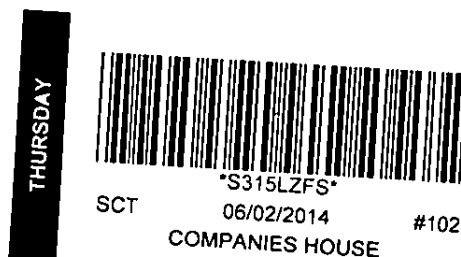


# IDOX PLC

## ANNUAL REPORT & ACCOUNTS 2013



Company Number 3984070

## **CONTENTS**

### **Strategic Report**

- 1 Financial and operational highlights
- 2 Chairman's Statement
- 4 Chief Executive's Report
- 8 Business Model and Principal Risks
- 9 Key Performance Indicators

### **Governance**

- 10 Board of Directors
- 11 Director's Report
- 15 Report on Remuneration
- 17 Corporate Governance Report
- 21 Report of the Audit Committee

### **Financial Statements**

- 22 Independent Auditor's Report to the Members of Idox plc
- 23 Consolidated Statement of Comprehensive Income
- 24 Consolidated Balance Sheet
- 25 Consolidated Statement of Changes in Equity
- 26 Consolidated Cash Flow Statement
- 27 Notes to the Accounts
- 61 Independent Auditor's Report to the Members of Idox plc
- 62 Company Balance Sheet
- 63 Notes to the Company Balance Sheet

## **COMPANY INFORMATION**

Secretary and Registered Office	J Mackie 2 <sup>nd</sup> Floor, Chancery Exchange 10 Furnival Street London EC4A 1AB
Nominated Advisor & Broker	N+1 Singer Advisory LLP 1 Bartholomew Lane London EC2N 2AX
Auditor	Grant Thornton Grant Thornton House Melton Street Euston Square London NW1 1AP
Corporate Solicitors	Memery Crystal 44 Southampton Buildings London WC2A 1AP
Registrars	Share Registrars Limited Suite E, 1 <sup>st</sup> Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Company Registration Number	3984070

## Financial and Operational Highlights

For the year ended 31 October 2013

---

- Revenues from continuing operations up 3% to £57m (2012 £55m\*),
  - Engineering Information Management Division revenues now 34% of total (2012 32%)
  - 33% of revenues generated internationally (2012 33%) with growth in mainland Europe and a decline in the US
- Adjusted EBITDA\*\* fell 9% to £15.0m (2012 £16.6m)
- Adjusted profit before tax\*\*\* £13.2m (2012 £14.8m)
- Profit before tax down 5% to £7.5m (2012 £7.9m)
- Adjusted EPS\*\*\* 3.53p (2012 3.83p), Basic EPS 2.17p (2012 1.94p)
- Final proposed dividend of 0.4p (2012 0.4p), total for year 0.7p (2012 0.675p), 4% increase over last year
- In 2013, 61% of Public Sector revenue and 51% of EIM revenue were from recurring business
- Completed and integrated £2m of acquisitions funded by cash flow and acquisition debt facility resulting in year-end net debt of £19.8m (2012 £21.5m)
- Idox Elections appointed by Norwegian Ministry for general election
- Acquisition of Artesys International extending geographical reach of Engineering Information Management into Africa
- Since September, EIM division has won three new contracts worth over \$5.5m
- Disposal of non-core recruitment business TFPL Limited

\* Adjusted from £57.9m due to sale of TPFL Ltd in June 2013

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

\*\*\* Adjusted profit before tax and adjusted EPS excludes amortisation, restructuring, acquisition and share option costs

## Strategic Report - Chairman's statement

For the year ended 31 October 2013

---

2013 was a disappointing year for Idox, following an outstanding 2012. Our core Public Sector Software Division (PSS) has continued to perform strongly, but our Engineering Information Management Division (EIM) failed to complete the required number of large scale Enterprise software sales in the period, although most of these prospects remain to be completed in what continues to be a substantial pipeline. Therefore profit before tax from continuing operations fell by £429,000 on a modest £1.9 million rise in continuing Group revenues.

As a result we have taken a number of positive actions including strengthening and deepening our senior management team overall where there have been a number of significant changes, particularly in the EIM division which begins the year under new leadership. This includes adding to the group management capability by recruiting a corporate lawyer. This process will culminate in the appointment of a new Group CFO to the Board.

During the year we have also taken the opportunity to restructure and simplify Idox by disposing of the non-core recruitment division TFPL Limited. We have refocused the business on our core two divisions, Public Sector Software (PSS) and Engineering Information Management (EIM). Our Information Solutions business which largely supplies the public sector with content has been absorbed and integrated into the PSS division. This continuing integration process together with the termination period of a number of UK building leases will afford us considerable cost rationalisation opportunities in the current financial year.

We continue to place greater emphasis on longer term customer relationships in our PSS division and increasingly in EIM as well, through managed service and "zero infrastructure" client agreements utilising our data centres and cloud based solutions. In PSS we have been successful in winning a number of notable clients from our competition on this basis and we are now adopting this model for EIM which has already proven successful, with the award of long-term extensions to two existing document management managed service contracts, worth over USD 3 million in total for the first year.

The extension of the business into international markets has continued and now includes the PSS division where we have won a significant portion of the Norwegian government election management business. We now have an EIM presence in Africa's fast growing energy sector via our acquisition of Artesys, and the large Enterprise sale we secured with PSEG Nuclear in New Jersey, USA has deepened our increasing involvement with the nuclear industry in three continents. Despite the disappointments in EIM, the division has increased its overall significance to the Group accounting for 34% of revenues (2012: 32%), with EMEA sales enjoying positive momentum. We remain confident that opportunities in North America, where the historic focus of our business is, as well as across the rest of the world, will come through this year and in the future as large organisations start committing greater amounts of their generally improving cash reserves to corporate asset infrastructure renewal and development.

In terms of governance and risk management, we took on board that we needed to strengthen and deepen our management capability as we are now a much larger global organisation than we were last year, with our clients operating across many industries and across much of the developed and developing world. Idox has had a long tradition of running a very lean business in terms of costs and people and we now recognise that we need more depth and capability across the Group to manage our newer activities around the world and provide more cover and support when needed in critical management positions. In addition, the complexities of the sales process for both software and services in large global organisations means we need to be more competitive in terms of management skills. We have achieved this during the last year by external recruitment, internal promotion and some departures which will put us in a much stronger position for 2014.

We have also continued to add to the capability and independence of our board by recruiting Jeremy Millard of Smith Square Partners and lately of Rothschild as a financially and technically experienced Chartered Accountant and City professional in the TMT sector. Jeremy joins the board as a non-executive director. Jeremy was awarded a first class honours engineering degree at Cambridge and honed his operational management skills at Mars and the Ministry of Defence before moving into corporate finance. During the year Christopher Wright stood down as our longest serving non-executive director having joined the board ahead of Idox's flotation. Christopher's international investment banking and management background, together with his advice on the board has been of great value and we wish him well for the future. This board development process will continue in the current financial year with the further appointment of an experienced non-executive director familiar with the larger size of organisation to which we aspire.

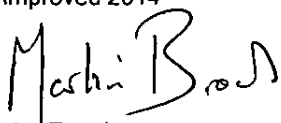
Notwithstanding the disappointing trading year, the board proposes subject to shareholder approval a final dividend of 0.4p, resulting in a total of 0.7p for the year, a modest 3.7% increase over 2012, in line with maintaining our progressive dividend policy.

## Strategic Report - Chairman's statement

For the year ended 31 October 2013

---

I would like to thank our staff, advisers and shareholders for their support in what has been a challenging year for the Group. Such difficult times require that extra degree of fortitude, but the board believes that, following the streamlining of the business and operational and management changes that have been implemented, the Group is now better positioned to build on its underlying strengths and high market share in its two chosen markets to deliver an improved 2014.

  
**Martin Brooks**  
Chairman

21 January 2014

# Strategic Report - Chief Executive's Report

For the year ended 31 October 2013

---

We are disappointed to report a set of results for the Group for the year which are below our expectations at the start of 2013, although they do not truly represent the substantial improvements that have been made this year. We do believe we have made good progress and are laying good foundations to make further progress in the years ahead.

We started the year with some challenging, and over optimistic goals and objectives, and immediately met some head winds that blew us off course. Illness, macro-economic and market factors, growth pains from the merger of several businesses, and the loss of key staff all contributed to a slow start to the year. The recovery has been challenging alongside addressing a number of issues in the business, but the strong second half performance attests to resolving those issues.

The PSS division started the year slowly but gathered momentum throughout the period resulting in our most successful year yet in market share gains with over 108 new systems (2012: 76) won in the year. The challenge in 2013 which depressed revenues, came from the change in mix away from software purchases to more managed and hosted solutions. Although signed order value was 69% up on the previous year, recognisable revenue is only marginally up. The division ended the year with over 90% market share in its core target markets and with encouraging wins in other local government departments where we have been asked to assist in delivering improved services at lower cost.

This year has seen the division begin to expand into overseas territories, winning its first framework agreement for elections in Norway and supplying to 30% of the Norwegian market. 2014 will see further investment to sow the seeds for overseas expansion in 2015. The division has continued to improve its operational efficiency as well as successfully deliver all its services on time, thus building on our goal to be the partner of choice for local government.

The EIM division had a challenging year. The 31% growth in revenues in 2012 which added size and complexity to the business, the roll-out of large contracts, the addition of two acquisitions, and the impact of large macro-economic factors deferring decisions in the customer base, caused a few problems which it has taken time to respond to. The expected growth in Asia and the execution of large enterprise deals were delayed due to customer nervousness around economic factors and a focus to improve return on existing assets, rather than to invest in the future. The integration of our acquisitions have proven challenging both in cultural fit and language issues, but this is close to being behind us. We started the year looking to strengthen the management team and this has taken the whole year to achieve with new management in professional services, and the appointment of a new divisional CEO.

In spite of all of this the division still managed to introduce new mobile Apps, web-based enquiry tools, communication and interoperability interfaces between the various systems, internationalisation of the products, Building Information Management (BIM) compliance for Architectural Engineering and Construction (AEC) customers, integrated document and facilities management, as well as upgrades to the customer interfaces, and to broaden the ability of the systems to extend from feed, design, deliverables, into operations with the acquisition of Artesys. Artesys is also close to delivering an upgrade to their solution in collaboration with Documentum using their D2 platform. New contract wins were disappointing as they were in line with the previous year's activity levels, excluding last year's two large enterprise sales wins. McLaren also launched its first BPO service in the year and it has subsequently expanded this by the year end.

The Information Solutions division was merged into the PSS division to streamline the business and drive further operating efficiencies. Its project work continued to be adversely affected by government cut backs and it did not manage to increase its managed content service revenues. The Dutch business grew market share but this was offset by the reduction in the Dutch government grant rate.

# Strategic Report - Chief Executive's Report

For the year ended 31 October 2013

---

## Outlook

The focus for 2014 and beyond is on improving organic growth, operational improvement and innovation

We will continue to concentrate on growing top line revenue in both parts of the business which is now refocused on our two core activities, and look to expand our public sector business into new areas both in the UK and overseas. We also expect to close a large proportion of the EIM pipeline deals, now we have bolstered the senior management team and improved the way we respond to our customers' requirements

Our aim is to continue to grow our non UK revenues and to invest to strengthen our domain specific expertise in our chosen markets

We believe the Group is well placed to benefit from an improving economic outlook and today has the technical capability to deliver unique solutions to its customers and future proof their investment and commitment in Idox's solutions

## Financial Review

Group revenues from continuing operations grew by 3% to £57m (2012 £55m) due to organic growth in the PSS division and the impact of the three acquisitions made during 2012. The Group maintained the geographical split of its revenues with 33% generated outside of the UK (2012 33%). Gross profit earned was 4% higher at £52m (2012 £50m) and the Group saw an increase in gross margin from 90% to 91% as a result of an increased mix of higher margin software business. Earnings before goodwill, amortisation, depreciation, restructuring, acquisition and share option costs ("Adjusted EBITDA") decreased by 9% to £15m (2012 £16.6m) with EBITDA margins of 26% (2012 30%)

## Performance by segment

The Group made a significant step forward to increase the focus of the business with the sale of its recruitment business at the half year. Following the disposal, the Group has been reorganised into two operating segments, Public Sector Software, the merger of the original public sector business and Information Solutions divisions, and Engineering Information Management

The PSS division, which accounted for 66% of Group revenues (2012 68%), delivered revenues of £38m (2012 £37.6m). Product and services revenue grew organically by 10% on the previous year. Election revenue remained stable at £2.4m, reflecting a real decrease from 2012. It benefited from the full year impact of the acquisition of Opt2Vote election managed services business in March 2012, and the expansion of that business into Norway, but this was offset by the absence of revenue from fewer local elections in 2013. Solutions project income fell by 54% (£0.4m) due to a lack of tenders in poor market conditions

Recurring revenues within the PSS division were 61% (2012 62%) excluding election revenue. The decrease in recurring revenues is due to the wind down of the capital value of the managed service contracts acquired in March 2010 for the provision of land and property information solutions. Renewal rates on grant subscriptions performed well in poor market conditions and remained consistent with prior years. Divisional Adjusted EBITDA fell by 5% to £10.6m (2012 £11.3m), delivering a 28% margin, a 2% drop on 2012 due to the inclusion of the lower gross margin e-learning and solutions training and information projects business

The EIM division accounted for 34% of Group revenues (2012 32%) and had revenue growth of 8% to £19.2m (2012 £17.7m). This growth represents a full year of FMx and seven months of Artesys acquired on 9 April 2013. Visibility of revenue in the EIM business has also increased during the year with 51% (2012 48%) of revenues coming from recurring maintenance and Software-as-a-Service ("SaaS") contracts. The business is also becoming increasingly international with 76% of revenues generated outside the UK, 46% USA, 22% Europe and Asia, and 8% from Australia

EBITDA for the EIM business decreased to £4.4m (2012 £5.3m), 29% of the Group total. The decrease represents the reduction in licence deals in comparison to 2012 offset by additional contributions from FMx and Artesys plus cost synergies. Margins decreased to 23% (2012 30%) reflecting the absence of organic growth on licence sales and the impact of integration costs relating to the acquired businesses

# Strategic Report - Chief Executive's Report

For the year ended 31 October 2013

---

## Profit before tax

Within the income statement, we present both profit before tax and adjusted profit before tax which is a performance measure that is not defined by GAAP but which the directors believe provides a reliable and consistent measure of the Group's underlying financial performance. Adjusted profit before tax and adjusted EPS excludes amortisation, restructuring, acquisition and share option costs.

