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IDOX plc

Annual Report & Accounts 2006

Financial and Operational Highlights

- **Turnover down 8% to £13.03m** (2005: £14.16m)
- **Cash up 2% to £4.83m** (2005: 4.72m)
- **Loss before tax £0.52m, including one-off reorganisation costs of £0.30m** (2005: profit £0.88m)
- **£0.75m cost savings implemented with potential to rise to £1.0m**
- **Completed business review and implementing refocused strategy**

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Chairman and Chief Executive's Report

For the year ended ended 31 October 2006

We ended the 2006 financial year in a much more encouraging way than we began. Trading earlier in the year precipitated a number of actions by senior management following a root and branch review of the entire business and its cost structure. We finished the year with a strong net cash position of £4.83 million compared to £4.72 million for the previous year. We intend as promised to propose the declaration of a maiden dividend payable in 2007.

The board have taken the following actions:

- Completed the review of all the businesses within the Group
- Identified £0.75 million annual cost savings with part implemented in 2006 and the balance of the benefit expected in 2007, with the potential to increase this to £1.0 million
- Re-organised the business into three clearly defined divisions with full attribution of all operating costs
- Re-affirmed a corporate strategy concentrating on the core IDOX Software businesses and the intention to therefore divest non-core businesses, including recruitment, which although excellent in their respective markets will be better and more swiftly developed with greater cross-selling potential and synergy by others having this as their primary area of focus
- Undertaken specific product and service quality and performance improvements, particularly in the Software and Solutions division
- Consistent with the terms of my appointment, the Company is initiating a search for a permanent Chief Executive Officer.

Financial Review

Consolidated revenues were £13.03 million, 8.0% down on the previous year of £14.16 million. A loss before tax, including one-off reorganisation costs of £0.30 million, of £0.52 million compared with the prior year's profit of £0.88 million.

Excluding goodwill and the exceptional staff cost the Company made a small profit before tax of £0.36 million compared to £1.45 million for the previous year.

Software and Information Solutions increased annualised recurring revenue to £3.09 million from £2.92 million.

At 31 October 2006 the net cash balance of the Company increased to £4.83 million (2005 £4.72 million).

Markets

Throughout the year there was a pronounced slowdown in decision-making and purchasing by local authorities. This has also been noted publicly by other system suppliers in our chosen markets. This appears to have reversed itself in the last two months.

There was also a slowdown in both the learning and consultancy activities of the Information Solutions business. However there were some indications of recovery towards the end of the financial year when we completed work on a number of large central government contracts.

The recruitment market shifted markedly towards permanent and direct appointments in the middle of the year, away from contract recruitment. Towards the end of the year we have seen signs of renewed recovery in contract work while retaining the same level of permanent assignments.

Operational Review

Software Solutions

The software business has had a frustratingly difficult year as a result of the overall slowdown of market growth following the formal end of the e-Government initiative. Operational issues in implementing new business, and technical issues with some new product offerings had to be addressed and were largely resolved in the second half. It is encouraging to note that the business continues to record strong sales to its existing customers. Greater emphasis is now being placed on improvements in quality and service to our clients and improved product releases.

During the year the division completed and has received customer acceptance for its e-licensing, e-building control modules, as well as its innovative revenue & benefits system.

Information Solutions

The local authority and library services and their project teams had another successful year.

The division started the year with strong sales but at much reduced margins in some areas, weaker than expected participation on training courses, and low utilisation rates for its in-house consultants. This, plus the loss of some key staff, and less favourable market conditions, resulted in revenues falling under budget and below the prior year levels at the half-year point. The business has, however, made a good recovery in the second half with some important account "wins" and much improved margins and staff utilisation: ending the year with full-year revenues broadly flat year–on-year and with margins restored to historical levels.

The business proposition has now been extended to provide broader consultancy services for electronic content management as well as the traditional areas of knowledge and information management.

Recruitment

The market for information professionals has remained generally strong with good growth in permanent appointments and direct engagement replacing the previous year's growth in contract recruitment. However, the change in mix caused combined revenues to decline by 10.4% despite permanent recruitment rising 63.7% above prior year levels. The division's gross margin improved to 40.5% compared to 32.9% last year.

The strong performance in the first half has continued through to the second half along with early signs of an improvement in contract placements as well. In addition to strengthening the permanent recruitment team in the first half, the division has added its first specialist IT recruiter and is looking to extend its offering in this area in 2007.

We have looked closely at consultant productivity and invested in a specialist recruitment system, which will go live by the end of Q1 and is expected to improve productivity, customer care and candidate experience.

Personnel

The average number of employees was 150 compared to 141 in the previous year. The re-organisation reduced the headcount by 12.

