

IDOX PLC

ANNUAL REPORT & ACCOUNTS 2019

Company Number: 03984070

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Strategic Report - Financial and Operational Highlights

For the year ended 31 October 2019

Idox plc (AIM: IDOX), a leading supplier of specialist information management software and solutions to the public and asset intensive sectors, is pleased to report its financial results for the year ended 31 October 2019.

Idox along with most companies has been impacted by the emerging Covid-19 pandemic. We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the emerging situation. As part of the preparation of our FY19 results, the Group has carefully assessed the likely impact of the Covid-19 pandemic on our business and considered specifically changes in the way we engage with our customers, staff, supply chains and banking partners. Idox is fundamentally resilient to the Covid-19 pandemic due to the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Group retains significant liquidity with cash and available committed bank facilities and has strong headroom against financial covenants. We continue to monitor the situation as it continues to evolve and adapt our approach as required.

Financial highlights:

- Revenue of £65.5m (2018: £66.4m for continuing business, restated for prior year adjustments as disclosed in note 1).
- Revenue visibility significantly improved, with annualised recurring revenue run rate at 31 October 2019 up 20% to £38.9m following adoption of IFRS 15 (16% organic).
- Order book for contracted software and services up 29% to £12.1m.
- Adjusted EBITDA*: £14.4m (2018: £13.6m, restated) for continuing business. Adjusted EBITDA* margin improved to 22% (2018: 20%, restated).
- Cash conversion of Adjusted EBITDA* to net cash from operating activities improved to 86% (2018: 72%, restated). Free cashflow of £4.4m (2018: £4.2m inflow).
- Adjusted EPS** for continuing operations 1.30p (2018: 2.23p, restated).
- Net debt*** at 31 October 2019 down 17% at £26.4m (2018: £31.8m).
- Post year end, new banking arrangements put in place for a £35m, three-year revolving credit facility.

Statutory Equivalents

Reconciliations between adjusted and statutory earnings are contained within these financial statements (page 54). The statutory equivalents of the above results are as follows:

- Loss before tax £0.03m (2018: £30.2m loss, restated) for continuing operations, including an impairment charge of £Nil (2018: £33.3m). Loss before tax on discontinued operations of £0.6m (2018: £9.7m).
- Basic EPS loss of 0.26p (2018: loss 6.67p, restated) for continuing operations. Basic EPS loss of 0.14p (2018: loss 2.19p) on discontinued operations.

Alternative Performance Measures

These items are excluded from statutory measures of profit to present a measure of cash earnings from underlying activities on an ongoing basis. This is a standard methodology in the capital markets in which we operate and how management, shareholders and other stakeholders track performance.

* Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, financing costs and share option costs. Share option costs are excluded from Adjusted EBITDA as this is a standard measure in the industry and how management and our shareholders track performance.

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

*** Net debt is defined as cash less third party borrowings less long term bond.

For the year ended 31 October 2019

Operational highlights:

- New Board, new senior management and finance teams, with improved accounting practices; enhanced employee, customer and shareholder engagement; full integration of prior period acquisitions; and improved governance throughout the organisation.
- Disposed of our loss-making Digital business in November 2018 which was classed as discontinued operations in the prior year accounts.
- Settled a number of operational legacy issues, including disposal of surplus offices, resolved all outstanding material litigation, resolved a number of customer disputes and initiated focus on recurring revenue, ceased loss-making or unsustainable products, and secured long-term supply arrangements with a number of key software partners.
- Acquired Tascomi, a cloud-native supplier of solutions to our core Local Authority property and environmental services markets, in July 2019 to enhance the Group's technological capabilities and market leading positions. The acquisition was funded by a £7.4m equity placing.
- Established new sales and marketing methodologies to identify our strongest markets and align existing and new resources to maximise the growth opportunities we are presented with.
- A continued focus on managing costs to drive increased profitability, and a focus on achieving positive trading terms with our partners to ensure a high level of cash conversion and generation from our operations.