Adjusted profit before tax decreased 10% to £13.2m (2012 £14.8m). Staff costs increased by 8% to £28m (2012 £26m). The £2.5m increase in staff costs was due to 12 months of the 2012 acquisitions and 7 months of Artesys. Real staff costs fell as a result of cost savings. Other administrative expenses increased by 18% to £8.9m (2012 £7.5m). 48% of the increase was due to a full year of acquisitions and the new acquisition in 2013. Travel costs increased due to increased revenues in new territories with the elections and EIM businesses.

Financing costs reduced from £1.3m to £1.2m and includes interest payable of £0.9m (2012 £0.9m) and amortisation of the loan facility fees of £0.16m (2012 £0.2m).

Reported profit before tax decreased by 5% to £7.5m (2012 £7.9m). Amortisation of intangibles increased from £4.6m to £5.3m as a result of acquisitions made during the year and a full year of 2012 acquisitions. Restructuring charges of £0.5m (2012 £0.4m) relate to the integration of acquisitions made during the year plus internal reorganisations. There was a one off benefit of £0.8m included in acquisition costs related to the release of earn-out obligations on the Opt2Vote acquisition which did not become payable. Excluding this £0.8m benefit acquisition costs reduced to £0.2m (2012 £1.1m) representing £0.64m acquisition costs for Artesys and other aborted acquisition fees.

The Group continues to invest in developing innovative technology solutions and has incurred capitalised Research and Development costs of £1.3m (2012 £0.8m). Research and development costs expensed in the year were £3.8m (2012 £3.2m).

## Taxation

The Group's effective tax rate for the year was -12.75% compared to 3% in 2012. The reduction in the effective rate of tax is the result of recognition of a deferred tax asset in relation to previously unrecognised losses within the EIM business and recognition of a deferred tax asset in respect of share options. Excluding the effect of recognising the deferred tax asset the effective tax rate was 13%. Unrelieved trading losses of £2,652,000 in the UK remain available to offset against future taxable trading profits. Unrelieved trading losses arising overseas of £3,286,000 have been recognised during the year. The board believe the Group will benefit from these tax losses in the future.

## Earnings per share and dividends

Adjusted earnings per share fell 8% to 3.53p (2012 3.83p). Diluted adjusted earnings per share fell 7% to 3.38p (2012 3.63p).

Basic earnings per share were up 12% to 2.17p (2012 1.94p). Diluted earnings per share increased by 13% to 2.07p (2012 1.84p).

The Board proposes a final dividend of 0.4p, to give a full year dividend of 0.7p (2012 0.675p). Subject to approval at the Annual General Meeting, the final dividend will be paid on 25 April 2014 to shareholders on the register at 11 April 2014.

# Strategic Report - Chief Executive's Report

For the year ended 31 October 2013

---

## Balance sheet and cashflows

Idox's balance sheet continued to strengthen during the year and at 31 October 2013 net assets were £44.7m compared to £38.9m at 31 October 2012

Cash generated from operating activities before tax as a percentage of Adjusted EBITDA was 79%, up from 75% in the previous year

The Group ended the year with net debt of £19.8m (2012: £21.5m) after making acquisition related payments (net of cash acquired) of £1.8m and after total dividends of £2.4m. The Group's total signed debt facilities at 31 October 2013 stood at £30.4m, a combination of a term loan and flexible working capital and acquisition revolving credit facilities. The working capital facility of £8m is due to expire during the next 12 months, however this is expected to be renegotiated with the bank on similar terms, the Company have not sought written confirmation that the facility will be renewed. The board has considered the headroom in the bank facilities and are comfortable that unless there was a substantial deterioration in trading, Group budgets do not indicate any covenant breaches on the bank facilities currently in place.

Deferred income, representing invoiced maintenance and SaaS contracts yet to be recognised in revenue stood at £13.9m at 31 October 2013 (2012: £13.5m), increasing visibility of revenue in the new financial year.



**Richard Kellett-Clarke**  
Chief Executive Officer

21 January 2014

# Strategic Report – Business model and principal risks

For the year ended 31 October 2013

---

## Our business model

To provide specialist document management collaboration solutions and services to the UK public sector and highly regulated asset intensive industries around the world and in the wider corporate sector

Our strategy is to become the partner of choice due to our domain expertise, continued innovation, quality of service and guaranteed delivery. Through this focus on quality and delivery we expect to demonstrate to our customers' improvements in operational efficiency and return on investment which will in return result in us increasing our market share, growing organically and internationally.

## Principal Risks and Uncertainties

The Board review the principal risks and uncertainties on a regular basis. The principal risks and uncertainties affecting the Group include the following:

Principal risks	Management of risks
Economic conditions in markets suppress organic growth	Diversification of customers and geographical markets
Competitor products deliver increased capabilities	Investment in research and development
Barriers to entry in new markets	Strategic partnerships
Loss of skills and knowledge	Investment in and consultation of staff
Product failure	Robust market research, product testing and competitor awareness  Performance management
Failure to complete sales pipeline	Robust process in place to fully qualify orders

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

- **Political** – the Group has a large customer base in local government. A change in spending priorities by the current or a future Government could materially impact the Group. However, this risk is mitigated due to the contractual nature of the recurring revenue in the Group. The Group has increased diversification of its customer base through acquisitions to mitigate against political risks.
- **Economic** – the software area of the business could be adversely affected if the government reduces the grants to local authorities in an economic downturn. However, all indications are that the government will maintain and may increase the grants during such a period. The Group has increased diversification through acquisitions to mitigate against economic risks.
- **Competitors** – the Group has certain competitors for its software products. To mitigate this risk, the Group continues to invest in and develop its software. Competitor risk is also mitigated through the long term nature of customer relationships and recurring software maintenance revenue.
- **Acquisitions** – the Group could be materially impacted if an acquisition does not perform in line with expectations. To mitigate this risk, for each acquisition due diligence and integration planning is undertaken and all potential synergies identified.

## Strategic report – Key Performance Indicators

For the year ended 31 October 2013

---

### Key performance indicators

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

<u>Indicator</u>	<u>2013</u>	<u>2012</u>	<u>Measure</u>
<b>Revenue (£000)</b>	57,319	55,382	
<b>Profitability ratios</b>			
Gross margin	91%	90%	Gross profit as a percentage of revenue
EBITDA	26%	30%	Profit before interest, tax, depreciation, amortisation, acquisition costs, share option costs and impairments as a percentage of revenue
<b>Other indicator</b>			
Debtor days	65	78	Year end trade debtors divided by revenue, multiplied by 365 days

### Non-financial indicators

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

#### Quality Management

The Group quality policy has been accredited to BS EN ISO 9001 2008 for the development and the sale of products for document, content and information management

#### Environmental Management

The Group environmental management system has been assessed and approved to accredited BS EN ISO 14001 2004, the approved systems applying to the following the development and sale of products for document, content and information management

#### Information Security Management

The Group information security management policy has been accredited to BS EN ISO 27001 2005, the approved systems applying to the following for the development and the sale of products for document, content and information management

### Composition of the Board

The Board of Directors is comprised of 20% female staff members

### Signed on behalf of the board by



**Richard Keillett-Clarke**  
Chief Executive Officer  
21 January 2014

## Board of Directors

For the year ended 31 October 2013

---

### Chairman

#### **Martin Brooks (Aged 63)**

Martin Brooks was previously founding chief executive of Financial Times Information, creating the global market leader in securities valuation data on acquiring Interactive Data Corporation. Before joining the FT and a 30 year career in TMT businesses, including six years as MD of Extel Financial, he served with the 7<sup>th</sup> Gurkha Rifles. He has also been an adviser or director to other organisations including the ICAEW, where he chaired its publishing arm and is currently chairman of the Cornwall Development Company and a trustee of the Gurkha Museum.

### Chief Executive Officer

#### **Richard Kellett-Clarke (Aged 59)**

Richard Kellett-Clarke has 28 years of directorial experience. He joined Idox first as CFO in 2006, then COO in 2007. He was appointed CEO in November 2007. Before this he has held a number of CFO appointments with Brady plc, Pickwick Group plc, and in subsidiaries of Pearson PLC and Invensys plc. In addition, he was a founder and Managing Director of AFX NEWS Ltd, now part of Thomson Reuters, IT Director of Financial Times Information, and Founding Director of Sealed Media Ltd, a DRM Internet start up (now part of Oracle). In 2011 he joined the board of dotDigital Group plc as a Non-Executive Director.

### Non-Executive Director

#### **Rt Hon Peter Lilley MP (Aged 70)**

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

### Non-Executive Director

#### **Professor Dame Wendy Hall (Aged 61)**

Wendy Hall is Professor of Computer Science at the University of Southampton and Dean of the Faculty of Physical Sciences and Engineering, a Fellow of the Royal Society, as well holding many other Fellowships, honorary degrees and awards, including from the Royal Academy of Engineering, the Association of Computing Machinery, and the British Computer Society. Wendy has been a member of the Prime Minister's Council for Science and Technology, a member of the Scientific Council of the European Research Council and a council member of the EPSRC. She was the holder of an EPSRC Senior Fellowship from 1996–2002.

### Non-Executive Director

#### **Jeremy Millard (Aged 41)**

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

## Directors' Report

For the year ended 31 October 2013

---

The Directors are pleased to submit their report and audited financial statements for the year ended 31 October 2013

### Results and Dividends

The Group audited financial statements for the year ended 31 October 2013 are set out on pages 23 to 60. The Group's profit for the year after tax amounted to £8,364,000 (2012 £7,741,000). The Directors paid a dividend of 0.30 pence per share in the first half of the 2013 financial year, in respect of the year ended 31 October 2013. The Directors will propose, at the forthcoming AGM, a final dividend of 0.40 pence per share in respect of the year ended 31 October 2013.

### Directors and their Interests

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

	Number of shares	
	31 October 2013	1 November 2012
Rt Hon P B Lilley MP*	533,000	533,000
M Brooks **	7,970,027	7,901,527
R Kellett-Clarke***	9,904,336	9,898,466
Prof D W Hall	27,225	27,225
J Millard	-	-

\*45,150 (2012 45,150) of these shares are held through a Self Invested Pension Plan and 59,250 (2012 80,250) shares are held through certain members of his family.

\*\*3,198,948 (2012 3,130,448) of these shares are held through a Self Invested Pension Plan and 3,019,231 (2012 3,019,231) shares are held through certain members of his family.

\*\*\* 2,761,667 (2012 2,761,667) of these shares are held through Self Invested Pension Plans and 1,553,231 (2012 784,000) shares are held through certain members of his family and a family trust.

In addition to the shareholdings listed above, the Directors have been granted options over ordinary shares. Full details of these options are given in the Report on Remuneration on pages 15 to 16.

Details of the Directors' service contracts can be found in the Report on Remuneration on pages 15 to 16.

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association, Jeremy Millard will retire and offer himself for re-election having been appointed since the last Annual General Meeting.

### Substantial Shareholdings

As at 30 November 2013 the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of shares	% Holding
Liontrust Asset Management	43,841,922	12.52%
Investec Wealth & Investment	28,067,294	8.02%
Herald Investment Management	27,940,149	7.98%
Highclere International Investors	21,166,437	6.05%
Kestrel Partners	20,021,665	5.72%
ISIS Equity Partners	17,433,409	4.98%
Octopus Investments	14,899,983	4.22%
Hargreave Hale	11,066,000	3.16%

## Directors' Report

For the year ended 31 October 2013

---

### **Health, Safety and Environmental Policies**

The Group recognises and accepts its responsibilities for health, safety and the environment (H,S&E) and has a dedicated team which provides advice and support in this area. The team members regularly attend external H,S&E courses and internal reviews are performed on a regular basis to ensure compliance with best practice and all relevant legislation.

### **Disabled Employees**

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

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

### **Employee Consultation**

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

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

### **Financial Risk Management Objectives and Policies**

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, exchange rate risk and interest rate risk. The Directors review these risks on an ongoing basis. This policy has remained unchanged from previous years.

## Directors' Report

For the year ended 31 October 2013

---

### **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.

### **Liquidity Risk**

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

### **Exchange Rate Risk**

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

### **Interest Rate Risk**

The Group's bank borrowings bear interest at rates linked to the LIBOR. To protect cash flows against movements in LIBOR the Group entered into an interest LIBOR swap agreement.

### **Going Concern**

The Directors have reviewed the Group's budget and cash flows for 2013 and 2014 in the context of the Group's banking facilities and covenants, the level of recurring revenue within the business, the outlook for our chosen markets, and our current working capital resources, and are satisfied that it is appropriate to prepare accounts on a going concern basis. The Group have a working capital facility which continues to be made available. There are no events or conditions that may cast significant doubt about the ability of the Group to continue as a going concern. The working capital facility of £8m is due to expire during the next 12 months, however this is expected to be renegotiated with the bank on similar terms, the Company have not sought written confirmation that the facility will be renewed. The board has considered the headroom in the bank facilities and are comfortable that unless there was a substantial deterioration in trading, Group budgets do not indicate any covenant breaches on the bank facilities currently in place.

### **Post balance sheet events**

On 1 November 2013 the Group issued 816,914 ordinary shares of 1p each in order to satisfy an exercise of employee share options.

### **Website Disclaimer**

The maintenance and integrity of the Idox plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statement since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

## Directors' Report

For the year ended 31 October 2013

---

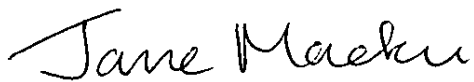
### Disclosure of information to Auditor

In so far as each of the Directors is aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

### Auditor

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



By order of the Board  
**Jane Mackie**  
Company Secretary  
21 January 2014

Registered office  
2nd Floor,  
Chancery Exchange  
10 Fumival Street  
London, EC4A 1AB

## Report on Remuneration

For the year ended 31 October 2013

### Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises the Chairman and two Non-Executive Directors and normally meets twice a year. It was chaired by Christopher Wnght until his retirement date of 28 February 2013 and it is now chaired by Peter Lilley.