Senior Management and Succession

I would like to extend the thanks of the board to Nigel Oxbrow, founder of TFPL Limited, which was acquired by IDOX in 2004, who stepped down as an executive director at the end of October, but who will remain a non-executive director of IDOX where we will continue to benefit from his advice.

As I mentioned in the interim report, Andrew Fraser resigned in June as Chief Executive Officer of IDOX, after seven years with the Group and the board thanks him for his contribution to the growth of the Group.

I have indicated to the board that I am prepared to complete the process of reorganisation and recovery and re-set the strategic direction of the business as acting Chief Executive Officer.

Outlook

The new trading year has started positively both in terms of orders and revenues, although it is too early to pronounce this as a trend.

The board believes there are further opportunities in all three divisions for growth and improvement in trading performance. The markets for all three divisions are expected to show long-term growth. The improvements made in all three divisions are expected to show through during the new trading year.

Strategy

In 2007 management will concentrate

further on strengthening operations, product delivery and profitability while looking for opportunities in the software and related government market place allowing for both organic growth and acquisition. As noted above, the board feels, however, that the recruitment and related assets, while excellent in their respective markets and capable of further organic growth, will be better supported within another organisation which has these activities as its primary focus. We have therefore instructed our advisors to pursue strategic options in order to optimise the value of these assets to our shareholders.

We have recognised the need for a clearly focused strategy emphasising and building upon our local authority relationships. Consistent with this we are actively pursuing consolidation opportunities in this core business activity.

Dividend Policy

The business has been restructured to permit the payment of a dividend. We propose a dividend of 0.05p per share to be declared and paid to shareholders. This will be proposed at the Annual General Meeting scheduled to take place on 22 February 2007 and, subject to shareholder approval, paid on 23 March 2007.

Conclusion

The board believes that a renewed commercial focus on the local authority software business is the best way of re-building shareholder value and greatly simplifying what has been historically a confusing investor story.

IDOX has an enviable client retention rate and customer base in local authorities and is expanding out from the traditional strong position in planning to be a corporate solution and we are encouraged by our successes to date in bringing a more effective solution to the revenue and benefits field.

I would like to thank our staff and former colleagues who have left us for their skill, dedication and support during this last challenging year.

Martin Brooks
Chairman and Chief Executive Officer
8 December 2006

IDOX has an enviable client retention rate and customer base in local authorities

Board of Directors

For the year ended 31 October 2006

Chairman and Chief Executive Officer:
Martin Brooks (Aged 56)
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.

Group Finance Director:
Richard Kellett-Clarke (Aged 52)
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:
Christopher Wright (Aged 49)
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, Quester VCT plc, Roper Industries Inc and other public and private companies in the USA and elsewhere. He is an independent Non-Executive Director of IDOX.

Non-Executive Director:
Rt. Hon. Peter Lilley MP (Aged 63)
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 is a Non-Executive Director of JP Morgan Flemings Claverhouse Investment Trust plc, Melchior Japan Investment Trust plc, Tethys Petroleum Ltd 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 of IDOX.

Non-Executive Director:
John Wisbey (Aged 50)
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:
Nigel Oxbrow (Aged 53)
Nigel Oxbrow founded TFPL Ltd in 1987, a professional services company specialising in knowledge and information management. Working with clients in all sectors he built the company through to its acquisition by IDOX plc in May 2004. He continued to run the business for over two years before moving into a non-executive role in November 2006. He has always been professionally active and as well as acting as an advisor to the UK Government, BSI and various universities, he has also held leading roles in the key knowledge and information management professional bodies in the UK, US and Europe.

Directors' Report

For the year ended ended 31 October 2006

The Directors are pleased to submit their report and audited accounts for the year ended 31 October 2006.

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 and Chief Executive's Report on pages 2 to 5.

Results and Dividends

The audited accounts for the year ended 31 October 2006 are set out on pages 17 to 31. The Group's loss for the year after tax amounted to £987,000 (2005: profit £1,576,000). The Directors propose to pay a dividend of 0.05 pence per share in the first half of the 2007 financial year.

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:

	31 October 2006	1 November 2005
J M Wisbey [1]	17,273,212	17,073,212
A G Fraser	14,699,209	14,688,300
C Wright	222,222	222,222
Rt. Hon. P B Lilley MP	163,000	33,000
M R Brooks	554,840	186,046
R G Q Kellett-Clarke	600,000	400,000
N Oxbrow	14,610,768	7,738,376

[1] 11,266,666 (2005: 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 (2005: 5,601,546) are held by Lombard Risk Management plc, a company in which John Wisbey has a major shareholding.

Andrew Fraser resigned on 6 June 2006. Nigel Oxbrow was appointed to the board on 6 June 2006.

In addition to the shareholdings listed above, Andrew Fraser has been granted options over ordinary shares in the prior periods. Full details of these options are given in the Report on Remuneration on pages 11 to 12.