David Meaden, Chief Executive of Idox said:

"This has been a turnaround year for Idox. We enter FY20 on a sound footing having secured new financing arrangements, reduced debt, improved recurring income and overhauled our governance structures, addressing the material legacy issues impacting the Group over the previous 18 months. Our attention is now focussed on customer and employee engagement, growing in our chosen markets and improving margins and cash. We have strong products that are essential for high performing organisations, including our large portfolio of public bodies, seeking to modernise and transform the way they deliver their services.

Cash conversion in the Group has improved notably within the year compared to prior periods, as our revenues and profit are closer linked to services we provide and so more tightly aligned to payments the Group receives for work delivered to our customers. Following the improvements seen in FY19, the Board has full confidence in the Group's future prospects and currently intends to introduce a final dividend in respect of the year ending 31 October 2020.

We have a high degree of confidence that we will continue to create value at Idox for employees, customers, shareholders and other stakeholders as we build on the achievements of FY19 and deliver on the ambitious targets we have set ourselves for FY20 and beyond".

Introduction

I joined our company as Chairman in November 2018, and reflected that the financial year ending in October of that year had been very busy, with the management team and Board spending a lot of time on issues that needed to be resolved for the good of all of our stakeholders, but which were not directly linked to delivering value for our customers.

More recently Idox along with most companies has been impacted by the emerging Covid-19 pandemic. We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the emerging situation.

Idox is a very resilient business, as the core of our Group operates in public sector markets which we anticipate will continue to be robust; in the normal course of business a high proportion of staff are long-term homeworkers meaning the challenges and impact of the switch to predominantly remote working is much lower than for many other organisations. In addition, we have high levels of recurring and repeating revenues, and can continue to deliver products and services remotely with no need for physical contact. We also have significant headroom in our banking facilities following the successful re-negotiation that was completed on 19 December 2019. We therefore remain very vigilant as to the impact of the pandemic, and we are in a strong operational and trading position to react as necessary. Further details regarding the impact of the Covid-19 pandemic and the Group's response are provided in the Going Concern disclosures in the Directors' Report on pages 28 and 29.

As the year ended 31 October 2019 has unrolled, further issues relating to historic accounting and management practices emerged, resulting in various prior period restatements and a number of improvements to our overall governance and controls framework as detailed in our Audit Committee Report and notes to our financial statements. I am pleased to say that, following the audit, all of these issues have been dealt with effectively, and all the indicators, the balance between order book, utilisation, revenue and cash, tell us that there are no more of these historical issues to emerge. I understand the frustration of our shareholders that we have had to spend so much time on these legacy issues, and that they have consequently impacted our expected performance, but I am happy to report that we are at the end of this phase of the Idox story. Our Executive Management Team (EMT) has done an excellent job in working through the issues, dealing with them quickly and in a transparent way, and putting the business on a good footing to go forwards.

A major component of the stabilisation programme has been a significant upgrade in our management team. We have welcomed new colleagues to lead our Finance, Software Development, Operations and Sales organisations, and as a result, we have a much stronger team, with the skills and experience to drive the business forwards as we focus on the core of our business, building and delivering products and services that deliver clear value for our customers. This is not a new strategy. As I stated in last year's Annual Report, our strategy of building discrete software and software enabled services businesses around specific Intellectual Property (IP) assets has allowed us to build market leading positions in a number of very attractive market segments, where we enjoy the benefits of delivering differentiated products and services to customers that deliver tangible and lasting value for them. This has led to us building long lasting relationships based on mutual value creation. The power of such a niche strategy is evident in the length of many of our relationships, the depth of penetration in the segments we target, and the margins that we enjoy as a result of the differentiated value that we deliver. Now that we have dealt with the distractions, and associated cost burdens, of the legacy issues, we can concentrate on doubling down on this strategy, and expect to see the benefits of that focus lead to a significant improvement in our own margins.

Last year I wrote in my report about disposing of businesses that had been acquired that did not fit our model. This year I am very pleased to report that, in contrast, we have completed an acquisition that fits our model perfectly. We are thrilled that, with our shareholders support, we have been able to complete the acquisition of Tascomi Limited. Tascomi is a business that has been built from the ground up as a very flexible, cloud-native software business, with its core applications targeted at our markets of Land and Property management. This is an essential direction of travel for the Group and bringing the Tascomi business together with our existing operations will accelerate our own progress to the cloud significantly, as well as adding some very talented engineers to our teams. We are very pleased to welcome them all to the Group.