### Remuneration Policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key staff. The packages are designed to be competitive in value to those offered to the Directors of similar sized public companies in related sectors. It is the Board's policy to align the interests of managers with those of our shareholders in the grant of option and other equity rewards which underlying securities grantees are very much encouraged to retain over the longer term.

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

### Directors' Remuneration

2013	Basic salary and fees 2013 £000	Bonus* 2013 £000	Benefits in kind 2013 £000	Total 2013 £000	Pension 2013 £000
<b>Executive Directors</b>					
Richard Kellett-Clarke	275	190	12	477	-
William Edmondson (resigned 31 October 2013)	163	112	10	285	16
<b>Non Executive Directors</b>					
Martin Brooks**	105	50	1	156	-
Peter Lilley	35	-	-	35	-
Wendy Hall	35	-	-	35	-
Jeremy Millard (appointed 11 June 2013)	15	-	-	15	-
Christopher Wnght (retired 28 February 2013)	23	-	-	23	-
	<b>651</b>	<b>352</b>	<b>23</b>	<b>1,026</b>	<b>16</b>

2012	Basic salary and fees 2012 £000	Bonus* 2012 £000	Benefits in kind 2012 £000	Total 2012 £000	Pension 2012 £000
<b>Executive Directors</b>					
Richard Kellett-Clarke	248	141	11	400	5
William Edmondson	160	79	10	249	8
<b>Non Executive Directors</b>					
Martin Brooks**	105	55	1	161	3
Christopher Wnght	29	-	-	29	-
Peter Lilley	29	-	-	29	-
Wendy Hall (appointed 10 October 2012)	3	-	-	3	-
	<b>574</b>	<b>275</b>	<b>22</b>	<b>871</b>	<b>16</b>

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

\*\* Chairman

The amounts in respect of pension represent money purchase pension contributions

## Report on Remuneration

For the year ended 31 October 2013

### 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.

### Service Contracts

The Executive Directors have entered into service contracts with the Group that are terminable by either party on not less than six months prior notice.

### Share Options

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

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

Director	At start of year	Good leavers	Granted during the year	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
Richard Kellett-Clarke	769,231	-	-	-	-	769,231	13p	Aug 2008	Aug 2018
Richard Kellett-Clarke	666,667	-	-	-	-	666,667	15p	Aug 2008	Aug 2018
Richard Kellett-Clarke	2,439,024	-	-	-	-	2,439,024	10 25p	Mar 2010	Mar 2020
Richard Kellett-Clarke	2,500,000	-	-	-	-	2,500,000	20p	Mar 2011	Mar 2021
Richard Kellett-Clarke	300,000	-	-	-	-	300,000	44p	Sep 2012	Sep 2022
Martin Brooks	275,000	-	-	-	-	275,000	15p	Dec 2007	Dec 2017
Martin Brooks	423,077	-	-	-	-	423,077	13p	Aug 2008	Aug 2018
Martin Brooks	366,667	-	-	-	-	366,667	15p	Aug 2008	Aug 2018
Martin Brooks	975,610	-	-	-	-	975,610	10 25p	Mar 2010	Mar 2020
Martin Brooks	1,000,000	-	-	-	-	1,000,000	20p	Mar 2011	Mar 2021
Martin Brooks	300,000	-	-	-	-	300,000	44p	Sep 2012	Sep 2022
William Edmondson	1,268,293	1,268,293	-	-	-	-	10 25p	Mar 2010	Mar 2020
William Edmondson	1,500,000	1,500,000	-	-	-	-	20p	Mar 2011	Mar 2021
William Edmondson	150,000	150,000	-	-	-	-	44p	Sep 2012	Sep 2022
Christopher Wright	243,902	243,902	-	-	-	-	10 25p	Mar 2010	Mar 2020
Christopher Wright	250,000	250,000	-	-	-	-	20p	Mar 2011	Mar 2021
Peter Lilley	243,902	-	-	-	-	243,902	10 25p	Mar 2010	Mar 2020
Peter Lilley	250,000	-	-	-	-	250,000	20p	Mar 2011	Mar 2021
<b>Totals</b>	<b>13,921,373</b>	<b>3,412,195</b>	-	-	-	<b>10,509,178</b>			

The mid market price of the Company's shares at close of business on 31 October 2013 was 38p and the high and low share prices during the year were 60p and 30p respectively.

The Company recognised total expenses of £511,000 (2012 £731,000) related to equity-settled share-based payment transactions during the year. Expenses of £495,000 (2012 £568,000) related to share options granted and £16,000 (2012 £163,000) related to share options exercised.

The pre tax aggregate gain on exercise of share options during the year was £Nil (2012 £689,000).

### Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 11.

# Corporate Governance Report

For the year ended 31 October 2013

---

## Corporate Governance

As the Group is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code (the "Code") issued in September 2012. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

## Board of Directors

The Code requires the Group to have an effective Board whose role is to develop strategy and provide leadership to the Group as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk, ultimately taking collective responsibility for the success of the Group.

The Board is responsible for the overall strategy and direction of Idox Group plc as well as for approving potential acquisitions, major capital expenditure items, disposals, annual budgets, annual reports, interim statements and financing matters.

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

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

The Board met eight times throughout the year to discuss a formal schedule of business with all Directors in attendance. 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 Group has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group.

## Role of Chairman and Chief Executive Officer

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

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this the Chief Executive Officer regularly meets the Executive Management Team which additionally comprises the other executive Directors and senior members of the management team. The day to day operations of the Group are managed by the Executive Management Team.

## Composition of and Appointments to the Board

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

The Board comprises the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and three Non-Executive Directors. Short biographies of the Directors are given on page 10.

Martin Brooks served as Chairman to the Group having previously served as an executive director. The Board acknowledges that this does not meet the definition of independence as defined by the Combined Code, however, all non-executives at the year end, with the exception of Martin Brooks as explained above, are considered to be independent. The Board does not consider the shareholdings of the Non-Executive Directors as detailed on page 11 to have any effect on their independence.

# Corporate Governance Report

For the year ended 31 October 2013

---

The Board is satisfied with the balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

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

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

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

## **Board Committees**

The Board has established two committees to deal with specific aspects of the Board's responsibilities: Audit and Remuneration Committees. The Report of the Audit Committee can be found on page 21. The Audit Committee is chaired by Peter Lilley and included Wendy Hall, Christopher Wright until 28 February 2013 and Jeremy Millard from 13 June 2013.

The Remuneration Committee is chaired by Peter Lilley and includes Wendy Hall and Jeremy Millard. This Committee has responsibility for making recommendations to the Board of the remuneration packages of the Executive Directors which includes:

- making recommendations to the Board on any changes to service contracts
- approving and overseeing any share related incentive schemes within the Group
- ensuring that remuneration is in line with current industry practice
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Group

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

The Board has also established a Nominations Committee which is chaired by Peter Lilley and includes Wendy Hall and Jeremy Millard.

## **Re-election**

Under the Code, Directors should offer themselves for re-election at regular intervals and, under the Company's Articles of Association, at every Annual General Meeting at least one third of the Directors who are subject to retirement by rotation are required to retire and may be proposed for re-election. New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and if eligible, can seek re-appointment.

Three Directors will retire from office at the Company's forthcoming AGM and stand for re-appointment.

## **Internal Control**

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

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

# Corporate Governance Report

For the year ended 31 October 2013

---

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

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

## **Statement of Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the company financial statements under UK Generally Accepted Accounting Practice ("UK GAAP")

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

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs and UK 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 company will continue in business

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

## Corporate Governance Report

For the year ended 31 October 2013

---

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 may differ from legislation in other jurisdictions

### Information and Development

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

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

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

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

### 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](http://www.idoxplc.com)

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

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

### AIM Rule Compliance Report

Idox plc is quoted on AIM and as a result the Group has complied with AIM Rule 31 which requires the following

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

## Report of the Audit Committee

For the year ended 31 October 2013

---

### Membership and Meetings

The Audit Committee is a committee of the Board and is comprised of two Non-Executive Directors Peter Lilley and Wendy Hall Christopher Wright was a member until his retirement date of 28 February 2013

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

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

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

- to 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 Auditor

The Committee keeps under review the relationship with the external auditor including

- the independence and objectivity of the external auditor, 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 auditor, and ensures that the provision of such services does not impair the external auditor independence

  
**Peter Lilley**  
Chairman of the Audit Committee  
21 January 2014

## Independent auditor's report to the members of IDOX plc

For the year ended 31 October 2013

---

### Independent auditor's report to the members of Idox plc

We have audited the group financial statements of Idox plc for the year ended 31 October 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 19 to 20, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 October 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception


We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

### Other matter

We have reported separately on the parent company financial statements of Idox plc for the year ended 31 October 2013.



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

21 January 2014

# Consolidated Statement of Comprehensive Income

For the year ended 31 October 2013

Continuing operations	Note	2013 £000	As restated 2012 £000
<b>Revenue</b>	2	57,319	55,382
Cost of sales		<u>(5,298)</u>	<u>(5,335)</u>
Gross profit		52,021	50,047
Administrative expenses		<u>(36,967)</u>	<u>(33,430)</u>
<b>Earnings before goodwill impairment, amortisation, depreciation, restructuring, acquisition costs and share option costs</b>			
		15,054	16,617
Depreciation	3	(722)	(589)
Amortisation	3	(5,388)	(4,609)
Restructuring costs	4	(525)	(406)
Acquisition costs	5	664	(1,109)
Share option costs	24	<u>(499)</u>	<u>(707)</u>
<b>Operating profit</b>	3	8,584	9,197
Finance income	6	138	18
Finance costs	6	<u>(1,209)</u>	<u>(1,273)</u>
<b>Profit before taxation</b>		<b>7,513</b>	<b>7,942</b>
<b>Analysed as</b>			
Adjusted profit before tax		13,261	14,773
Amortisation of intangibles		(5,388)	(4,609)
Restructuring costs		(525)	(406)
Acquisition costs		664	(1,109)
Share option costs		<u>(499)</u>	<u>(707)</u>
Income tax credit/(expense)	8	851	(201)
<b>Profit for the year from continuing operations</b>		<u><b>8,364</b></u>	<u><b>7,741</b></u>
<b>Discontinued operations</b>			
Net results for the year from discontinued operations	9	(519)	(1,036)
Loss on disposal of discontinued operations	9	<u>(322)</u>	<u>-</u>
<b>Net result for the year from discontinued operations</b>		<u><b>(841)</b></u>	<u><b>(1,036)</b></u>
<b>Total operations</b>			
<b>Net result for the year attributable to owners of the parent</b>		<u><b>7,523</b></u>	<u><b>6,705</b></u>
<b>Other comprehensive income for the year</b>			
Items that will be reclassified subsequently to profit or loss			
Exchange gains on retranslation of foreign operations		43	61
<b>Other comprehensive income for the year, net of tax</b>		<u>43</u>	<u>61</u>
<b>Total comprehensive income for the year attributable to owners of the parent from continuing operations</b>		<u><b>7,566</b></u>	<u><b>6,766</b></u>
<b>Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year</b>			
<b>Basic earnings per share</b>			
From continuing operations	10	2 41p	2 24p
From discontinued operations	10	<u>(0 24p)</u>	<u>(0 30p)</u>
From total operations		<u>2 17p</u>	<u>1 94p</u>
<b>Diluted earnings per share</b>			
From continuing operations	10	2 30p	2 12p
From discontinued operations	10	<u>(0 23p)</u>	<u>(0 28p)</u>
From total operations		<u>2 07p</u>	<u>1 84p</u>

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

# Consolidated Balance Sheet

At 31 October 2013

	Note	2013 £000	2012 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	850	817
Intangible assets	12	69,484	71,371
Deferred tax assets	13	2,509	1,417
Other receivables	15	1,723	1,863
<b>Total non-current assets</b>		<u>74,566</u>	<u>75,468</u>
<b>Current assets</b>			
Trade and other receivables	15	17,344	15,050
Cash and cash equivalents	16	3,399	3,640
<b>Total current assets</b>		<u>20,743</u>	<u>18,690</u>
<b>Total assets</b>		<u>95,309</u>	<u>94,158</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	4,662	5,460
Other liabilities	18	16,790	17,286
Provisions	19	56	76
Current tax		985	1,020
Derivative financial instruments	20	66	136
Borrowings	21	3,732	2,300
<b>Total current liabilities</b>		<u>26,291</u>	<u>26,278</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	4,870	6,101
Borrowings	21	19,462	22,879
<b>Total non-current liabilities</b>		<u>24,332</u>	<u>28,980</u>
<b>Total liabilities</b>		<u>50,623</u>	<u>55,258</u>
<b>Net assets</b>		<u>44,686</u>	<u>38,900</u>
<b>EQUITY</b>			
Called up share capital	23	3,493	3,485
Capital redemption reserve		1,112	1,112
Share premium account		10,355	10,197
Treasury reserve		(12)	(107)
Share options reserve		1,955	1,825
Merger reserve		1,294	1,294
ESOP trust		(142)	(95)
Foreign currency retranslation reserve		145	102
Retained earnings		26,486	21,087
<b>Total equity</b>		<u>44,686</u>	<u>38,900</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 January 2014 and are signed on its behalf by