In accordance with the articles of association, John Wisbey and Christopher Wright retired by rotation and were re-elected at the Annual General Meeting held on 22 February 2006. Martin Brooks and Peter Lilley are due to retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. Nigel Oxbrow was appointed a director by the board after the last Annual General Meeting and will also offer himself for re-election at the Annual General Meeting.

Details of the Directors' service contracts can be found in the Report on Remuneration on pages 11 to 12.

Charitable and Political Donations

The Group made charitable donations of £1,000 (2005: £1,000) and no political donations during the year (2005: £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 were 42 days (2005: 61 days).

Directors' Report cont'd

For the year ended ended 31 October 2006

Substantial Shareholdings

As at 6 December 2006 the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of shares	% Holding
J M Wisbey [1]	17,273,212	8.85
A G Fraser	14,699,209	7.53
Herald Investment Trust plc	14,666,667	7.51
N Oxbrow	14,610,768	7.48
Baronsmead VCTs	13,337,334	6.83
Lion Trust	11,275,000	5.77
Invesco Perpetual Smaller Company Core Fund	7,500,000	3.84
Merifin Capital N.V. [2]	6,520,833	3.34
Nova Capital Management	6,366,667	3.26
Singer and Friedlander Investment Management	6,125,188	3.14

[1] 11,266,666 (2005: 11,266,666) of these shares are held in Advanced Technology Trust in which John Wisbey is a beneficiary and 5,601,546 (2005: 5,601,546) are held by Lombard Risk Management plc, a company in which John Wisbey has a major shareholding.

[2] Christopher Wright is a director of an affiliate of Merifin Capital Group N.V.

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. 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.

During the year a new Share Investment Plan was introduced 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.

Financial Risk Management Objectives and Policies

The Group uses various financial instruments which include cash, equity investments 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 risk arising from the Group's financial instruments is credit risk. The directors review this risk on an ongoing basis. This policy has remained unchanged from previous years.

Credit Risk

The Group's principal financial assets are cash and trade debtors. 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 debtors.

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.

Directors' Report cont'd

For the year ended ended 31 October 2006

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.

Interest Rate Risk

Any funds over and above the current working capital requirements of the Group are invested in high interest deposit accounts.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Group include the following:

- 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.
- Economic – the recruitment area of the business activity could be adversely affected by a slowdown in the economic environment.
- Competitors – the Group has a number of competitors for its software products. To mitigate this risk, the Group continues to invest in and develop its software.

Key Performance Indicators

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

Indicator	2006	2005	Measure
Turnover (£000)	*13,031*	*14,155*	
Profitability ratios			
Gross margin	**66%**	**64%**	Gross profit as a percentage of turnover
EBITDA margin	1%	11%	Profit before interest, tax, depreciation, and amortisation as a percentage of turnover
Liquidity ratio			
Current ratio	2.01	1.82	Current assets divided by current liabilities
Other indicator			
Debtors days	70.03	80.40	Year end trade debtors divided by turnover, multiplied by 365 days

Non-financial indicators	
Quality Management	The IDOX Group operates a quality policy that has been accredited to ISO *9001:2000 for the development and sale of products for document, content and* information management, providing innovative e-government and e-business solutions that allow the delivery of information to the citizen and customers *across the internet, extranet or intranet.*
Environmental Management	The IDOX Group operates an environmental management system that has been assessed and approved to accredited to BS EN ISO 14001:2004, the approved systems applying to the following: the development and sale of products for document, content and information management, providing innovative e-government and e-business solutions that allow the delivery of information to the citizen and customers across the internet, extranet or intranet.

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.

Directors' Report cont'd

For the year ended ended 31 October 2006

Disclosure of Information to Auditors

In the case of each of the persons who were Directors of the Company at the date when this report was approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware
- he has taken all steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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
8 December 2006

Registered office
2nd Floor
160 Queen Victoria Street
London
EC4V 4BF

Report on Remuneration

For the year ended ended 31 October 2006

Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises three Non-Executive Directors. 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.

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.

Directors' Remuneration

	Salary	Bonus	Benefits	Compensation For loss of office	Total 2006	Total 2005	Pension 2006	Pension 2005
	£000	£000	£000	£000	£000	£000	£000	£000
Executive Directors								
Andrew Fraser [1]	75	-	6	135	216	188	2	4
Richard Kellett-Clarke	110	-	9	-	119	-	-	-
Martin Brooks [2]	93	-	-	-	93	57	-	-
Tim Bowen [4]	-	-	-	-	-	88	-	2
Non Executive Directors								
John Wisbey	16	-	-	-	16	25	-	-
Christopher Wright	16	-	-	-	16	16	-	-
Peter Lilley	16	-	-	-	16	26	-	-
Nigel Oxbrow [3]	42	-	1	-	43	-	1	-
	368	-	16	135	519	400	3	6

[1] resigned 6 June 2006

[2] appointed acting Chief Executive Officer 6 June 2006 and continued as Chairman throughout 2006

[3] appointed 6 June 2006

[4] resigned 11 January 2005

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

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. The Non-Executive Directors are not eligible to join the pension scheme. Nigel Oxbrow received pension contributions whilst he continued to carry out executive responsibilities for TFPL Limited.