As with all rebuilding programmes, there is a huge amount of work that goes on in the background to get the foundations right. The benefits of these improvements are not immediately obvious, but it is essential to put the time and effort in to get this stage right so that the value we all want from the further, more obvious work, can be realised. I believe we are now at this stage.

Group Strategy

The Group continued its focus on providing digital solutions and services to the public sector in the United Kingdom, complemented by our Content business in Europe and Engineering Information Management (EIM) business servicing customers across the world. The key to our success is to ensure we deliver better user results and productivity improvements for customers through focusing on usability, functionality and application of integrated digital and increasingly cloud-based technologies and solutions.

As a result of the work described above to fully rectify the legacy problems and deal with the challenges the Group has faced in the year, the Board believes that our business will progress very positively now with a strong improvement in margins and cash generation. We operate in very good markets, with excellent market positions and insights, and we have every confidence that we can continue to deliver growing value from these positions for our customers and all other stakeholders.

Board

FY19 has seen a number of changes to the Board of Directors:

- On 1 November 2018, Rob Grubb joined us as Chief Financial Officer. Rob has brought strong relevant experience of leading the finance function of a publicly quoted technology business, having been CFO of Gresham Technologies from 2009 to 2018.
- On 1 November 2018, Oliver Scott was appointed as a Non-Executive Director, and Chair of the Nomination Committee. Oliver is a founding Partner of Kestrel LLP, a fund management business which currently holds approximately 10.13% of Idox shares.
- On the 19th November 2018, Laurence Vaughan resigned from the Board with immediate effect. Following this, I was appointed to the position of Chairman on 22 November 2018.
- On 29 March 2019, Barbara Moorhouse stepped down from the Board following the Group's Annual General Meeting (AGM) having completed her three year term of office in January 2019. I would like to thank Barbara for her contribution to Idox since 2016 and in particular her work as Chair of the Remuneration Committee from December 2018.
- On 29 March 2019, Phil Kelly was appointed as a Non-Executive Director, and Chair of the Remuneration Committee. Phil has served as a non-executive director of several listed and private companies in the software and related services sector, and is currently a non-executive director of Castleon Technology plc.
- On 3 April 2019, Richard Kellett-Clarke stepped down from the Board. I would like to thank Richard for his contribution to Idox in both Executive and Non-Executive roles dating back to 2005.

In addition to the changes listed above, Jeremy Millard has continued in his role as Non-Executive Director, and Chair of the Audit Committee throughout FY19.

Each member of the Board brings different skills and experience to the Board and the Board Committees and I am pleased with this balance which has supported the effectiveness of the Board throughout FY19.

I am satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Group however I intend to keep this balance under review and continued assessment.

Corporate Governance

We are cognisant of the important responsibilities we have in respect of Corporate Governance and shaping our culture to be consistent with our objectives, strategy and business model which we set out in our Strategic Report and our description of principal risks and uncertainties. The Group is committed to conducting its business fairly, impartially, in an ethical and proper manner, and in full compliance with all laws and regulations. In conducting our business, integrity is the foundation of all Company relationships, including those with customers, suppliers, communities and employees.

Acquisitions

As highlighted above, during the financial year the acquisition of Tascomi Limited was completed in line with our strategy. Tascomi represents an expansion of our Local Government offerings and creates synergies and opportunities for cost savings in existing products within the Group, which have contributed in a small part to this year's financial results. The Board believes Tascomi will deliver earnings enhancing contributions in future periods.

The acquisition was funded by means of a placing of new shares which raised gross proceeds of £7.4 million.

Dividends

The Board has decided no final dividend will be paid (2018: £Nil) for FY19 bringing the total for the year to £Nil (2018: £Nil). This decision was reached after a full consideration of the pace of recovery in our business.

Following the improvements seen in the Group in FY19, the Board has full confidence in the Group's future prospects and currently intends to introduce a final dividend in respect of the year ending 31 October 2020.