**Richard Kellett-Clarke**  
Chief Executive Officer



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

Company name Idox plc

Company number 03984070

# Consolidated Statement of Changes in Equity

At 31 October 2013

	Called up share capital	Capital redemption reserve	Share premium account	Treasury reserve	Share options reserve	Merger reserve	ESOP trust	Foreign currency retranslation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 November 2011</b>	<b>3,463</b>	<b>1,112</b>	<b>10,017</b>	<b>(204)</b>	<b>1,366</b>	<b>1,294</b>	<b>(93)</b>	<b>41</b>	<b>17,375</b>	<b>34,371</b>
Issue of share capital	22	-	180	-	-	-	-	-	-	202
Transfer on exercise of share options	-	-	-	134	(109)	-	-	-	(797)	(772)
Purchase of treasury shares	-	-	-	(37)	-	-	-	-	-	(37)
Share options granted	-	-	-	-	568	-	-	-	-	568
ESOP trust	-	-	-	-	-	-	(2)	-	-	(2)
Equity dividends paid	-	-	-	-	-	-	-	-	(2,196)	(2,196)
<b>Transactions with owners</b>	<b>22</b>	<b>-</b>	<b>180</b>	<b>97</b>	<b>459</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(2,993)</b>	<b>(2,237)</b>
Profit for the period	-	-	-	-	-	-	-	-	6,705	6,705
<b>Other comprehensive income</b>										
Exchange gains on retranslation of foreign operations	-	-	-	-	-	-	-	61	-	61
<b>Total comprehensive income for the period</b>									<b>6,705</b>	<b>6,766</b>
<b>Balance at 31 October 2012</b>	<b>3,485</b>	<b>1,112</b>	<b>10,197</b>	<b>(107)</b>	<b>1,825</b>	<b>1,294</b>	<b>(95)</b>	<b>102</b>	<b>21,087</b>	<b>38,900</b>
Issue of share capital	8	-	158	-	-	-	-	-	-	166
Transfer on exercise of share options	-	-	-	95	(83)	-	-	-	31	43
Share options granted	-	-	-	-	290	-	-	-	206	496
Disposal of share options	-	-	-	-	(77)	-	-	-	77	-
ESOP trust	-	-	-	-	-	-	(47)	-	-	(47)
Equity dividends paid	-	-	-	-	-	-	-	-	(2,438)	(2,438)
<b>Transactions with owners</b>	<b>8</b>	<b>-</b>	<b>158</b>	<b>95</b>	<b>130</b>	<b>-</b>	<b>(47)</b>	<b>-</b>	<b>(2,124)</b>	<b>(1,780)</b>
Profit for the period	-	-	-	-	-	-	-	-	7,523	7,523
<b>Other comprehensive income</b>										
Exchange gains on retranslation of foreign operations	-	-	-	-	-	-	-	43	-	43
<b>Total comprehensive income for the period</b>									<b>7,523</b>	<b>7,566</b>
<b>At 31 October 2013</b>	<b>3,493</b>	<b>1,112</b>	<b>10,355</b>	<b>(12)</b>	<b>1,955</b>	<b>1,294</b>	<b>(142)</b>	<b>145</b>	<b>26,486</b>	<b>44,686</b>

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

## Consolidated Cash Flow Statement

At 31 October 2013

	2013 £000	As restated 2012 £000
<b>Cash flows from operating activities</b>		
Profit for the period before taxation	7,513	7,942
Adjustments for		
Depreciation	723	589
Amortisation	5,388	4,609
Finance income	(33)	(18)
Finance costs	973	791
Interest rate swap liability	(70)	136
Debt issue costs amortisation	159	109
Share option costs	499	544
Exchange losses	42	60
Movement in receivables	(1,675)	(2,765)
Movement in payables	(1,663)	452
<b>Cash generated by operations</b>	<u>11,856</u>	<u>12,449</u>
Tax on profit paid	(1,728)	(2,560)
Cash generated from discontinued operations	(285)	(154)
<b>Net cash from operating activities</b>	<u>9,843</u>	<u>9,735</u>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries net of cash acquired	(1,779)	(23,266)
Deferred consideration paid relating to subsidiaries acquired in prior period	(585)	(320)
Purchase of property, plant and equipment	(774)	(523)
Purchase of intangible assets	(1,696)	(1,240)
Disposal of discontinued operation	312	-
Finance income	33	18
<b>Net cash used in investing activities</b>	<u>(4,489)</u>	<u>(25,331)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(853)	(620)
New loans	8,900	27,800
Loan related costs	(123)	(430)
Loan repayments	(11,322)	(2,300)
Equity dividends paid	(2,438)	(2,196)
Sale/purchase of own shares	241	(610)
<b>Net cash flows from financing activities</b>	<u>(5,595)</u>	<u>21,644</u>
<b>Net movement on cash and cash equivalents</b>	<u>(241)</u>	<u>6,048</u>
Cash and cash equivalents at the beginning of the period	<u>3,640</u>	<u>(2,408)</u>
Cash and cash equivalents at the end of the period	<u>3,399</u>	<u>3,640</u>

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 1 ACCOUNTING POLICIES

#### General information

Idox plc is a leading supplier of software and services for the management of local government and other organisations. The company is a public limited company which is listed on the London Alternative Investment Market and is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, Chancery Exchange, 10 Fumival Street, London, EC4A 1AB. The registered number of the company is 03984070.

The financial statements are prepared in pound sterling.

#### Basis of preparation

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

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

As set out on page 13 of the Directors' Report, the financial statements have been prepared on a going concern basis.

#### International Financial Reporting Standards and Interpretations issued but not yet effective

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

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 (revised June 2011) Employee Benefits (effective 1 January 2013)
- IAS 27 (revised) Separate Financial Statements (effective 1 January 2014)
- IAS 28 (revised) Investments in Associates and Joint Ventures (effective 1 January 2014)
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures (effective 1 January 2015)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance – Amendments to IFRS10, IFRS11 and IFRS12 (effective 1 January 2013)

#### Adoption of new and revised standards

There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year. The following amendment was effective in the year but had no material impact on the Group's financial statements.

- Amendment to IAS 1 – Presentation of financial statements
- Amendment to IAS 12 – Deferred tax recovery of underlying assets

#### Critical accounting estimates and judgements

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

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 1 ACCOUNTING POLICIES (CONTINUED)

#### *(i) Intangible assets*

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on those assets accordingly. In determining the useful economic life of the intangible software assets, management has given consideration to the length of time that its own software is typically used within its market. In addition, management reviewed competitor products and the length of time they had also been in use.

Consideration was also given as to the likelihood that a new competitor could enter the market with a new product. This was considered unlikely due to the up-front capital investment which would be required to develop a new product, the requirement for reference sites to demonstrate the product, and the long life cycles which products have in the market. For details on the estimates made in relation to intangible assets, see note 12.

#### *(ii) Development costs*

The Group reviews half yearly whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors. See note 12 for further information.

#### *(iii) Impairment of goodwill*

The Group is required to test, as least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based upon value-in-use and net realisable value calculations. The value-in-use method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Pre-tax discount rates have been applied and are based on WACC calculations. See note 12 for further commentary.

#### *(iv) Revenue recognition*

The Group recognises revenue on certain contracts such as service agreements, prior to an invoice being raised, where work has been completed and there is a high degree of certainty of the contract being completed and the invoice raised and cash received. See paragraph headed 'Revenue' below for more detail on how the Group accounts for revenue.

#### *(v) Contingent consideration*

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

#### *(vi) Deferred tax*

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

#### Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings drawn up to 31 October each year. Subsidiaries are those entities over which the Group has the power to control the financial and operating policies. Idox plc obtains and exercises control over all of its subsidiaries through ownership of 100% of the voting rights.

All inter-company transactions are eliminated on consolidation.

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

---

### 1 ACCOUNTING POLICIES (CONTINUED)

#### Revenue

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

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

#### *Continuing operations*

Software licence revenue is recognised when the licence is despatched to the customer. Where the licence is bespoke, revenue is recognised when the licence is delivered and the customer has accepted the licence as fully functional.

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

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

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

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

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

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

#### *Discontinued operations*

Recruitment revenue from permanent placements was recognised in the month when the placement started. Revenue from contract recruitment was recognised as the service was performed.

#### Contract revenue

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

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

#### Segmental reporting

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 1 ACCOUNTING POLICIES (CONTINUED)

#### Goodwill

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

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

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

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

#### Other intangible assets

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

##### *(i) Research and development*

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

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

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

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

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

##### *(ii) Customer relationships*

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 1 ACCOUNTING POLICIES (CONTINUED)

#### (iii) Trade names

Trade names represent the named intangible asset recognised on the acquisition of CAPS Solutions Limited, Plantech Limited, J4B Software and Publishing Limited, Strand Electoral Management Services Limited, Grantfinder Limited, McLaren Software Limited, Lalpac Limited, Interactive Dialogues NV, Opt 2 Vote Limited, Currency Connect Holding BV, FMx Limited, Artesys International SA and the CTSpace Group. These trade names are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method over a period of 20, 10 and 5 years.

#### (iv) Software

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

#### (v) Database

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

#### (vi) Order backlog

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

#### Impairment

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

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

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

#### Property, plant and equipment

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

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

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

Useful economic lives and residual values are reviewed annually.

## Notes to the Accounts (continued)

For the year ended 31 October 2013

---

### 1 ACCOUNTING POLICIES (CONTINUED)

#### Employee benefits

##### Defined contribution pension plans

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

##### Share-based payment transactions

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

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

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to the share option reserve.

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

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

#### Reserves

Equity comprises the following:

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

#### Taxation

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

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

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

---

### 1 ACCOUNTING POLICIES (CONTINUED)

#### Taxation (continued)

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

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

#### Operating leases

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

#### Dividend distributions

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

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

#### Foreign currency translation

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

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

#### Capital policy

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

#### Financial instruments

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

#### Financial assets

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

#### Trade and other receivables

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on deposit and are subject to an insignificant risk of changes in value.

## Notes to the Accounts (continued)

For the year ended 31 October 2013

---

### 1 ACCOUNTING POLICIES (CONTINUED)

#### Financial liabilities and equity

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

#### Bank borrowings

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

#### Trade and other payables

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

#### Equity instruments

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

#### Derivative financial instruments

The Group's activities expose the entity primarily to interest rate risk. The Group uses interest rate swap contracts to manage these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives. Derivative financial instruments are accounted for at fair value through profit or loss. The Group does not apply hedge accounting.

#### Restatement of comparative figures

The Group have restated the 2012 comparative figures to show the results of TFPL Limited as a discontinued operation.

Amounts recoverable on contracts are included in trade and other receivables and represent revenue recognised in excess of payments on account. Amounts recoverable on contracts of £1,863k have been restated for the prior year to disclose this balance as being a non-current asset. This was previously disclosed in the notes to the financial statements as a long term debtor however it had been disclosed within total current assets on the balance sheet. This has now been restated for comparative purposes.

### 2 SEGMENTAL ANALYSIS

As at 31 October 2013, the Group is primarily organised into two main operating segments, which are detailed below. On 1 July 2013 the recruitment segment was sold. As Recruitment was a separately identifiable operating segment the results for the period ended 31 October 2013, and comparative periods, have been reclassified as a discontinued operation. On 1<sup>st</sup> September 2013 following an internal reorganisation, the Information Solutions segment was combined with Public Sector Software. The results for the period are included within the Public Sector Software segment and the comparative periods have been restated.

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

- Public Sector Software – delivering software and information service solutions to local government customers and public sector organisations across a broad range of departments
- Engineering Information Management – delivering engineering document management and control solutions to asset intensive industry sectors

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

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

Notes to the Accounts (continued)

For the year ended 31 October 2013

**2 SEGMENTAL ANALYSIS (CONTINUED)**

The segment revenues by geographic location for the year ended 31 October 2013 are as follows

	Continuing operations £000	Discontinued operations £000	Total operations £000
<b>Revenues from external customers</b>			
United Kingdom	38,369	1,226	39,595
USA	8,862	-	8,862
Europe	7,990	76	8,066
Australia	1,470	-	1,470
Rest of World	628	5	633
	<u>57,319</u>	<u>1,307</u>	<u>58,626</u>

The segment revenues by geographic location for the year ended 31 October 2012 are as follows

	Continuing operations £000	Discontinued operations £000	Total operations £000
<b>Revenues from external customers</b>			
United Kingdom	37,237	2,451	39,688
USA	10,635	-	10,635
Europe	5,676	56	5,732
Australia	1,603	-	1,603
Rest of World	231	14	245
	<u>55,382</u>	<u>2,521</u>	<u>57,903</u>

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

The segment results by business unit for the year ended 31 October 2013 are as follows	Public Sector Software £000	EIM £000	Total (continuing Operations) £000	Recruitment (discontinued operation) £000	Total operations £000
Revenues from external customers	38,077	19,242	57,319	1,307	58,626
Cost of sales	(3,431)	(1,867)	(5,298)	(717)	(6,015)
Gross profit	34,646	17,375	52,021	590	52,611
Operating costs	(24,004)	(12,963)	(36,967)	(643)	(37,610)
Profit before interest, tax, depreciation, amortisation, impairment, share option costs, acquisition costs and restructuring costs	10,642	4,412	15,054	(53)	15,001
Depreciation	(589)	(133)	(722)	(1)	(723)
Amortisation	(4,138)	(1,250)	(5,388)	-	(5,388)
Impairment on goodwill	-	-	-	(457)	(457)
Share option costs	(415)	(84)	(499)	(12)	(511)
Restructuring	(335)	(190)	(525)	-	(525)
Acquisition costs	841	(89)	752	-	752
Profit before interest and taxation	6,006	2,666	8,672	(523)	8,149
Finance income	132	(64)	68	-	68
Finance costs	(86)	(29)	(115)	-	(115)
Segment profit (see reconciliation below)	<u>6,052</u>	<u>2,573</u>	<u>8,625</u>	<u>(523)</u>	<u>8,102</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**2 SEGMENTAL ANALYSIS (CONTINUED)**

The segment results by business unit for the year ended 31 October 2012 are as follows	Public Sector Software £000	EIM £000	Total (continuing operations) £000	Recruitment (discontinued operation) £000	Total operations £000
Revenues from external customers	37,642	17,740	55,382	2,521	57,903
Cost of sales	(3,988)	(1,347)	(5,335)	(1,210)	(6,545)
Gross profit	33,654	16,393	50,047	1,311	51,358
Operating costs	(22,360)	(11,070)	(33,430)	(1,226)	(34,656)
Profit before interest, tax, depreciation, amortisation, impairment, share option costs, acquisition costs and restructuring costs	11,294	5,323	16,617	85	16,702
Depreciation	(463)	(126)	(589)	(7)	(596)
Amortisation	(3,645)	(964)	(4,609)	(9)	(4,618)
Impairment of goodwill	-	-	-	(1,018)	(1,018)
Share option costs	(605)	(102)	(707)	(24)	(731)
Restructuring	(365)	(41)	(406)	(59)	(465)
Acquisition costs	(254)	(815)	(1,069)	-	(1,069)
Profit before interest and taxation	5,962	3,275	9,237	(1,032)	8,205
Finance income	3	1	4	-	4
Finance costs	(13)	(129)	(142)	(4)	(146)
Segment profit (see reconciliation below)	5,952	3,147	9,099	(1,036)	8,063

Reconciliations of reportable profit	2013 £000	2012 £000
Total profit for reportable segments	8,102	8,063
Group acquisition costs	(88)	(40)
Net financial costs	(1,024)	(1,117)
Discontinued operations loss*	523	1,036
Profit before taxation	7,513	7,942

Group acquisition costs comprise legal fees in relation to aborted acquisitions. Net financial costs relate to Group bank loan interest, bank facility fee amortisation and fair value gain on financial derivatives which have not been included in reportable segments.