Report on Remuneration

For the year ended ended 31 October 2006

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. The acting Chief Executive Officer will remain in position until a successor is appointed.

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
Andrew Fraser	500,000	-	-		500,000	11p	Apr 2004	Oct 2012
Tim Bowen	1,500,000	-	-	-	1,500,000	12.75p	Nov 2001	Jun 2010
Tim Bowen	5,000,000	-	-	-	5,000,000	10p	Sep 2004	May 2014
Totals	**7,000,000**	-	-	-	**7,000,000**			

The mid market price of the Company's shares at close of business on 31 October 2006 was 6.25p and the high and low share prices during the year were 14.25p and 6.25p respectively.

Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 7.

Corporate Governance Report

For the year ended ended 31 October 2006

Corporate Governance

The Group is committed to applying the highest principles of corporate governance commensurate with its size. During the previous 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
- given the small size of the Board, not all the members of the Remuneration Committee are independent Non-Executive Directors
- given the small size of the Board, not all members of the Audit Committee are independent Non-Executive Directors
- the Board has not disclosed the number of Board meetings and of the Committees and individual Directors' attendance at them

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 figures 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 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
- 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 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, one member of staff has undergone internal audit training and ad hoc internal audit projects have been carried out cross-departmentally during the year. Furthermore in compliance with the Group's quality standards, additional internal reviews are 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 regularly reviewed by the Board and is consistent with the Turnbull Guidance.

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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 website.

Legislation in the United Kingdom governing the preparation and the dissemination of the accounts and other information included in annual reports may differ from legislation in other jurisdictions.

Corporate Governance Report

For the year ended ended 31 October 2006

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 ("IFRS"). The Directors have identified the following areas which may potentially affect the results of the Group:

- 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.

The Group will adopt IFRS for the year ending 31 October 2008. Interim reporting for April 2008 will be prepared under IFRS. Further planning regarding this, including the provision of comparative figures, will take place in the forthcoming year.

Board of Directors

The Board, comprising the Chairman and Chief Executive Officer, one Executive Director and four 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 6. The acting Chief Executive Officer will remain in position until a successor is appointed. 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.

The Group has adopted the QCA suggested terms of reference for the various Board committees.

The Audit Committee

The Audit Committee is chaired by Christopher Wright and includes Peter Lilley and John Wisbey. The Audit Committee report can be found on page 15.

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 includes John Wisbey and Christopher Wright. This Committee determines the remuneration and benefits packages for the Executive Directors and any changes to the service contracts. During the year, external remuneration consultants completed a review of 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 2007 and the medium term plan produced to the year 2008 and are satisfied that it is appropriate to prepare accounts on a going concern basis.

Report of the Audit Committee

For the year ended ended 31 October 2006

Membership and Meetings

The Audit Committee is a committee of the Board and is comprised of three Non-Executive Directors; Christopher Wright, John Wisbey and Peter Lilley.

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

The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions.

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:

- review the integrity of the annual and interim financial statements of the Group ensuring they comply with legal requirements, accounting standards and AIM rules, and any other formal announcements relating to the Group's financial performance
- to review the Group's internal financial control and risk management systems
- monitor and review the requirement for an internal audit function
- to review the arrangements for staff to whistle-blow on financial reporting and other matters
- safeguard the auditor's objectivity and independence when non-audit services are provided
- oversee the relationship with the external auditor, including approval of their remuneration, agreeing the scope of the audit engagement, assessing their independence, monitoring the provision of non-audit services, and considering their reports on the Group'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 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 Group'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
8 December 2006

Report of the Independent Auditors to the members of IDOX plc

We have audited the Group and parent Company financial statements ("the financial statements") of IDOX plc for the year ended 31 October 2006 which comprise the consolidated profit and loss account, consolidated and Company balance sheets, consolidated cash flow statement and notes 1 to 28. 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 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 auditors

The directors' responsibilities for preparing the Annual Report in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman and Chief Executive's Report, the Board of Directors, 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. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 October 2006 and of the group's loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 October 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
8 December 2006