Summary and Outlook

Although this financial year did not turn out exactly as anticipated, the fundamental plan and strategy have held up as expected. The Group enjoys an exceptionally strong market position in the public sector, good products, and has opportunities for growth and improving financial performance.

The new leadership team has made a great start to the new financial year, delivering a strong first quarter of trading and securing new long-term bank facilities. I am confident of the Group's future prospects.

Finally, I would like to extend my thanks to the entire workforce of the Group, who have maintained their focus on looking after the most important asset of our business, our customers. Our colleague's expertise and diligence have continued to deliver the support and value that our customers expect, and we are fortunate to have them choose Idox.

Chris Stone
Chairman
9 April 2020

Strategy

The Group continued its focus on its purpose of providing digital solutions and services to the public sector in the United Kingdom, complimented by our Content business in Europe and Engineering Information Management business servicing customers across the world. The key to our success is to ensure we deliver better user results and productivity improvements for customers through focusing on usability, functionality and application of integrated digital and cloud-based technologies and solutions.

Market Overview

The Group continues to operate successfully in challenging markets characterised by continued pressure on expenditure. Our diversity of offerings and integration of businesses into a single management structure allows us to take advantage of opportunities and respond to challenges in our markets.

We see no change in outlook for our core markets. Recent announcements from all main political parties concerning increased public sector spend are in line with our planning and expectations and should result in increased demand for our solutions which provide improved processes, cost savings and efficiencies to our customers in our chosen markets. Demand in both the markets that our EIM and Content businesses operate in remains robust, and we are confident the operational improvements we have made in FY19 and continue to execute will allow us to capitalise on this demand.

Our Business Model

Idox is the leading applications provider to UK Local Government for core functions relating to land, people and property, including market leading planning systems and election management software. Over 90% of UK local authorities are now customers for one or more of the Group's products. In addition, the Group's public sector products are complimented by our Content business in Europe and Engineering Information Management business servicing customers across the world.

Idox provides:

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

The Group employs 666 colleagues located in the UK, the USA, Europe and India.

The Group's business model provides the framework to support our strategic objectives to create shareholder value specifically and improve stakeholder engagement more generally. These stakeholders include employees, creditors, finance lenders, other business partners, and the local and national communities we are part of.

We create value through the efforts of our employees, supported by these stakeholders, principally through the development and commercialisation of software products and other IP-rich content.

The risks and uncertainties we face in building value for shareholders and stakeholders is set out in the Principal Risks and Uncertainties section of this Strategic Report.

For the year ended 31 October 2019

Key Performance Indicators

Key financial performance indicators measure our effectiveness of executing our stated business model to deliver our strategy and therefore build value for shareholders and other stakeholders.

These are monitored on an ongoing basis by management and are set out below.

	<u>2019</u>	<u>2018</u>	Excluding Digital*		Measure
			<u>2019</u>	<u>2018</u>	(see note 1 for restatement)
Revenue					
Group Revenue	£65.5m	£72.6m	£66.5m	£66.4m	Revenue received from provision of goods and services.
Annualised Recurring Revenue (ARR) exit run-rate	£38.9m	£36.3m	£38.9m	£32.4m	Annualised recurring revenue at 31 October that is contracted or considered highly likely to recur in subsequent years. This is calculated by multiplying the last month of the financial year (October) by 12 to provide an annualised run-rate.
Profitability ratios					
Adjusted EBITDA	£14.4m	£10.8m	£14.4m	£13.6m	Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, financing costs and share option costs.
Adjusted EBITDA margin	22%	15%	22%	20%	Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, financing costs and share option costs as a percentage of revenue.
Adjusted EPS	1.15p	1.67p	1.30p	2.23p	Adjusted EPS excludes amortisation on acquired intangibles, impairment, acquisition costs, restructuring costs, financing costs and share options costs.
Cash indicators					
Free Cash flow	£4.4m	£4.2m	£4.4m	£6.0m	Net cashflow excluding: acquisitions, debt repayments & drawdowns, and shareholder placing & dividends.
Net Debt	(£26.4m)	(£31.8m)	n/a	n/a	Borrowing plus Bonds in issue, less cash and cash equivalents.