\*Discontinued operations loss excludes Group costs allocated to the segment relating to acquisition costs relating to disposal.

Notes to the Accounts (continued)

For the year ended 31 October 2013

**3 OPERATING PROFIT FOR THE YEAR**

Operating profit for the year has been arrived at after charging	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Auditor's remuneration		
Fees payable to the company auditor for the audit of the parent company and consolidated annual accounts	51	44
The audit of the company's subsidiaries, pursuant to legislation	65	83
Other services pursuant to legislation	30	18
	<u>146</u>	<u>145</u>
Tax services - compliance	76	56
Tax services - advisory	3	-
Corporate finance	-	214
Operating lease rentals – buildings	868	866
Depreciation – owned	722	589
Amortisation of intangibles	5,388	4,609
Equity-settled share-based payments	499	707
Foreign exchange gains/losses	(35)	143
Research & development costs	<u>3,833</u>	<u>3,243</u>

**4 DIRECTORS AND EMPLOYEES**

	<b>Continuing operations 2013 £000</b>	<b>Discontinued operations 2013 £000</b>	<b>Total 2013 £000</b>
Staff costs during the year were as follows			
Wages and salaries	24,398	418	24,816
Social security costs	2,465	47	2,512
Pension costs	1,241	21	1,262
	<u>28,104</u>	<u>486</u>	<u>28,590</u>

During the year share based payment charges of £499,000 were incurred in respect of continuing operations and £12,000 in respect of discontinued operations

	<b>Continuing operations 2012 £000</b>	<b>Discontinued operations 2012 £000</b>	<b>Total 2012 £000</b>
Staff costs during the prior year were as follows			
Wages and salaries	22,620	871	23,491
Social security costs	2,599	102	2,701
Pension costs	711	37	748
	<u>25,930</u>	<u>1,010</u>	<u>26,940</u>

During the prior year, share based payment charges of £707,000 were incurred in respect of continuing operations, and £24,000 in respect of discontinued operations

During the year the Group incurred restructuring costs in respect of continuing operations of £525,000 (2012 £406,000) The restructuring costs represent redundancy payments to former staff. In 2013 there were no restructuring costs incurred in respect of discontinued operations (2012 £58,000)

The average number of employees of the Group during the year was 558 and was made up as follows

	<b>Continuing operations 2013 No</b>	<b>Discontinued operations 2013 No</b>	<b>Total 2013 No</b>
Office and administration (including Directors of the company and its subsidiary undertakings)	49	2	51
Sales	68	-	68
Development	117	-	117
Operations	172	-	172
Solutions	142	-	142
Recruitment	-	8	8
	<u>548</u>	<u>10</u>	<u>558</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**4 DIRECTORS AND EMPLOYEES (CONTINUED)**

The average number of employees of the Group during the prior year was 467 and was made up as follows

	<b>Continuing operations 2012 No</b>	<b>Discontinued operations 2012 No</b>	<b>Total 2012 No</b>
Office and administration (including Directors of the company and its subsidiary undertakings)	38	2	40
Sales	58	-	58
Development	96	-	96
Operations	122	1	123
Solutions	132	-	132
Recruitment	-	18	18
	<u>446</u>	<u>21</u>	<u>467</u>

Remuneration in respect of Directors was as follows

	<b>2013 £000</b>	<b>2012 £000</b>
Emoluments	1,026	872
Pension contributions	16	16
Share based payment charge	127	423
	<u>1,169</u>	<u>1,311</u>

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

	<b>2013 £000</b>	<b>2012 £000</b>
Aggregate emoluments	477	400
Pension contributions	-	5
	<u>477</u>	<u>405</u>

Details of the remuneration for each Director are included in the remuneration report which can be found on pages 15 to 16 but does not form part of the audited accounts

**5 ACQUISITION COSTS**

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

Acquisition costs in 2013 include the following contingent considerations which have been released during the year in respect of previous year acquisitions (2012 £Nil)

Opt2Vote Limited	<b>£000</b>
Lalpac Limited	800
	<u>50</u>
	<u>850</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**6 FINANCE INCOME AND COSTS**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Interest receivable	6	6
Fair value gain on financial liabilities recognised in profit or loss	70	-
Dividends receivable	15	12
Foreign exchange differences	35	-
Other income	12	-
<b>Finance income from continuing operations</b>	<b>138</b>	<b>18</b>
Bank loans interest payable	(900)	(791)
Bank charges and loan facility fees	(222)	(208)
Fair value loss on financial liabilities recognised in profit or loss	-	(136)
Fair value loss on financial assets recognised in profit or loss	(86)	-
Foreign exchange differences	(1)	(138)
<b>Finance costs from continuing operations</b>	<b>(1,209)</b>	<b>(1,273)</b>

In 2012 finance costs included £5,000 in respect of discontinued operations (2013 £Nil)

**7 DIVIDENDS**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Final dividend paid in respect of the year ended 31 October 2012 and 31 October 2011	1,394	1,245
Pence per ordinary share	0 40p	0 36p
Interim dividend paid in respect of the year ended 31 October 2013 and 31 October 2012	1,044	951
Pence per ordinary share	0 30p	0 275p

The Directors have proposed the payment of a final dividend of 0 40p per share, which would amount to £1,397,000 (2012 0 40p)

**8 INCOME TAX**

	<b>Continuing operations</b>	<b>Continuing operations</b>
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
The tax charge is made up as follows		
<b>Current tax</b>		
UK corporation tax on profits for the period	1,611	1,455
Foreign tax on overseas companies	624	1,108
Over provision in respect of prior periods	(652)	(70)
Total current tax	<b>1,583</b>	<b>2,493</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,195)	(1,712)
Adjustment for rate change	(165)	(580)
Adjustments in respect of prior periods	(74)	-
Total deferred tax	<b>(2,434)</b>	<b>(2,292)</b>
Total tax charge	<b>(851)</b>	<b>201</b>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**8 INCOME TAX (CONTINUED)**

The below current year deferred tax credit on discontinued activities arises on the non-utilisation of tax losses in the period up until the sale of TFPL Ltd on 1 July 2013

	<b>Discontinued operations 2013 £000</b>	<b>Discontinued operations 2012 £000</b>
The tax charge is made up as follows		
<b>Current tax</b>		
UK corporation tax on profits for the period	-	-
Foreign tax on overseas companies	-	-
Under/(over) provision in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(4)	-
Adjustment for rate change	1	-
Adjustments in respect of prior periods	-	-
Total deferred tax	<u>(3)</u>	<u>-</u>
Total tax charge	<u>(3)</u>	<u>-</u>

	<b>2013 £000</b>	<b>2012 £000</b>
Factors affecting the tax charge in the period		
Profit before taxation on continuing operations	<u>6,669</u>	<u>6,906</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2012 24%)	1,534	1,657
Effects of		
Capital allowances in excess of depreciation	-	17
Other timing differences	-	864
Deferred tax on losses, intangibles and other movements	-	(1,350)
Share option deduction	(36)	(182)
Tax losses utilised	(48)	(689)
Recognition of previously unrecognised deferred tax	(1,744)	(941)
Non-deductible expenses	424	900
Prior year over-provision	(726)	(75)
Non-taxable income	(360)	(3)
Adjustment for tax rate differences in foreign jurisdictions	42	-
R&D enhanced relief	(43)	(10)
Foreign tax suffered	69	13
Deferred tax on acquisitions/disposal	37	-
	<u>(851)</u>	<u>201</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**8 INCOME TAX (CONTINUED)**

Movement on trading losses during 2013 are as follows

	UK unrelieved trading losses £000	Foreign unrelieved trading losses £000	Total unrelieved trading losses £000	Tax effect £000
<b>Recognised trading losses</b>				
As at 1 November 2012	4,089	-	4,089	940
Recognised during the year	2,439	3,286	5,725	1,317
Utilised during the year	(3,876)	(343)	(4,219)	(970)
Adjustment for difference between standard rate of tax at 23% and deferred tax rate at 21%	-	-	-	(112)
	<u>2,652</u>	<u>2,943</u>	<u>5,595</u>	<u>1,175</u>
<b>Unrecognised trading losses</b>				
As at 1 November 2012	-	21	21	3
Recognised during year	-	(21)	(21)	(3)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The unrelieved trading losses of £2,652,000 in the UK remain available to offset against future taxable trading profits. Given the high probability that the Group will continue to benefit from these tax losses in the future, the deferred tax asset continues to be recognised. The unrelieved trading losses arising overseas of £2,943,000 have been recognised during the year with the anticipation that the Group will benefit from these tax losses in future. The foreign losses recognised during the year arose mainly in the US, with a small element arising in France. Across the year the total deferred tax asset in respect of unrelieved trading losses has increased £235,000 to £1,175,000.

The effective tax rate was (12.75%). The decrease is due to the recognition of historic deferred tax assets within the US entities of the EIM business in relation to losses and other timing differences of £4,492,000. Other factors in the decrease of the tax rate include the origination of tax losses within the EIM business in the UK of £2,439,000, which originated on confirmation of the formalisation of a pre-acquisition intercompany creditor, and an increase in the deferred tax asset recognised in respect of share options of £508,000. A deferred tax asset of £495,000 is recognised at the year-end in relation to share options, based on the expected vesting period and exercise price. These factors combined resulted in a credit to the corporation tax charge of £1,733,000. Without these factors, the effective rate of tax is 13%.

Factors affecting the effective tax rate (ETR) in the period	2013 £000	% ETR movement	2012 £000	% ETR Movement
Profit before taxation on continuing and discontinued operations	6,669		6,906	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2012: 24%)	1,534	23.00	1,657	24.00
Effects of				
Share option deduction	(36)	(0.53)	(182)	(2.63)
Tax losses utilised in year	(48)	(0.72)	(692)	(10.01)
Recognition of historic deferred tax	(1,744)	(26.15)	(1,111)	(16.09)
Expenses not deductible for tax purposes	424	6.35	900	13.03
Prior year over-provision	(726)	(10.88)	(75)	(1.09)
Non-taxable income	(360)	(5.40)	(3)	(0.04)
Other	105	1.58	(293)	(4.25)
	<u>(851)</u>	<u>(12.75)</u>	<u>201</u>	<u>2.92</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**9 DISCONTINUED OPERATIONS**

The Group announced on 1 July 2013 the sale of the recruitment business, TFPL Limited. The TFPL business represented an identifiable division of the Group and as such has been disclosed as a discontinued operation for the year ended 31 October 2013. A single amount is shown on the consolidated statement of comprehensive income representing the post-tax result of the discontinued operation for the period until disposal. Additionally the post-tax loss arising from the disposal of the operation has been recognised within the discontinued operations section of the consolidated statement of comprehensive income.

<b>Discontinued operation financial performance</b>	<b>Period to 1 July 2013 £000</b>	<b>Year to 31 October 2012 £000</b>
Revenue	1,307	2,521
Costs of sale	(717)	(1,210)
Depreciation and amortisation	(1)	(16)
Impairment	(457)	(1,018)
Other operating expenses	<u>(655)</u>	<u>(1,309)</u>
<b>Operating result</b>	(523)	(1,032)
Finance costs	<u>-</u>	<u>(4)</u>
<b>Result from discontinued operations before taxation</b>	(523)	(1,036)
Tax expense	<u>4</u>	<u>-</u>
<b>Net operating result from discontinued operations</b>	<u>(519)</u>	<u>(1,036)</u>
 <b>Disposal of discontinued operation</b>	 <b>£000</b>	 <b>£000</b>
Total consideration		300
Payment received to settle net assets		<u>100</u>
<b>Net consideration for shares</b>		400
Less: Assets associated with discontinued operations		(101)
Costs associated with disposal		
-Staff bonuses	(34)	
-Professional fees	(88)	
-Other expenses and provisions	<u>(499)</u>	
		<u>(621)</u>
<b>Loss on disposal before taxation</b>		<u>(322)</u>
Taxation		<u>-</u>
<b>Loss on disposal after taxation</b>		<u>(322)</u>

During the year the TFPL business incurred £420,000 (2012: contributed £154,000) in relation to the Group's net operating cash flows, paid £Nil (2012: £Nil) in respect of investing activities and paid £Nil (2012: £Nil) in respect of financing activities.

A reconciliation of the profit on disposal to the cash flow from the disposal is given in the table below.