Consolidated Profit and Loss Account

For the year ended ended 31 October 2006

	Note	2006	2005
		£000	£000
Turnover	2	13,031	14,155
External charges		(4,473)	(5,048)
		8,558	9,107
Staff costs	4	(5,931)	(5,665)
Exceptional staff costs	5	(299)	-
Other operating charges		(2,992)	(2,685)
Operating (loss)/profit	3	(664)	757
Interest receivable		149	119
(Loss)/profit on ordinary activities before taxation		(515)	876
Tax on (loss)/profit on ordinary activities	6	(472)	700
(Loss)/profit for the period transferred (from)/to reserves	18	(987)	1,576
Basic and diluted			
(Loss)/earnings per share (pence)	9	(0.51p)	0.85p

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 2006

	Note	2006 £000	2005 restated £000
Fixed assets			
Intangible assets	10	4,024	4,602
Tangible assets	11	433	325
		4,457	4,927
Current assets			
Debtors	13	3,019	4,132
Cash at bank and in hand	22	4,830	4,722
		7,849	8,854
Creditors: amounts falling due within one year	14	(3,899)	(4,860)
Net current assets		3,950	3,994
Total assets less current liabilities		8,407	8,921
Creditors: amounts falling due after more than one year	15	-	(410)
Net assets		8,407	8,511
Capital and reserves			
Called up share capital	17	1,953	1,873
Capital redemption reserve	18	1,112	1,112
Share premium account	18	820	8,162
Other reserves	18	1,294	1,294
ESOP trust	18	(96)	(79)
Profit and loss account	18	3,324	(3,851)
Shareholders' funds	18	8,407	8,511

The accounts were approved by the Board of Directors on 8 December 2006.

Martin Brooks
Chief Executive Officer

Richard Kellett-Clarke
Group Finance Director

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

Company Balance Sheet

At 31 October 2006

	Note	2006	2005 restated
		£000	£000
Fixed assets			
Investments	12	5,900	7,100
Current assets			
Debtors due after one year	13	5,196	5,396
Creditors: amounts falling due within one year	14	(200)	(900)
Net current assets		4,996	4,496
Total assets less current liabilities		10,896	11,596
Creditors: amounts falling due after more than one year	15	-	(400)
Net assets		10,896	11,196
Capital and reserves			
Called up share capital	17	1,953	1,873
Capital redemption reserve	18	1,112	1,112
Share premium account	18	820	8,162
Profit and loss account	18	7,011	49
Shareholders' funds	18	10,896	11,196

The accounts were approved by the Board of Directors on 8 December 2006.

Martin Brooks
Chief Executive Officer

Richard Kellett-Clarke
Group Finance Director

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

Consolidated Cash Flow Statement

For the year ended ended 31 October 2006

	Note	2006	2005
		£000	£000
Net cash inflow from operating activities	20	554	2,126
Returns on investments and servicing of finance			
Interest received		149	119
Net cash inflow from returns on investments and servicing of finance		149	119
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(378)	(320)
Purchase of investment (ESOP trust)		(17)	-
Net cash outflow from capital expenditure and financial investment		(395)	(320)
Acquisitions			
Deferred consideration		(200)	-
Net cash outflow from acquisitions		(200)	-
Increase in cash	21	108	1,925

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

Notes to the Accounts

For the year ended ended 31 October 2006

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.

Change in accounting policies

The principal accounting policies of the Group remain unchanged with the exception of the adoption of the following applicable accounting standards:

- FRS 21 'Events after the balance sheet date'
- FRS 22 'Earnings per share'
- FRS 25 'Financial Instruments: Disclosure and Presentation'

The adoption of the presentation requirements of FRS 25 in the year has resulted in a change in accounting policy in respect of deferred consideration payable on acquisition of a subsidiary in a prior period. Shares to be issued at 31 October 2005 are deemed to be a liability under this standard and have been transferred from equity to creditors. This change in accounting policy has had no impact on the profit and loss account in the current or prior year. The adoption of FRS 21 has resulted in the proposed dividend not being disclosed as a liability at 31 October 2006. With the exception of the above, these accounting standards have had no material impact on the current or prior year results or balance sheet positions of the Group.

Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings (see note 12) 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 software solutions, information solutions and recruitment 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 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. Revenue from managed services is recognised on a usage basis as the service is performed.

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. Where there is impairment indication, impairment reviews are carried out and any permanent impairment losses taken to the profit and loss account.

Notes to the Accounts cont'd

For the year ended ended 31 October 2006

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 for any permanent diminution in value.

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

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.