* The Group disposed of its Digital Business on 2 November 2018

Alternative Performance Measures

Where relevant, adjusted measures of profit have been used alongside statutory definitions. The main items that are added back to statutory profit are:

- Amortisation from acquired intangible assets.
- Impairment.
- Restructuring costs.
- Acquisition and financing costs.
- Share option costs.

These items are excluded from statutory measures of profit to present a measure of cash earnings from underlying activities on an ongoing basis. This is a standard methodology in the capital markets in which we operate and how management, shareholders and other stakeholders track performance.

Non-financial Indicators

In addition to the financial indicators, the Group is working on establishing employee-related KPI's, recognising our employees are central to the Group's efforts. Measurement of our ability to attract and retain the best talent is important to understand our performance in delivering our strategy and creating value for shareholders and other stakeholders.

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

Composition of the Board

The Board of Directors has no female Directors. There is diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Group, however, this balance is subject to ongoing review and further assessment.

Overview

It has been an intense and transformative year at Idox. The Chairman has referenced the unexpected issues that emerged. It has required a very determined and focussed effort from a talented group of people to lead the business through this set of circumstances and I am grateful to the newly constituted EMT for embracing the challenge so readily and for their hard work and single-minded approach. That we have been able to address the issues so effectively and establish a strong basis for future success has required a commitment and focus across the Group and I would like to record my own thanks for the engagement of all our staff and their commitment to creating value for our clients during this period.

We have been determined to restore the fortunes of the Group by having a laser like focus on the areas where we create distinctive value. As such, the year saw us dispose of the Digital business that required a series of bespoke, non-repeatable solutions and add the market leading, repeatable SaaS solution provided by Tascomi to our offerings in regulatory and licencing services. We believe these activities are important in the key Local Government market and support our future growth plans.

During the year we have continued to focus on the Four Pillars initiative. This is well communicated across the Group and allows all employees to actively participate on improving the business through a focus on revenue, margins, simplification and communication.

Revenue

We have established strong business controls across the Group to ensure we fully understand the financial and operational implications for each piece of business that we engage in. This ensures that we do not pursue revenue for the sake of growth, but that we focus upon our IP and value propositions and the certainty of delivering lasting value to customers. We have improved the amount of recurring revenue in the business and this provides a strong foundation for future growth in both revenues and margins.

Margins

Having captured business, we have focussed on cost management, professional services productivity, delivery of value through the supply chain and standardised ways of working wherever possible. We believe we are well positioned to sustain and improve margins in the business moving forward as we gain share in our respective markets. I said that our focus during the year would be on cash generation and I am pleased to report a further reduction in our ongoing net debt position of £5.4m.

Simplification

We have also focussed on simplifying our business model. During the course of the year we have driven closer integration across previously diverse acquisitions. The supplier list has reduced by two-thirds from approximately 3,000 at the end of FY18 to approximately 900 at the end of FY19. In addition, we have integrated our support operations and reduced the number of service desks from 6 to 2 providing a more coherent and consistent interaction with clients. Our intention is to consolidate this further and create a single service facility during FY20.

In FY19 we have also reduced the number of supporting technologies and platforms in use across our Group. We have consolidated our activities on a single ERP system and although there is further work to do, we are now using systems and information across the business to much greater effect.

During the year we disposed of our London property lease previously used in conjunction with the Digital business. After the year end we closed the Group’s remaining operations in Malta, following the disposal of the small emCare business having transferred healthcare activities fully to the UK, and exited the Group’s scanning activities based in the Republic of Ireland (ROI) that were originally acquired as part of the 6PM transaction.

Communication

Much of our focus this year has been on re-engaging with staff, listening and establishing disciplines across the business that are practical, and that add value. Having set the goal to substantially improve our internal communications we now have an internal magazine, a news channel, CEO broadcasts, relevant and targeted divisional updates, town hall meetings, product videos, and our series of Regional Events, all rounded off by employee engagement surveys to see how we are doing against these goals. I believe these things have been important in reshaping our business and encouraging greater collaboration and open dialogue. I wish to express my gratitude to everyone that has been involved and engaged with this programme.