<b>Receipt from disposal of discontinued operations</b>	<b>£000</b>
<b>Loss on disposal after taxation</b>	(322)
Assets associated with discontinued operations	101
Non cash expenses associated with disposal	<u>533</u>
<b>Cash inflow from disposal of discontinued operations</b>	<u>312</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**10 EARNINGS PER SHARE**

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

<b>Continuing operations</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Profit for the year	8,364	7,741
<b>Basic earnings per share</b>		
Weighted average number of shares in issue	347,231,721	346,231,724
Basic earnings per share	2 41p	2 24p
Weighted average number of shares in issue	347,231,721	346,231,724
Add back		
Treasury shares	368,667	432,000
ESOP shares	1,018,343	128,618
<b>Weighted average allotted, called up and fully paid share capital</b>	<b>348,618,731</b>	<b>346,792,342</b>
<b>Diluted earnings per share</b>		
Weighted average number of shares in issue used in basic earnings per share calculation	347,231,721	346,231,724
Dilutive share options	16,020,147	18,852,529
Weighted average number of shares in issue used in dilutive earnings per share calculation	363,251,868	365,084,253
Diluted earnings per share	2 30p	2 12p
 <b>Discontinued operations</b>		
	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Loss for the year	(841)	(1,036)
<b>Basic earnings per share</b>		
Weighted average number of shares in issue	347,231,721	346,231,724
Basic earnings per share	(0 24p)	(0 30p)
Weighted average number of shares in issue	347,231,721	346,231,724
Add back		
Treasury shares	368,667	432,000
ESOP shares	1,018,343	128,618
<b>Weighted average allotted, called up and fully paid share capital</b>	<b>348,618,731</b>	<b>346,792,342</b>
<b>Diluted earnings per share</b>		
Weighted average number of shares in issue used in basic earnings per share calculation	347,231,721	346,231,724
Dilutive share options	16,020,147	18,852,529
Weighted average number of shares in issue used in dilutive earnings per share calculation	363,251,868	365,084,253
Diluted earnings per share	(0 23p)	(0 28p)

Notes to the Accounts (continued)

For the year ended 31 October 2013

**10 EARNINGS PER SHARE (CONTINUED)**

<b>Total operations</b>	<b>2013 £000</b>	<b>2012 £000</b>
Profit for the year	7,523	6,705
<b>Basic earnings per share</b>		
Weighted average number of shares in issue	347,231,721	346,231,724
Basic earnings per share	2 17p	1 94p
Weighted average number of shares in issue	347,231,721	346,231,724
Add back		
Treasury shares	368,667	432,000
ESOP shares	1,018,343	128,618
<b>Weighted average allotted, called up and fully paid share capital</b>	<b>348,618,731</b>	<b>346,792,342</b>
<b>Diluted earnings per share</b>		
Weighted average number of shares in issue used in basic earnings per share calculation	347,231,721	346,231,724
Dilutive share options	16,020,147	18,852,529
Weighted average number of shares in issue used in dilutive earnings per share calculation	363,251,868	365,084,253
Diluted earnings per share	2 07p	1 84p
<b>Adjusted earnings per share</b>	<b>2013 £000</b>	<b>2012 £000</b>
Profit for the year	7,523	6,705
Add back		
Amortisation	5,388	4,618
Impairment	457	1,018
Share option costs	511	731
Acquisition costs	(664)	1,109
Restructuring costs	525	465
Tax effect	(1,477)	(1,395)
Adjusted profit for year	12,263	13,251
Weighted average number of shares in issue - basic	347,231,721	346,231,724
Weighted average number of shares in issue - diluted	363,251,868	365,084,253
Adjusted earnings per share	3 53p	3 83p
Adjusted diluted earnings per share	3 38p	3 63p

Notes to the Accounts (continued)

For the year ended 31 October 2013

**11 PROPERTY, PLANT AND EQUIPMENT**

	Computer hardware £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Library books and journals £000	Total £000
<b>Cost</b>					
At 1 November 2011	864	444	-	155	1,463
Additions	408	36	-	79	523
Additions on acquisition	195	72	23	-	290
Disposals	-	(107)	-	-	(107)
At 31 October 2012	1,467	445	23	234	2,169
Additions	703	4	-	67	774
Additions on acquisition	-	36	-	-	36
Disposals	(1,314)	(308)	(12)	(87)	(1,721)
At 31 October 2013	856	177	11	214	1,258
<b>Depreciation</b>					
At 1 November 2011	549	228	-	85	862
Provided in the year	427	100	3	67	597
Eliminated on disposal	-	(107)	-	-	(107)
At 31 October 2012	976	221	3	152	1,352
Provided in the year	542	105	9	67	723
Eliminated on disposal	(1,314)	(308)	(7)	(84)	(1,713)
Fair value adjustment	36	5	5	-	46
At 31 October 2013	240	23	10	135	408
Net book amount at 31 October 2013	616	154	1	79	850
Net book amount at 31 October 2012	491	224	20	82	817

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

The depreciation charge for the year includes £1,000 in respect of discontinued operations (2012 £7,000)

Notes to the Accounts (continued)

For the year ended 31 October 2013

**12 INTANGIBLE ASSETS**

	Goodwill £000	Customer relation- ships £000	Trade names £000	Software £000	Develop ment costs £000	Database £000	Order backlog £000	Total £000
<b>Cost</b>								
At 1 November 2011	28,001	13,554	5,005	5,811	2,365	569	4,200	59,505
Additions	-	-	-	379	861	-	-	1,240
Additions on acquisition	16,930	4,390	2,455	3,216	165	-	-	27,156
At 31 October 2012	44,931	17,944	7,460	9,406	3,391	569	4,200	87,901
Additions	-	-	-	351	1,345	-	-	1,696
Additions on acquisition	1,314	21	301	358	8	-	-	2,002
Disposals	(3,875)	-	-	(45)	-	-	-	(3,920)
Fair value adjustment	760	-	-	-	-	-	-	760
At 31 October 2013	43,130	17,965	7,761	10,070	4,744	569	4,200	88,439
<b>Amortisation and impairment losses</b>								
At 1 November 2011	2,565	2,495	1,032	2,138	809	258	1,597	10,894
Amortisation for the year	-	1,410	680	1,070	549	112	797	4,618
Impairment	1,000	-	-	-	-	18	-	1,018
At 31 October 2012	3,565	3,905	1,712	3,208	1,358	388	2,394	16,530
Amortisation for the year	-	1,911	751	1,223	763	112	628	5,388
Impairment	457	-	-	-	-	-	-	457
Disposals	(3,375)	-	-	(45)	-	-	-	(3,420)
At 31 October 2013	647	5,816	2,463	4,386	2,121	500	3,022	18,955
Carrying amount at 31 October 2013	42,483	12,149	5,298	5,684	2,623	69	1,178	69,484
Carrying amount at 31 October 2012	41,366	14,039	5,748	6,198	2,033	181	1,806	71,371

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, Impairment of assets. Impairment charges of £457,000 (2012: £1,018,000) arose as a result of this review. The impairment charge relates to the discontinued operations of TFPL Recruitment.

The amortisation charge for the year is entirely attributable to continuing operations. The amortisation charge for 2012 includes £9,000 in relation to discontinued operations.

## Notes to the Accounts (continued)

For the year ended 31 October 2013

**12 INTANGIBLE ASSETS (CONTINUED)**

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

	2013	2012	2013	2012
	Remaining amortisation period (years)	Remaining amortisation period (years)	Carrying value £000	Carrying value £000
<b>CAPS intangibles</b>				
Customer relationships	13.5	14.5	3,958	4,251
Trade names	13.5	14.5	1,685	1,810
Software	3.5	4.5	1,065	1,370
<b>Plantech intangibles</b>				
Customer relationships	14	15	810	868
Trade names	14	15	364	390
Software	4	5	336	420
<b>J4B intangibles:</b>				
Customer relationships (product)	0.5	1.5	12	37
Customer relationships (project)	5.5	6.5	72	85
Trade names	5.5	6.5	113	133
Database	0.5	1.5	41	122
<b>Grantfinder intangibles:</b>				
Trade name	6.5	7.5	151	175
Database	1.5	2.5	47	78
Customer contracts and relationships	1.5	2.5	390	650
Order backlog	1.5	2.5	390	650
<b>Strand intangibles</b>				
Trade name	1.75	2.75	124	195
Software	1.75	2.75	155	244
Customer relationships	6.75	7.75	1,567	1,799
<b>LAMP contracts intangibles</b>				
Backlog order book	6	7	789	1,157
<b>McLaren intangibles</b>				
Customer relationships	7	8	722	823
Trade names	2	3	437	642
Software	2	3	328	482
<b>Lalpac intangibles</b>				
Customer relationships	7.5	8.5	1,234	1,399
Trade names	7.5	8.5	123	139
Software	7.5	8.5	246	279
<b>Interactive Dialogues intangibles</b>				
Customer relationships	8	9	282	317
Trade names	8	9	164	185
Software	8	9	329	370
<b>CT Space intangibles</b>				
Customer relationships	2	3	375	564
Trade names	8	9	991	1,114
Software	8	9	1,189	1,337
<b>Opt2Vote intangibles</b>				
Customer relationships	2.6	3.6	522	720
Trade names	8.4	9.4	444	497
Software	8.4	9.4	592	662

Notes to the Accounts (continued)

For the year ended 31 October 2013

**12 INTANGIBLE ASSETS (CONTINUED)**

<b>Currency Connect intangibles</b>				
Customer relationships	8 5	9 5	1,661	1,857
Trade names	8 5	9 5	220	246
Software	8 5	9 5	236	263
<b>FMx intangibles</b>				
Customer relationships	3 8	9 75	529	670
Trade names	8 9	9 75	198	221
Software	8 9	9 75	297	331
<b>Artesys intangibles</b>				
Customer relationships	1 4	-	15	-
Trade names	9 4	-	283	-
Software	9 4	-	337	-
<b>Development costs</b>	5	5	2,623	2,033
<b>Software costs</b>	3	3	555	420

**Impairment test for goodwill**

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

During the year the Group disposed of the non-core recruitment division TFPL Limited. The CGU's were then reorganised into two main divisions, Public Sector Software (PSS) and Engineering Information Management (EIM). The former Information Solutions business which largely supplies the public sector with content has been absorbed and integrated into the PSS division.

The carrying value of goodwill by each CGU is as follows

Cash Generating Units (CGU)	2013	2012
	£000	£000
Public Sector Software	26,487	19,954
Idox Information Solutions	-	5,966
TFPL Recruitment	-	957
Engineering Information Management	15,996	14,489
	<u>42,483</u>	<u>41,366</u>

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

For value in use calculations, the growth rates and margins used to estimate future performance are based on management's best estimate of short term performance based on an assessment of market opportunities and macro-economic conditions. In the year to 31 October 2013 the Weighted Average Cost of Capital for each CGU has been used as an appropriate discount rate to apply to cash flows. In 2012 the Group Weighted Average Cost of Capital was used as an appropriate discount rate.

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

Cash generating unit (CGU)	Discount rate	Growth rate	Discount rate	Growth rate
	2013	2013	2012	2012
Public Sector Software	10.11%	2%	12.5%	2%
Idox Information Solutions	-	-	12.5%	2%
TFPL Recruitment	-	-	13.0%	0%
Engineering Information Management	10.24%	2%	12.5%	2%

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 12 INTANGIBLE ASSETS (CONTINUED)

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

An impairment charge of £457,000 (£1,018,000) has been recorded in the year against goodwill in relation to the disposal of TFPL Recruitment. This has been disclosed within the discontinued operation results.

Sensitivities have been run on cash flow forecasts for all CGU's. Management are satisfied that the key assumptions of revenue and EBITDA growth rates are achievable and that reasonable possible changes to those key assumptions would not lead to the carrying amount of the relevant CGU exceeding the recoverable amount. A 0% growth rate would result in the following headroom -

Cash generating unit (CGU)	Growth rate 0% Headroom £000
Public Sector Software	64,753
Engineering Information Management	18,348

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

### 13 DEFERRED INCOME TAX

Deferred tax assets and liabilities are summarised as follows

	2013 £000	2012 £000
Deferred tax assets	2,509	1,417
Deferred tax liabilities (non current)	(4,870)	(6,101)
	<u>(2,361)</u>	<u>(4,684)</u>

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

	2013 £000	2012 £000
At 1 November	(4,684)	(4,565)
Credit to income for the year	2,199	1,982
Adjustment for changes in rate	164	312
Prior year adjustment	95	-
Other movements	(12)	-
Charged to goodwill for the year	(123)	(2,413)
At 31 October	<u>(2,361)</u>	<u>(4,684)</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**13 DEFERRED INCOME TAX (CONTINUED)**

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

	Share-based payments £000	Other temporary differences £000	Tax losses carried forward £000	Accelerated tax depreciation £000	Total deferred tax asset £000	Total deferred tax liability £000
At 1 November 2011	109	386	-	(5,060)	495	(5,060)
Charge/(credit) to income	182	740	(941)	2,003	922	1,062
Changes in rate	-	-	-	311	-	311
Deferred tax recognised on acquisition	-	-	-	(2,414)	-	(2,414)
At 31 October 2012	291	1,126	(941)	(5,160)	1,417	(6,101)
Reallocation of b/f	(209)	(1,117)	1,882	5,545	-	-
At 31 October 2012 – restated	82	9	941	385	1,417	(6,101)
Charge to income	517	442	311	82	1,352	929
Changes in rate	(104)	(39)	(111)	(40)	(294)	458
Deferred tax recognised on acquisition	-	-	34	-	34	(156)
At 31 October 2013	495	412	1,175	427	2,509	(4,870)

**14 FINANCIAL ASSETS AND LIABILITIES**

**Categories of financial assets and liabilities**

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

Financial assets	Note	2013 £000	2012 £000
Non-current Financial assets		1,723	1,863
Current Financial assets	15	15,837	13,596
Cash and cash equivalents	16	3,399	3,640
		<u>20,959</u>	<u>19,099</u>
<b>Financial liabilities</b>		<b>2013 £000</b>	<b>2012 £000</b>
<b>Financial liabilities measured at amortised cost</b>			
Non-current Borrowings	21	19,462	22,879
		<u>19,462</u>	<u>22,879</u>
Current Borrowings	21	3,732	2,300
Derivative financial instruments at fair value through profit or loss	20	66	136
Trade and other payables	17	4,662	5,460
Other liabilities	18	1,499	914
Other liabilities at fair value through profit or loss *	18	-	1,302
		<u>9,959</u>	<u>10,112</u>

\* Hierarchy 3 being inputs for the asset or liability which are not based on observable market data

Notes to the Accounts (continued)

For the year ended 31 October 2013

**15 TRADE AND OTHER RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Trade receivables, gross	10,269	11,802
Allowance for credit losses	(728)	(616)
Trade receivables, net	<u>9,541</u>	<u>11,186</u>
Amounts recoverable on contracts	5,919	2,182
Other receivables	377	228
Financial assets	<u>15,837</u>	<u>13,596</u>
Prepayments and accrued income	1,507	1,454
Non-financial assets	<u>1,507</u>	<u>1,454</u>
<b>Trade and other receivables due within one year</b>	<u>17,344</u>	<u>15,050</u>

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Amounts recoverable on contracts	1,723	1,863
<b>Trade and other receivables due after one year</b>	<u>1,723</u>	<u>1,863</u>

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

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

	<b>2013</b>	<b>2012</b>
Euros	€3,275,000	€3,217,000
Australian dollars	AUD101,000	AUD\$203,000
Emirati dirham	AED79,000	AED80,000
US dollars	\$3,382,000	\$3,743,000
Canadian dollars	\$1,000	\$1,000

**Credit quality of financial assets**

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Local authorities and other public bodies	4,430	5,241
Private companies	5,839	6,561
	<u>10,269</u>	<u>11,802</u>

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

	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not past due	5,699	-	7,389	-
Past due 0 to 30 days	1,172	-	1,569	-
Past due 31 to 60 days	306	-	578	-
More than 61 days	3,092	728	2,266	616
	<u>10,269</u>	<u>728</u>	<u>11,802</u>	<u>616</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**15 TRADE AND OTHER RECEIVABLES (CONTINUED)**

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

	2013 £000	2012 £000
At 1 November 2012	616	231
Charge for the year	114	234
Relating to acquisitions	98	514
Utilised	(100)	(363)
At 31 October 2013	<u>728</u>	<u>616</u>

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

The credit quality of the holders of the Cash at bank is AA and AAA rated.