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 ended 31 October 2006

2 SEGMENTAL ANALYSIS

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

	2006	2005 restated
	£000	£000
Turnover		
Software Solutions	5,204	5,748
Information Solutions	3,271	3,322
Recruitment	4,556	5,085
	13,031	14,155
Operating (loss)/profit		
Software Solutions	286	1,243
Information Solutions	(436)	(37)
Recruitment	64	114
	(86)	1,320
Goodwill amortisation	(578)	(563)
	(664)	757
Net Assets		
Software Solutions	1,750	3,821
Information Solutions	1,100	(288)
Recruitment	1,533	376
	4,383	3,909
Goodwill	4,024	4,602
	8,407	8,511

3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2006	2005
	£000	£000
Auditors' remuneration:		
Audit services	45	38
Non-audit services (review of the interim report and tax compliance)	17	14
Goodwill amortisation	578	563
Gain on foreign exchange translation	(1)	(1)
Operating lease rentals – buildings	252	232
Research and development	871	1,108
Depreciation:		
Tangible fixed assets, owned	270	242
Government grants	-	(23)

Notes to the Accounts cont'd

For the year ended ended 31 October 2006

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2006	2005
	£000	£000
Wages and salaries	5,218	5,005
Social security costs	573	530
Pension costs	140	130
	5,931	5,665

The average number of employees of the Group during the year was 150 (2005:141):

	2006	2005
	No	No
Office and administration (including Directors of the Company and its subsidiary undertakings)	34	28
Sales	40	32
Software development	20	21
Training	4	4
Support	6	12
Information services	38	36
Advisory	8	8
	150	141

Remuneration in respect of directors was as follows:

	2006	2005
	£000	£000
Emoluments	384	400
Pension contributions	3	6
Compensation for loss of office	135	-
	522	406

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

	2006	2005
	£000	£000
Aggregate emoluments	82	188
Pension contributions	2	4
Compensation for loss of office	135	-
	219	192

Details of the remuneration for each director is included in the Report on Remuneration which can be found on pages 11 to 12 but which do not form part of the audited accounts.

5 EXCEPTIONAL STAFF COSTS

Exceptional costs of £299,000 (2005: £Nil) were incurred in the year and relate to the implementation of the Group's announced policy of restructuring and refocusing the business.

Notes to the Accounts cont'd

For the year ended ended 31 October 2006

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The tax charge/(credit) is made up as follows:

	2006	2005
	£000	£000
Current tax		
UK corporation tax	43	2
Total current tax	43	2
Deferred tax – origination and reversal of timing differences	429	(702)
Tax on (loss)/profit on ordinary activities	472	(700)

Unrelieved trading losses of £616,000 (2005: £1,976,000) which, when calculated at the standard rate of corporation tax in the United Kingdom of 30%, amounts to £185,000 (2005: £593,000). 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 HMRC but if this occurred 2/3 of the tax losses surrendered in respect of that year would be reinstated.

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

	2006	2005
	£000	£000
(Loss)/profit on ordinary activities before taxation	515	876
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	155	263
Effects of:		
Prior year adjustment	43	2
Expenses not deductible for tax purposes	164	154
Depreciation in excess of capital allowances	(9)	45
Other timing differences	9	(21)
Group relief of current year losses	(42)	-
Increase/(decrease) in tax losses	33	(441)
	43	2

Provision for deferred tax asset

Accelerated capital allowances	75	105
Other timing differences	28	19
Tax losses carried forward	185	593
Provision for deferred tax asset	288	717

There were no unprovided deferred tax assets at 31 October 2006 or 31 October 2005.

7 DEFERRED TAX ASSET

	2006	2005
	£000	£000
At 1 November 2005	717	15
Adjustment for the year	(429)	702
At 31 October 2006 (Note 13)	288	717

Notes to the Accounts cont'd

For the year ended ended 31 October 2006

8 LOSS 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 loss for the year was £1,200,000 (2005: £nil).

9 (LOSS)/EARNINGS PER SHARE

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

	2006	2005
	£000	£000
(Loss)/profit for the year	(987)	1,576
Weighted average number of shares in issue	192,517,399	185,229,865
Basic and diluted (loss)/earnings per share	(0.51p)	0.85p

The share options are anti dilutive under FRS22. Share options that would potentially dilute basic earnings per share but which were not included in the calculation because they were anti-dilutive for the periods presented are disclosed in Note 17.

10 INTANGIBLE FIXED ASSETS

	Purchased goodwill
The Group	£000
Cost	
At 1 November 2005 and 31 October 2006	5,656
Amortisation	
At 1 November 2005	1,054
Provided in the year	578
At 31 October 2006	1,632
Net book amount at 31 October 2006	4,024
Net book amount at 31 October 2005	4,602

11 TANGIBLE FIXED ASSETS

	Computer hardware	Computer software	Fixtures, fittings and equipment	Library books and journals	Total
The Group	£000	£000	£000	£000	£000
Cost					
At 1 November 2005	868	131	352	335	1,686
Additions	118	17	218	25	378
At 31 October 2006	986	148	570	360	2,064
Depreciation					
At 1 November 2005	775	122	251	213	1,361
Provided in the year	99	18	86	67	270
At 31 October 2006	874	140	337	280	1,631
Net book amount at 31 October 2006	112	8	233	80	433
Net book amount at 31 October 2005	93	9	101	122	325

Notes to the Accounts cont'd

For the year ended ended 31 October 2006

12 INVESTMENTS

The Company	Shares in Group undertaking £000
Cost	
At 1 November 2005 and 31 October 2006	7,100
Amounts written off	
At 1 November 2005	-
Provided in the year	(1,200)
At 31 October 2006	(1,200)
Net book amount at 31 October 2006	5,900
Net book amount t 31 October 2005	7,100

Due to the underperformance of TFPL Limited during the year, the directors carried out an impairment review in relation to this investment and the carrying value of this investment was written down by £1,200,000 (2005:£Nil).