Products

The year has also seen us take significant steps forward with our product portfolio. Each product set now has a clear roadmap for future development, leading to a much clearer engagement with the existing and potential clients that we serve. We believe we have strong technology platforms supporting our core offerings and we have made it clear that as we move forward, a SaaS first strategy is vital, offering our clients the most flexibility possible in their chosen solutions. We were delighted during the year to add Tascomi to our Local Government offering, providing clients with market leading SaaS capabilities. We plan to add further products to the Tascomi platform in due course.

The disposal of the Digital business in November 2018 ensured that Idox focuses on niche solutions to the public sector and other regulated markets. In each of these areas we produce software that elegantly resolves complexity and which we invest in for the long term to support our customer’s evolving needs. Whilst the Digital operation was delivering bespoke solutions to unique client needs, our business is now solely focussed on delivering comprehensive repeatable software solutions that we support and maintain with long term contracts.

Having taken a number of corrective measures, we are now well positioned to push the business forward and to deliver greater customer and shareholder value.

Public Sector Software

During the period, revenue reduced by 3% following the adoption of IFRS 15 and generally a more balanced approach to revenue growth. We have sought to improve or exit low-earning or loss-making revenue generating activities in the year which has led to an overall decrease in revenues recorded but higher margin and cash generation overall. We saw new Local Government client wins at South Staffordshire and Wakefield for the EDMS product and a further extension on behalf of the Northern Ireland Planning Portal for our Planning Solution. This continues the existing relationship along with additional developments of the system.

We have also seen a number of customers enter into new long-term contracts for existing products, for example Winchester City Council signed a new 4-year contract for the Uniform product and a number of other distinct products. Midlothian Council also extended their existing agreement a further 5 years moving their deployment to our cloud-based hosted environment.

Leeds City Council made a further 5 year commitment to our Uniform solution, Idox will also be performing a full operational review to help the Council ensure that they continue to maximise their use of technology both now and in the future. The London Port Authority also became a new customer for our licensing solution with a 3-year contract.

During the year we have seen six new customers for our Social Care Education Health and Care Hub (EHC) enabling collaboration of EHC assessments, plans and reviews. The EHC Hub continues to be a vehicle for significant cultural change within Local Authorities providing live case tracking and 24/7 access to information for thousands of parents, carers and young people involved in statutory SEND (Special Education Needs and Disabilities) processes. Across our customers, the Hub is now being used to create, manage and review over 55,000 EHC Plans in England. We have also partnered with Westminster City Council to develop an innovative new Family Hub which enables multi-agency working with vulnerable families.

Our CAFM (Computer Aided Facilities Management) product has enjoyed a successful year with a number of new deals including West Midlands Combined Authority and Serco Justice and Immigration. In all we won 10 new customers including Apex Hotels, Bank of China and Canford Healthcare.

In Healthcare, we signed a deal with Virgin Care Services to provide our Lillie software in support of Cheshire West and Chester Council as well as Bolton NHS Foundation Trust. We also secured a long-term five-year extension for iFIT across 3 sites within the Betsi Cadwaladr Health Board, along with continued commitments from Gloucester, North Devon and Cumbria.

In Transport we agreed contracts with Highways England to drive integration between Urban Traffic Management and Control systems. During the year we have focussed on concluding a number of significant projects and moving clients to live operation including WECA Bristol.

Our Elections team supported over 100 authorities to deliver the Local Elections and European Parliamentary election in May. With less than 7 weeks’ notice for delivering the poll, the Group supported customers covering over 12 million electors. Idox was contracted to print 3.8 million election documents and train 7,000 polling staff.

Public Sector Software (continued)

Idox also ran managed services across 17 sites to verify the statements and ballots of over 650,000 postal voters. In addition, our Elections business won a contract from the Cabinet Office to implement phases 1 and 2 of the Government’s Canvass Reform programme, involving several hundred days of design, development, test, deployment and support, and will allow customers to improve their annual electoral canvass.

