trust	-	(51)
Shares issued	600	2,739
Shares to be issued	(600)	2,000
Adjustment in estimate of shares to be issued	(100)	-
Net increase in shareholders' funds	<u>1,476</u>	<u>5,069</u>
Shareholders' funds at 1 November 2004	<u>8,335</u>	<u>3,266</u>
Shareholders' funds at 31 October 2005	<u>9,811</u>	<u>8,335</u>

18 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2005	2004
	£000	£000
Operating profit	757	7
Depreciation	242	256
Goodwill amortisation	563	379
Goodwill adjustment	-	34
Loss on sale of fixed assets	-	1
Increase in debtors	(118)	(739)
Increase/(decrease) in creditors	<u>682</u>	<u>(739)</u>
Net cash inflow/(outflow) from operating activities	<u>2,126</u>	<u>(801)</u>

Notes to the Accounts cont'd

For the year ended 31 October 2005

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005	2004
	£000	£000
Increase in cash in the year, being movement in net funds in the year	1,925	150
Net funds at 1 November 2004	<u>2,797</u>	<u>2,647</u>
Net funds at 31 October 2005	<u>4,722</u>	<u>2,797</u>

20 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 November 2004	Cash flow	At 31 October 2005
	£000	£000	£000
Cash in hand and at bank	<u>2,797</u>	<u>1,925</u>	<u>4,722</u>

21 OPERATING LEASE COMMITMENTS

Operating lease payments amounting to £386,000 (2004: £226,000) are due within one year. The leases to which these relate, expire as follows:

	2005	2004
	Land & building	Land & building
	£000	£000
Less than one year	159	19
Between two and five years	160	140
Greater than five years	<u>67</u>	<u>67</u>
	<u>386</u>	<u>226</u>

22 CAPITAL COMMITMENTS

The Group had £189,000 of capital commitments at 31 October 2005. The Group had no material capital commitments at 31 October 2004.

23 CONTINGENT LIABILITIES

The Company has agreed to provide continuing financial support to its subsidiary undertakings, i-documentsystems Limited, IDOX Information Services Limited and TFPL Limited. There were no material Group contingent liabilities at 31 October 2005 or 31 October 2004. The deferred contingent consideration for the acquisition of TFPL Limited has been provided for in the accounts.

24 PENSIONS

Contributions paid to a Group Personal Pension plan, to which all qualifying employees are entitled to join, are charged to the profit and loss account in the period in which they become payable.

25 TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the year ended 31 October 2005 (2004: nil).

26 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

IDOX plc Offering at a glance

software

IDOX Software comprises nine web applications (Document Management, Records Management, Knowledge Management, Workflow, Web Access, Online XML Forms, XML Services and Management Reporting, Mobile) developed on a J2EE framework which can be installed independently or integrated with other systems.

IDOX Software's key market, local government, is installing the software in new and existing departments as well as on an enterprise-wide basis. Our strong presence in Planning departments continues to bring major opportunities as well as growth from Revenues & Benefits, Housing and Social Services departments. 2005 saw IDOX achieve the TNA2002 (The National Archives) accreditation for its Records Management Module. Compliance with this stringent standard means that existing and new customers, have future-proofed their investment in enterprise-wide Electronic Document and Records Management.

IDOX continues to work in partnership with its local authority clients to grow its Managed Services expertise. UKPlanning delivers Planning & Building Control departments with a cost effective, efficient and risk free means of *administering applications and realising e-Planning targets quickly*. Applications are scanned and indexed, or completed online, and published on the council's websites and www.UKPlanning.com for public review and comment.

information solutions

Our expert information advisors work with clients in the public and private sectors to complete projects in all areas of knowledge, information, library, records and web content management. They facilitate and advise clients on the development of, or implementation of, information management strategies, information architecture, metadata frameworks, taxonomies, content audits, building communities and implementing technology. This has involved IDOX working with the NHS, Police forces, HMRC and other Government Departments.

Training courses in all aspects of knowledge, information and records management are offered to clients under the IDOX and TFPL brands by our Information Professional training team. We also develop bespoke awareness and learning programmes for groups of clients. The IDOX Information Service encompasses information on everything from forward planning and development control issues, to the e-Government and Modernisation Agenda, from enterprise development to lifelong learning, and from social inclusion issues to health and housing. This is used by central and local government, professional firms and organisations with an interest in local government governance and best practice. The content of the *Information Library* is available through membership but is also used to fulfil many different kinds of information provision and structuring projects.

In conclusion, the Information Solutions line of business combines our advisory, recruitment, training, software and content skills which deliver bespoke solutions on a project or managed service basis to organisations looking to build information services or portals for their users.

recruitment

TFPL recruitment services include executive search and the placement of permanent, interim management and contract personnel in all positions requiring knowledge, information, library, records or web content management skills and experience.

In the past year the division has seen strong demand for records management professionals and has worked with a variety of organisations such as legal firms, Government departments and local authorities to supply senior management staff as well as complete teams with expertise in knowledge and content systems and services.

This year IDOX has expanded the recruitment services and TFPL now provides advice on restructuring, career counselling, staff development and has recently built a new presence from the Manchester office.

Company Information

Secretary and Registered Office:	D J McNicol 2nd Floor, Times Square 160 Queen Victoria Street London EC4V 4BF
Nominated Advisor and Broker:	Noble & Company Limited 120 Old Broad Street London EC2N 1AR
Auditors:	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Corporate Solicitors:	Memery Crystal 44 Southampton Buildings London WC2A 1AP
Registrars:	Park Circus Registrars James Sellars House 2nd Floor, 144 West George Street Glasgow G2 2HG
Public Relations:	Cardew Group 12 Suffolk Street London SW1Y 4HG
Company Registration Number:	3984070

Financial Calendar:	Annual General Meeting - February 2006 Announcement of 2006 Interim Results - June 2006 Announcement of 2006 Annual Report - December 2006
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