At 31 October 2006 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-documentsystems 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-documentsystems Trustees Limited	England	Ordinary	100%	Corporate trustee of Employee share ownership trust
Nettgain 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.

13 DEBTORS

	The Group 2006 £000	The Group 2005 £000	The Company 2006 £000	The Company 2005 £000
Trade debtors	2,500	3,118	-	-
Amounts owed by Group undertakings	-	-	5,196	5,396
Deferred tax asset (note 7)	288	717	-	-
Other debtors	18	102	-	-
Prepayments and accrued income	213	195	-	-
	3,019	4,132	5,196	5,396

Included in the above for the Company is £5,196,000 (2005:£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 ended 31 October 2006

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2006	The Group 2005 restated	The Company 2006	The Company 2005 restated
	£000	£000	£000	£000
Trade creditors	515	846	-	-
Social security and other taxes	609	724	-	-
Other creditors	205	200	-	-
Deferred consideration	210	910	200	900
Accruals and deferred income	2,360	2,180	-	-
	3,899	4,860	200	900

The deferred consideration represents the earnout payable to the Vendors of TFPL Limited. The final tranche of the earnout, amounting to £200,000 remains payable in cash by 31 December 2006.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group 2006	The Group 2005 restated	The Company 2006	The Company 2005 restated
	£000	£000	£000	£000
Deferred consideration	-	410	-	400

16 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 2006	-	4,830	-	4,830
Sterling Financial Assets at 31 October 2005	-	4,722	-	4,722

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 ended 31 October 2006

17 SHARE CAPITAL

	2006 £000	2005 £000
Authorised:		
297,000,000 ordinary shares of 1p each	2,970	2,970
Allotted, called up and fully paid		
195,260,900 ordinary shares of 1p each (2005: 187,243,083)	1,953	1,873

Movement in Issued Share Capital in the Year

On 30 January 2006, a total of 8,017,817 new ordinary 1p shares (New Ordinary Shares) were issued to the Vendors of TFPL Limited, at a price of 11.225p per share. This share issue was part of the earnout for the acquisition of TFPL Limited. The difference between the total consideration of £900,000 and the total nominal value of £80,000, amounting to £820,000, has been credited to the share premium account. The New Ordinary Shares rank pari passu with the existing ordinary shares of the Company and represented 4.11 per cent of the enlarged issued share capital of the Company at that time. The new shares started trading on 30 January 2006 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
500,000	-	-	(333,333)	166,667	12.00p	Dec 2003	Dec 2013
1,666,667	-	-	-	1,666,667	12.00p	Jun 2002	Dec 2012
645,159	-	-	-	645,159	15.50p	Jul 2004	Jul 2014
1,032,258	-	-	(516,129)	516,129	15.50p	Jan 2003	Jul 2013
1,419,355	-	-	(387,097)	1,032,258	15.50p	Oct 2004	Feb 2015
2,227,273	-	-	(363,637)	1,863,636	11.00p	Apr 2004	Oct 2012
173,913	-	-	-	173,913	11.50p	Oct 2006	Oct 2016
5,000,000	-	-	-	5,000,000	10.00p	Sep 2004	May 2014
14,164,625	-	-	(1,600,196)	12,564,429			

Notes to the Accounts cont'd

For the year ended ended 31 October 2006

18 SHARE PREMIUM ACCOUNT AND RESERVES

	Issued Share Capital	Capital Redemption Reserve	Share Premium	Other Reserves	ESOP trust	Profit and loss account	Total
The Group	£000	£000	£000	£000	£000	£000	£000
At 1 November 2005	1,873	1,112	8,162	1,294	(79)	(3,851)	8,511
New shares issued (see Note 17)	80	-	820	-	-	-	900
Adjustment	-	-	-	-	(17)	-	(17)
Reduction of capital	-	-	(8,162)	-	-	8,162	-
Loss for the year	-	-	-	-	-	(987)	(987)
At 31 October 2006	1,953	1,112	820	1,294	(96)	3,324	8,407

	Issued Share Capital	Capital Redemption Reserve	Share Premium	Other Reserves	ESOP trust	Profit and loss account	Total
The Company	£000	£000	£000	£000	£000	£000	£000
At 1 November 2005	1,873	1,112	8,162	-	-	49	11,196
New shares issued (see Note 17)	80	-	820	-	-	-	900
Reduction of capital	-	-	(8,162)	-	-	8,162	-
Loss for the year	-	-	-	-	-	(1,200)	(1,200)
At 31 October 2006	1,953	1,112	820	-	-	7,011	10,896

During the year the Company applied to the High Court to approve a reduction of capital in the form of the share premium account by £8,162,000. Court approval was granted, with effect from 15 September 2006, which permitted the reduction of capital to be applied.