**16 CASH AND CASH EQUIVALENTS**

	2013 £000	2012 £000
Cash at bank and in hand	<u>3,399</u>	<u>3,640</u>
Cash and cash equivalents per cash flow statements	<u>3,399</u>	<u>3,640</u>

**17 TRADE AND OTHER PAYABLES**

	2013 £000	2012 £000
Trade payables	2,527	2,563
Accruals	2,135	2,897
	<u>4,662</u>	<u>5,460</u>

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

**18 OTHER LIABILITIES**

	2013 £000	2012 £000
Social security and other taxes	1,339	1,532
Other payables	1,499	2,216
Deferred income	13,952	13,538
	<u>16,790</u>	<u>17,286</u>

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

**19 PROVISIONS**

	2013 £000	2012 £000
At 1 November 2012	76	117
Provision made during the year	4	4
Provision utilised during the year	(24)	(45)
At 31 October 2013	<u>56</u>	<u>76</u>

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 20 DERIVATIVE FINANCIAL INSTRUMENTS

The carrying amounts for the Group's derivative financial instruments may be further analysed as follows

	2013 £000	2012 £000
<b>Fair value</b>		
Interest rate swap – Fair value hierarchy level 2	66	136
Derivative financial liabilities	66	136

The fair value of the contract has been estimated using relevant market interest rates

In the current year the Group has used interest rates swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with notional values of £12m fix interest payments at an average rate of 1.33% for periods up until 2015.

The fair value of the interest rate swap liability at 31 October 2013 is estimated at £66,000 (2012: £136,000).

### 21 BORROWINGS

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

	2013 £000	2012 £000
<b>Current</b>		
Bank borrowings	3,732	2,300
<b>Non-current</b>		
Bank borrowings	19,462	22,879
Total borrowings	23,194	25,179

At the balance sheet date the Group had three loan facilities in place with Bank of Scotland Plc consisting of one term loan and two revolving credit facilities.

At the balance sheet date, the amortised cost of the term loan was £7,317,000 and during the period the loan was held the average interest rate paid was 3.14%.

The Group has a revolving credit facility to fund working capital requirements. At the balance sheet date, the amortised cost of this facility was £1,964,000 and during the period the facility was held the average interest rate paid was 3.13%.

The Group has a revolving credit facility of £15m which was made available in order to finance business acquisitions. In November 2012, £1.8m of this facility was drawn down in order to fund the acquisition of FMx Limited. In April 2013, £2.1m of this facility was drawn down in order to fund the acquisition of Artesys International. The total amortised cost of the acquisition revolving credit facility at the year end was £13,795,000 and the average interest rate paid during the period the facility was held was 3.15%.

As security for the above loans, the Bank of Scotland Plc holds a bond and floating charge over the assets of the Group, a composite guarantee supported by each Group company and a share pledge in respect of the entire issued share capital of each subsidiary company.

The Group also has two term loans in place with Oseo, France. At the balance sheet date the total outstanding amount was £118,000 and the average interest rate paid during the period the facility was held was 5.58%.

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 22 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the finance department under policies approved by the Board of Directors. The Group finance department identifies, evaluates and manages financial risks. The Board provides guidance on overall risk management including foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

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

#### **Market risk**

##### **(i) Foreign exchange risk**

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

##### **(ii) Cash flow and fair value interest rate risk**

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

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2013 and 2012, all the Group's borrowings at variable rate were denominated in UK Sterling. To protect cash flows against movements in interest rates the Group entered into an interest LIBOR swap agreement.

#### **Credit risk**

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

<b>Classes of financial assets – carrying amounts</b>	<b>2013 £000</b>	<b>2012 £000</b>
Cash and cash equivalents	3,399	3,640
Trade receivables	9,541	11,186
Amounts recoverable on contracts	7,642	4,045
Other receivables	377	228
Financial assets at fair value	<u>20,959</u>	<u>19,099</u>

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

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

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

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

#### **Liquidity risk**

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

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

Notes to the Accounts (continued)

For the year ended 31 October 2013

**22 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

As at 31 October 2013, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below

	Current		Non-current	
	Within 6 months £000	6 – 12 months £000	1 – 5 years £000	Later than 5 years £000
Bank borrowings	362	4,050	20,457	-
Trade and other payables	4,662	-	-	-

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

	Current		Non-current	
	Within 6 months £000	6 – 12 months £000	1 – 5 years £000	Later than 5 years £000
Bank borrowings	388	2,695	24,170	-
Trade and other payables	5,460	-	-	-

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

**Capital risk management**

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

Capital for the reporting periods under review is summarised as follows

	2013 £'000	2012 £'000
Total equity	44,686	38,900
Less unrestricted cash and cash equivalents (note 16)	(3,399)	(3,640)
	<u>41,287</u>	<u>35,260</u>
Total equity	44,686	38,900
Borrowings (note 21)	23,194	25,179
	<u>67,880</u>	<u>64,079</u>
Capital-to-overall financing ratio	<u>0.61</u>	<u>0.55</u>

Notes to the Accounts (continued)

For the year ended 31 October 2013

**23 SHARE CAPITAL**

	2013 £000	2012 £000
<b>Authorised</b>		
650,000,000 ordinary shares of 1p each (2012 650,000,000)	6,500	6,500
<b>Allotted, called up and fully paid</b>		
As at 1 November	3,485	3,463
Issued and allotted during the year	8	22
349,313,142 ordinary shares of 1p each (2012 348,479,812)	3,493	3,485

**Movement in issued share capital in the year**

During the year to 31 October 2013, three employees exercised share options. To satisfy the exercise of one tranche of these options, the company issued and allotted 833,330 new ordinary shares of 1p each.

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

At 31 October 2013, there were 2,153,622 (2012 1,390,328) shares in issue under ESOP. During the year the average issue share price was 44p (2012 34p).

At 31 October 2013 there were 52,000 (2012 452,000) shares held in treasury.

**24 SHARE OPTIONS**

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

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

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

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
1,166,000	-	(300,000)	-	866,000	7.50p	May 2007	May 2017
452,000	-	-	-	452,000	8.125p	Jun 2007	Jun 2017
275,000	-	-	-	275,000	15.00p	Dec 2007	Dec 2017
1,192,308	-	-	-	1,192,308	13.00p	Aug 2008	Aug 2018
1,033,334	-	-	-	1,033,334	15.00p	Aug 2008	Aug 2018
8,105,366	-	-	-	8,105,366	10.25p	Mar 2010	Mar 2020
12,300,000	-	(933,330)	(166,670)	11,200,000	20.00p	Mar 2011	Mar 2021
1,099,998	-	-	-	1,099,998	18.00p	Mar 2011	Mar 2021
850,000	-	-	-	850,000	35.00p	Apr 2012	Apr 2022
750,000	-	-	-	750,000	44.00p	Sep 2012	Sep 2022
-	450,000	-	-	450,000	35.75p	Jul 2013	Jul 2023
<b>27,224,006</b>	<b>450,000</b>	<b>(1,233,330)</b>	<b>(166,670)</b>	<b>26,274,006</b>			

Notes to the Accounts (continued)

For the year ended 31 October 2013

**24 SHARE OPTIONS (CONTINUED)**

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

	2013		2012	
	No	WAEP Pence	No	WAEP Pence
Outstanding at the beginning of the year	27,224,006	16 87	29,002,008	14 86
Granted during the year	450,000	35 75	1,600,000	39 22
Exercised during the year	(1,233,330)	16 96	(3,078,002)	9 36
Lapsed during the year	(166,670)	20 00	(300,000)	18 67
Outstanding at the end of the year	26,274,006	17 17	27,224,006	16 87
Exercisable at the end of the year	24,044,840	15 98	19,640,226	12 12

The share options outstanding at the end of the year have a weighted average remaining contractual life of 7 years. The share options exercised during the year had a weighted average exercise price of 16 96p and a weighted average market price of 37p.

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

Date of issue	Number granted	Weighted average share price	Weighted average exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend yield	Weighted average fair value at grant date
	No	pence	pence	%	Years	%	%	£
Jul 13	450,000	36 5	35 75	35	10	4 65	0 6	0 19

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

The Group recognised a total charge of £511,000 (2012 £731,000) related to equity-settled share-based payment transactions during the year. A charge of £495,000 (2012 £568,000) related to share options granted and £16,000 (2012 £163,000) related to share options exercised. In 2013, a charge of £12,000 (2012 £24,000) relating to equity-settled share-based payment transactions were in respect of discontinued operations. These charges all related to share options granted.

Notes to the Accounts (continued)

For the year ended 31 October 2013

**25 ACQUISITIONS**

**Artesys International**

On 9 April 2013 the Group acquired the entire share capital of Artesys International for a total consideration of €2.4m (£2.1m) in cash. Artesys International provides engineering document control solutions and applications supporting the efficient and safe operation of processing plants. Opidis, an intelligent P&ID and 3D Plant model navigation tool is used by over 8,000 engineering operations and maintenance professionals to locate validated plant documents and data. The acquisition of Artesys International adds extended geographic coverage in Europe, Africa and the Middle East and a complimentary portfolio of products, customers, professional services and industry partners to the Group.

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

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets	985	(298)	687
Property, plant and equipment	40	-	40
Trade receivables	1,008	-	1,008
Corporation tax	18	-	18
Other receivables	246	-	246
Cash at bank	285	-	285
<b>TOTAL ASSETS</b>	<b>2,582</b>	<b>(298)</b>	<b>2,284</b>
Trade payables	(149)	-	(149)
Provisions for liabilities and charges	(89)	-	(89)
Bank loans	(342)	-	(342)
Other creditors	(172)	-	(172)
Deferred income	(274)	-	(274)
Social security and other taxes	(352)	-	(352)
Deferred tax liability	-	(156)	(156)
<b>TOTAL LIABILITIES</b>	<b>(1,378)</b>	<b>(156)</b>	<b>(1,534)</b>
<b>NET ASSETS</b>			<b>750</b>
Purchased goodwill capitalised			1,314
<b>Total consideration</b>			<b>2,064</b>
Satisfied by			
Cash to vendor			2,064
Earn out consideration			-
<b>Total consideration</b>			<b>2,064</b>

The fair values stated above are provisional. The fair value adjustment for the intangible assets relates to customer relationships, trade names and software. A related deferred tax liability has also been recorded as a fair value adjustment.

The fair value of trade debtors is equal to the gross contractual amounts receivable. All debts have been reviewed and are considered recoverable.

The revenue included in the consolidated statement of comprehensive income since 9 April 2013, contributed by Artesys was £892,000. Artesys also made a loss of £311,000 for the same period. If Artesys had been included from 1 November 2012, it would have contributed revenue of £1,894,000 and a loss after tax of £437,000.

Acquisition costs of £64,000 have been written off in the consolidated statement of comprehensive income.

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 25 ACQUISITIONS (CONTINUED)

#### Innovation Connect (formerly trading as Currency Connect)

There have been additional fair value adjustments in respect of the acquisition of Innovation Connect on 3 May 2012. Since 31 October 2012, management have aligned the company's revenue recognition policy with those of the Group. This change has meant that accrued income is now only recognised when performance obligations have been met and the right to receive the revenue can be measured reliably dependent upon the nature of the individual grant applications. This has resulted in an additional fair value adjustment which has reduced accrued income by £446,000 and increased goodwill by a corresponding amount.

There was a fair value adjustment of £46,000 to tangible fixed assets to align the depreciation policy of the company to the Group policy.

A final fair value adjustment of £58,000 was made to the bad debt provision to align the provision with the Group.

There will be no further fair value adjustments and all opening balances for Innovation Connect are now final.

#### Opt2Vote

During the year a fair value adjustment of £13,000 was made in respect of the acquisition of Opt2Vote Limited on 27 March 2012. The adjustment was made to remove an other receivable balance which was deemed to be non-recoverable.

There will be no further fair value adjustments and all opening balances for Opt2Vote are now final.

#### FMx

There have been two fair value adjustments during the year in respect of the acquisition of FMx Limited on 18 October 2012. An adjustment of £182,000 was made to align the deferred income policy with the Group policy. A further adjustment of £15,000 was made in respect of taxation timing differences.

There will be no further fair value adjustments and all opening balances for FMx are now final.

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

#### Acquisition cash flows

Acquisition cash flows in the year are as follows

	<b>Net cash outflow £000</b>
Subsidiaries acquired during the year	
Artesys International	1,779
	<hr/>
	1,779
	<hr/>
Deferred consideration paid on previous year acquisitions	<b>£000</b>
Grantfinder Limited	13
Interactive Dialogues BV	162
Innovation Connect	350
	<hr/>
	525
	<hr/>

The following contingent considerations were released in the year

	<b>£000</b>
Opt2Vote Limited	800
Lalpac Limited	50
	<hr/>
	850
	<hr/>

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

## Notes to the Accounts (continued)

For the year ended 31 October 2013

### 26 OPERATING LEASE COMMITMENTS

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

	2013 £000	2012 £000
Amounts due		
Within one year	747	572
Between one and five years	1,561	1,416
After five years	25	14
	<u>2,333</u>	<u>2,002</u>

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

### 27 CAPITAL COMMITMENTS

The Group had no capital commitments at 31 October 2013 or 31 October 2012

### 28 CONTINGENT LIABILITIES

There were no material Group contingent liabilities at 31 October 2013 or 31 October 2012

### 29 POST BALANCE SHEET EVENTS

On 1 November 2013 the Group issued 816,914 ordinary shares of 1p each in order to satisfy an exercise of an employee share option

### 30 RELATED PARTY TRANSACTIONS

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

	2013 £000	2012 £000
Salaries and other short term employee benefits	2,114	1,974
Post-employment benefits	43	32
Share-based payments	198	731
	<u>2,355</u>	<u>2,737</u>

In the year ended 31 October 2013 Martin Brooks, Chairman of Idox plc was entitled to remuneration of £6,750 (2012 £6,750) as chairman of Cornwall Development Company, which he elected not to take. Cornwall Development Company Ltd is a company limited by guarantee and wholly owned by Cornwall Council. Cornwall Council is a customer of Idox Software Limited and Idox Information Solutions Limited, both of which are wholly owned subsidiaries of Idox plc.