We also deployed the electronic ballot counting solution on the island of Malta, enabling votes to be counted electronically for the first time. Used in the European and local elections in late May, the solution cut the count duration from a previous record of several days down to a few hours, making Malta one of the first EU countries to issue their official European election results.

Engineering Information Management (EIM)

The Engineering division saw a revenue reduction of 8% as it continues to transition solutions and customers from an on-premise deployment model to a SaaS delivery which directly impacts the revenue profile of contract wins. In addition, we have sought to improve or exit low-earning or loss-making revenue generation activities in the year which has led to an overall decrease in revenues recorded but higher margin and cash generation overall.

EIM continues to progress with its market leading, cloud-based FusionLive product which affords the Group greater EBITDA margins and revenue visibility. In the first half of the year we secured a 5-year contract for our new offering FusionLive with Wood PLC to manage its projects with Exxon Mobile. Other new clients to select FusionLive as their new cloud technology platform included the LNG (Liquid Natural Gas) owner operators NextDecade and GNL, and the engineering company IPS.

A number of new projects in the AEC (Architecture, Engineering and Construction) and transport space in Europe were contracted and BNP Paribas renewed its commitment to our solution for a further two years beyond their current contract term.

We released a new engineering tag extraction tool to support the digitalisation initiatives within the asset-intensive energy industries. This capability will be fully integrated into our cloud platform in FY20 to provide an additional and significant differentiator in the EPC (Engineering, Procurement and Construction) and Owner Operators markets.

A number of important services projects on our Enterprise platform were contracted and delivered, including Sacramento Municipal Utility District, BC Hydro and Sonatrach.

During the year new talent was brought into the organisation including the appointment of a new divisional sales manager from within the industry and we have subsequently restructured the sales team, aimed at providing a greater focus on the UK and the USA in the coming year and in particular, the energy markets, where we believe that we can capitalise on the successful projects delivered during FY19.

Content

The Content division has continued to trade strongly with a 6% growth in revenue, capitalising on the strong domain knowledge we hold in our key target markets.

Our Compliance business delivered an innovative game based GDPR compliance training solution for Statkraft along with a contract with Stada to communicate compliance training in eleven different languages. Other notable contracts in the year were secured with Sto Group, Chevron and Groupe ADP.

There were further wins for our RESEARCHconnect and GRANTfinder products at Imperial College London, Swansea University, a consortium of South African Universities and Orbit Heart of England Housing & Care. The Wildlife Trusts signed a national contract for GRANTfinder in March. The University Grenoble Alpes committed to a 4-year contract for Open4Research and the Welsh Government renewed their Open4Business contract along with re-commitments from the London Borough of Islington, and Technische Universitat Munchen.

London Fire Brigade and the Greater London Authority procured a new 4-year shared services agreement for data library and information services.

The Grants team also had several notable successes including contracts with BITS, N2000 and LightSense SME II, Accenture and ICT Netherlands.

Outlook

We continue to explore ways to accelerate the Group's strategy and are confident that we have the right team and engagement throughout the organisation to deliver improved value for all our key stakeholders. A cloud-first approach across each of our business areas is a strategic necessity and we will continue to invest selectively to grow our capabilities and support our customers. The business has a strong foundation in property and asset-based solutions and this, along with our focus on a broader SaaS provision, will underpin our future strategy and growth.

David Meaden

Chief Executive Officer

9 April 2020

Financial Review

The financial year ended 31 October 2019 has been a year of transition for the Group with a number of operational and finance processes being re-established. In particular the Group has adopted a strong focus on sales and commercial governance to ensure that only earnings-enhancing revenues are pursued. This approach has resulted in improving Adjusted EBITDA and improved cash generation from the operations of the Group compared to prior periods.

Prior period adjustments have been recorded in respect of Revenue and Onerous Contracts following extensive and detailed product and contract reviews. Results in respect of FY18 presented have been restated to reflect these prior year adjustments. Further details are included in the Report of the Audit Committee and note 1 to the Group financial statements.