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, i-documentsystems Limited, and has been treated in accordance with FRS 6 under merger accounting.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005 restated
	£000	£000
(Loss)/profit for the financial year	(987)	1,576
Additions to ESOP trust	(17)	-
Shares to be issued	900	-
Shares to be issued reclassified to liabilities under FRS 25	-	(1,300)
Adjustment in estimate of shares to be issued	-	(100)
Net (decrease)/increase in shareholders' funds	(104)	176
Shareholders' funds at 1 November 2005	8,511	8,335
Shareholders' funds at 31 October 2006	8,407	8,511

20 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£000	£000
Operating (loss)/profit	(664)	757
Depreciation	270	242
Goodwill amortisation	578	563
Decrease/(increase) in debtors	642	(118)
(Decrease)/increase in creditors	(272)	682
Net cash inflow from operating activities	554	2,126

Notes to the Accounts cont'd

For the year ended ended 31 October 2006

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006	2005
	£000	£000
Increase in cash in the year, being movement in net funds in the year	108	1,925
Net funds at 1 November 2005	4,722	2,797
Net funds at 31 October 2006	4,830	4,722

22 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 November 2005	Cash flow	At 31 October 2006
	£000	£000	£000
Cash in hand and at bank	4,722	108	4,830

23 OPERATING LEASE COMMITMENTS

Operating lease payments amounting to £276,000 (2005: £386,000) are due within one year. The leases to which these relate, expire as follows:

	2006	2005
	Land & building	Land & building
	£000	£000
Less than one year	-	159
Between two and five years	276	160
Greater than five years	-	67
	276	386

24 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

During the year, the Group was charged an amount of £200 (2005: £9,675) for marketing services provided by Canvass Gallery (an undertaking in which Nigel Oxbrow has an interest) on an arms length basis. The balance outstanding at the year end was £Nil (2005: £8,000).

25 CAPITAL COMMITMENTS

The Company has no capital commitments at 31 October 2006 (2005: £189,000)

26 CONTINGENT LIABILITIES

The Company has agreed to provide continuing financial support to its subsidiary undertakings, i-documentsystems Limited and IDOX Information Services Limited. There were no material Group contingent liabilities at 31 October 2006 or 31 October 2005. The deferred contingent consideration for the acquisition of TFPL Limited has been provided for fully in the accounts.

27 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.

28 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 and our breadth of software is providing opportunities for growth from Revenues & Benefits, Housing and Social Services departments.

IDOX Records Management module is TNA2002 (The National Archives) accredited. Compliance with this stringent standard means that existing and new customers, have future-proofed their investment in our 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 experienced consultancy team work with organisations in the public and private sectors in all areas of knowledge, records, enterprise content management and library and information services. We work in partnership with clients to diagnose the current state of their information and knowledge assets, offer strategic advice on future directions, design policies and procedures, information architectures, taxonomies and metadata frameworks to ultimately help deliver highly effective information and knowledge solutions.

Our training courses cover all aspects of knowledge, information, content, library and records management. We also develop bespoke awareness and learning programmes for clients.

The IDOX Information Service encompasses information 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. The content of the Information Library is available through membership but is also used to build solutions co-mingling additional content onto bespoke websites and services.

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

Our clients include many central and local government departments and agencies, the NHS, voluntary organisations and major companies in all sectors who have high information demands.

recruitment

TFPL recruitment services include the placement of permanent, interim management and contract personnel for a range of positions requiring information, knowledge, records and web content management expertise.

Throughout 2006 the division has seen a strong demand for candidates from our traditional information and knowledge management market and increasing requests for the supply of technology, change management and content management professionals. We continue to work with a variety of organisations in both the public and private sector and have seen a return in the number of financial service organisations recruiting.

With the boundaries between information management and information technology becoming increasing blurred we have expanded our capability and have recruited a Consultant to focus on IT market. This has further expanded our client base to include major organisations based throughout Europe.

Company Information

Secretary and Registered Office:	D J McNicol 2nd Floor 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
Company Registration Number:	3984070

Financial Calendar:	Annual General Meeting - 22 February 2007 Announcement of 2007 Interim Results - June 2007 Announcement of 2007 Annual Report - December 2007

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