## Independent auditor's report to the members of IDOX plc

We have audited the parent company financial statements of Idox plc for the year ended 31 October 2013 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 19 to 20, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006

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

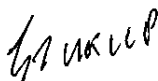
### Matters on which we are required to report by exception

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

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

### Other matter

We have reported separately on the group financial statements of Idox plc for the year ended 31 October 2013



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

21 January 2014

Company Balance Sheet

At 31 October 2013

	Note	2013 £000	2012 £000
<b>Fixed assets</b>			
Investments	5	72,339	71,644
<b>Current assets</b>			
Debtors falling due within one year	6	197	133
Debtors falling due after one year	6	1,879	2,116
<b>Creditors' amounts falling due within one year</b>	7	<u>(31,989)</u>	<u>(24,146)</u>
<b>Net current liabilities</b>		<u>(29,913)</u>	<u>(21,897)</u>
<b>Total assets less current liabilities</b>		42,426	49,747
<b>Creditors' amounts falling due after more than one year</b>	8	(19,600)	(23,200)
<b>Net assets</b>		<u>22,826</u>	<u>26,547</u>
<b>Capital and reserves</b>			
Called up share capital	9	3,493	3,485
Capital redemption reserve	11	1,112	1,112
Share premium account	11	10,355	10,197
Treasury reserve	11	(12)	(107)
Share option reserve	11	1,955	1,825
Profit and loss account	11	5,923	10,035
<b>Shareholders' funds</b>		<u>22,826</u>	<u>26,547</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 January 2014 and are signed on its behalf by



**Richard Kellett-Clarke**  
Chief Executive Officer

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

Company name Idox plc

Company number 03984070

## Notes to the Company Financial Statements

For the year ended 31 October 2013

---

### 1 ACCOUNTING POLICIES

#### Basis of preparation

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

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

#### FRS 20 Share based payment

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

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

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

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

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

#### Deferred taxation

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

#### Investments

Fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment

## Notes to the Company Financial Statement (continued)

For the year ended 31 October 2013

### 1 ACCOUNTING POLICIES (CONTD)

#### Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

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

Interest and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates. The company does not apply FRS 26.

### 2 DIRECTORS AND EMPLOYEES

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

The company has no employees and Directors are remunerated by other Group companies. Details of the remuneration for each Director are included in the Report on Remuneration which can be found on pages 15 to 16 but which do not form part of the audited accounts.

### 3 DIVIDENDS

	2013 £000	2012 £000
Final dividend paid in respect of the year ended 31 October 2012 and 31 October 2011	1,394	1,245
Pence per ordinary share	0 40p	0 36p
Interim dividend paid in respect of the year ended 31 October 2013 and 31 October 2012	1,044	951
Pence per ordinary share	0 30p	0 275p

The Directors have proposed the payment of a final dividend of 0 40p per share, which would amount to £1,397,000 (2012 0 40p).

### 4 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £1,622,000 (2012 loss £3,103,000).

## Notes to the Company Financial Statement (continued)

For the year ended 31 October 2013

### 5 INVESTMENTS

	Investment in Group undertakings £000
<b>Cost or market value</b>	
At 1 November 2012	74,244
Additions	2,314
Disposals	(1,162)
At 31 October 2013	<u>75,396</u>
<b>Impairment</b>	
At 1 November 2012	2,600
Provided in the year	457
At 31 October 2013	<u>3,057</u>
<b>Net book amount</b>	
At 31 October 2013	<u>72,339</u>
At 31 October 2012	<u>71,644</u>

During the year the Directors impaired the investment in TFPL Limited by £457,000. On 1 July 2013 the year, the investment in TFPL Limited was disposed of.

At 31 October 2013 the company held investments in the following companies

	Country of registration	Class of share held	Proportion held	Nature of business
Idox Software Limited	England	Ordinary	100%	Software services
Idox Information Services Limited	England	Ordinary	100%	Information services
CAPS Solutions Limited	England	Ordinary	100%	Dormant company
i-documentsystems Trustees Limited	England	Ordinary	100%	Corporate trustee of Employee share ownership trust
Grantfinder Limited	England	Ordinary	100%	Information services
Strand Electoral Management Services Limited	England	Ordinary	100%	Software services
J4B Nederland BV	Holland	Ordinary	100%	Information services
Strand Enterprises Limited	England	Ordinary	100%	Dormant company
Idox Information Solutions Limited (formerly J4B Software & Publishing Limited)	England	Ordinary	100%	Information services
Plantech Limited	England	Ordinary	100%	Dormant company
McLaren Software Group Limited	Scotland	Ordinary	100%	Holding Company
McLaren Software Limited	Scotland	Ordinary	100%	Software services
McLaren Software Inc	USA	Ordinary	100%	Software services
McLaren Consulting BV	Holland	Ordinary	100%	Dormant company
Lalpac Limited	England	Ordinary	100%	Software services
Interactive Dialogues Limited	England	Ordinary	100%	Software services
Interactive Dialogues NV	Belgium	Ordinary	100%	Software services
CT Space Limited	England	Ordinary	100%	Software services
Buildonline Global Limited	England	Ordinary	100%	Dormant company
Buildonline Ireland Limited	Ireland	Ordinary	100%	Software services
CT Space SARL	France	Ordinary	100%	Software services
CT Space GmbH	Germany	Ordinary	100%	Software services
CT Space Technologies Pty	India	Ordinary	100%	Software services
CT Space Inc	USA	Ordinary	100%	Software services
Citadon Inc	USA	Ordinary	100%	Software services
Opt2Vote Limited	England	Ordinary	100%	Software services
Currency Connect BV	Holland	Ordinary	100%	Software services
FMx Limited	England	Ordinary	100%	Software services
McLaren Software Australia Pty Limited	Australia	Ordinary	100%	Software services
Artesys International SA	France	Ordinary	100%	Software services

The Company holds 51% of the ordinary share capital of De Jong & Laan Subsidiadviseurs BV, a company registered in Holland. The results have not been consolidated into the Group accounts as the amounts were immaterial in the year to 31 October 2013.

Notes to the Company Financial Statement (continued)

For the year ended 31 October 2013

**6 DEBTORS**

	2013 £000	2012 £000
Falling due within one year		
Other debtors	197	133
Falling due after one year		
Other debtors	64	188
Amounts owed by Group undertakings	1,815	1,928
	<u>1,879</u>	<u>2,116</u>

Included in the above for the company is £1,815,000 (2012 £1,928,000) owed by Group undertakings which is due after more than one year. The Directors consider this loan to be recoverable.

**7 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2013 £000	2012 £000
Bank loan	3,700	2,300
Amounts owed to Group undertakings	27,761	20,088
Other creditors	289	1,536
Accruals and deferred income	239	222
	<u>31,989</u>	<u>24,146</u>

**8 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2013 £000	2012 £000
Bank loan	19,600	23,200

At the balance sheet date the Company had three loan facilities in place with Bank of Scotland Plc consisting of one term loan and two revolving credit facilities.

At the balance sheet date, the amortised cost of the term loan was £7,317,000 and during the period the loan was held the average interest rate paid was 3.14%.

The Company has a revolving credit facility to fund working capital requirements. At the balance sheet date, the amortised cost of this facility was £1,964,000 and during the period the facility was held the average interest rate paid was 3.13%.

The Company has a revolving credit facility of £15m which was made available in order to finance business acquisitions. In November 2012, £1.8m of this facility was drawn down in order to fund the acquisition of FMx Limited. In April 2013, £2.1m of this facility was drawn down in order to fund the acquisition of Artesys International. The total amortised cost of the acquisition revolving credit facility at the year end was £13,795,000 and the average interest rate paid during the period the facility was held was 3.15%.

As security for the above loans, the Bank of Scotland Plc holds a bond and floating charge over the assets of the Company, a composite guarantee supported by each Group company and a share pledge in respect of the entire issued share capital of each subsidiary company.

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

Notes to the Company Financial Statement (continued)

For the year ended 31 October 2013

**9 SHARE CAPITAL**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Authorised 650,000,000 ordinary shares of 1p each (2012 650,000,000)	6,500	6,500
Allotted, called up and fully paid As at 1 November	3,485	3,463
Issued and allotted during the year	8	22
349,313,142 ordinary shares of 1p each (2012 348,479,812)	3,493	3,485

**Movement in issued share capital in the year**

During the year to 31 October 2013, three employees exercised share options. To satisfy the exercise of one tranche of these options, the company issued and allotted 833,330 new ordinary shares of 1p each.

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

At 31 October 2013, there were 2,153,622 (2012 1,390,328) shares in issue under ESOP. During the year the average issue share price was 44p (2012 34p).

At 31 October 2013 there were 52,000 (2012 452,000) shares held in treasury.

**10 SHARE OPTIONS**

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

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

Details of all share options over 1p Ordinary shares, falling within the measurement and recognition criteria of FRS 20 "Share-based Payment", including their contractual life and exercise prices are as follows:

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
1,166,000	-	(300,000)	-	866,000	7.50p	May 2007	May 2017
452,000	-	-	-	452,000	8.125p	Jun 2007	Jun 2017
275,000	-	-	-	275,000	15.00p	Dec 2007	Dec 2017
1,192,308	-	-	-	1,192,308	13.00p	Aug 2008	Aug 2018
1,033,334	-	-	-	1,033,334	15.00p	Aug 2008	Aug 2018
8,105,366	-	-	-	8,105,366	10.25p	Mar 2010	Mar 2020
12,300,000	-	(933,330)	(166,670)	11,200,000	20.00p	Mar 2011	Mar 2021
1,099,998	-	-	-	1,099,998	18.00p	Mar 2011	Mar 2021
850,000	-	-	-	850,000	35.00p	Apr 2012	Apr 2022
750,000	-	-	-	750,000	44.00p	Sep 2012	Sep 2022
-	450,000	-	-	450,000	35.75p	Jul 2013	Jul 2023
27,224,006	450,000	(1,233,330)	(166,670)	26,274,006			

Notes to the Company Financial Statement (continued)

For the year ended 31 October 2013

**10 SHARE OPTIONS (CONTINUED)**

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

	2013		2012	
	No	WAEP Pence	No	WAEP Pence
Outstanding at the beginning of the year	27,224,006	16 87	29,002,008	14 86
Granted during the year	450,000	35 75	1,600,000	39 22
Exercised during the year	(1,233,330)	16 96	(3,078,002)	9 36
Lapsed during the year	(166,670)	20 00	(300,000)	18 67
Outstanding at the end of the year	26,274,006	17 17	27,224,006	16 87
Exercisable at the end of the year	24,044,840	15 98	19,640,226	12 12

The share options outstanding at the end of the year have a weighted average remaining contractual life of 7 years. The share options exercised during the year had a weighted average share price of 16 96p and a weighted average market price of 37p.

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

Date of issue	Number granted	Weighted average share price	Weighted average exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend yield	Weighted average fair value at grant date
	No	pence	pence	%	Years	%	%	£
Jul 13	450,000	36 5	35 75	35	10	4 65	0 6	0 19

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

The Group recognised total expenses of £511,000 (2012 £731,000) related to equity-settled share-based payment transactions during the year. Expenses of £495,000 (2012 £568,000) related to share options granted and £16,000 (2012 £163,000) related to share options exercised. In 2013, £12,000 (2012 £24,000) of expenses relating to equity-settled share-based payment transactions were in respect of discontinued operations. These expenses all related to share options granted.

## Notes to the Company Financial Statement (continued)

For the year ended 31 October 2013

### 11 SHARE PREMIUM ACCOUNT AND RESERVES

The company	Capital redemption reserve £000	Share premium account £000	Treasury reserve £000	Share option reserve £000	Profit and loss account £000	Total £000
At 1 November 2012	1,112	10,197	(107)	1,825	10,035	23,062
Issue of share capital	-	158	-	-	-	158
Share options reserve movement	-	-	-	290	-	290
Exercise of options from treasury reserve	-	-	95	(160)	(52)	(117)
Dividends paid	-	-	-	-	(2,438)	(2,438)
Loss for the year	-	-	-	-	(1,622)	(1,622)
At 31 October 2013	1,112	10,355	(12)	1,955	5,923	19,333

The capital redemption reserve for the Group and the Company was created during 2003 when the entire deferred ordinary share capital was bought in exchange for one ordinary 1p share. Other reserves relate to the issued share capital and share premium account in the Company's subsidiary undertaking, Idox Software Limited, and has been treated in accordance with FRS 6 under merger accounting. The share options reserve represents shares to be issued on potential exercise of those share options that have been accounted for under FRS20 (IFRS2) Share Based Payments.

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

### 12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Loss for the financial year	(1,622)	(3,103)
Issue of share capital	166	856
Dividends received	-	17,000
Dividends paid	(2,438)	(2,196)
Exercise of options from treasury reserve	-	(37)
Treasury shares purchased	(117)	(1,524)
Shares option reserve movement	290	568
Net (decrease)/increase in shareholders' funds	(3,721)	11,564
Shareholders' funds at 1 November 2012	26,547	14,983
Shareholders' funds at 31 October 2013	22,826	26,547

### 13 RELATED PARTY DISCLOSURES

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

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

### 14 POST BALANCE SHEET EVENTS

On 1 November 2013 the Group issued 816,914 ordinary shares of 1p each in order to satisfy an exercise of employee share options.