The following table sets out the revenues and Adjusted EBITDA for each of the Group's segments from its continuing activities:

	Restated		Variance	
	FY19 £000	FY18 £000	£000	%
Revenue				
- Public Sector Software	41,642	42,539	(897)	-2%
- Engineering Information Management	9,170	10,003	(833)	-8%
- Content	14,680	13,872	808	6%
- Total	65,492	66,414	(922)	-1%
Revenue				
- Public Sector Software	64%	64%		
- Engineering Information Management	14%	15%		
- Content	22%	21%		
Adjusted EBITDA*				
- Public Sector Software	11,052	10,469	583	6%
- Engineering Information Management	1,410	1,361	49	4%
- Content	1,899	1,809	90	5%
- Total	14,361	13,639	722	5%
Adjusted EBITDA margin				
- Public Sector Software	27%	25%		
- Engineering Information Management	15%	14%		
- Content	13%	13%		
- Total	22%	21%		

* See page 1 for definition of Adjusted EBITDA

Public Sector Software

The PSS division, which now includes Health, due to shared common resources within PSS, accounted for 64% of Group revenues (2018: 64%), delivered revenues of £41.6m (2018: £42.5m).

	Restated		Variance	
	FY19 £000	FY18 £000	£000	%
Public Sector Software Revenues				
- Recurring	24,144	19,239	4,905	25%
- Non-Recurring	17,498	23,300	(5,802)	-25%
	41,642	42,539	(897)	-2%
- Recurring*	58%	45%		
- Non-Recurring**	42%	55%		

* Recurring revenue is defined as revenues associated with access to a specific ongoing service, with invoicing that typically recurs on an annual basis and underpinned by either a multi-year or rolling contract. These services include Support & Maintenance, SaaS fees, Hosting services, and some Managed Service arrangements which involve a fixed fee irrespective of consumption.

** Non-Recurring revenue is defined as revenues without any formal commitment from the customer to recur on an annual basis.

Non-recurring product and services revenue decreased by 25% primarily as a result of the IFRS 15 adoption exercise in our Local Authority business which has resulted in less revenue being recognised as product, and more revenue allocated to ongoing support and maintenance, and hosting obligations, commensurate with our ongoing costs and obligations for those services. Recurring revenues conversely increased markedly year on year as a result.

Adjusted EBITDA increased by 6% to £11.1m (2018: £10.5m), delivering a slightly improved EBITDA margin of 27% (2018: 25%). We continue with our efforts to consolidate individual business units and products within PSS to drive efficiency, and anticipate further margin improvement as we continue to leverage our common resources.

Engineering Information Management

The EIM division accounted for 14% of Group revenues (2018: 15%) with revenue of £9.2m (2018: £10.0m). The business continued its transition from a traditional on-premise deployment to a SaaS solution.

EIM saw a fall in revenue due to a continued emphasis on SaaS and managed service deals with the orders won being traded over future years.

	Restated		Variance	
	FY19 £000	FY18 £000	£000	%
Engineering Information Management				
- Recurring	7,100	7,285	(185)	-3%
- Non-Recurring	2,070	2,718	(648)	-24%
	9,170	10,003	(833)	-8%
- Recurring	77%	73%		
- Non-Recurring	23%	27%		

Adjusted EBITDA increased by 4% to £1.4m (2018: £1.4m), delivering a slightly improved EBITDA margin of 15% (2018: 14%). We continue to control costs tightly as the business transitions from its previous on-premise infrastructure to its present SaaS-led business model.

Strategic Report – Financial Review (continued)

For the year ended 31 October 2019

Content

The Content division in the UK and Europe had revenue growth of 6% to £14.7m (2018: £13.9m), driven in the main by continued success in our Dutch consultancy business, and German and Belgian compliance businesses. All other business in the division performed as expected.

	Restated		Variance	
	FY19 £000	FY18 £000	£000	%
Content				
- Recurring	4,492	4,059	433	11%
- Non-Recurring	10,188	9,813	375	4%
	14,680	13,872	808	6%
- Recurring	31%	29%		
- Non-Recurring	69%	71%		

Adjusted EBITDA increased slightly to £1.9m (2018: £1.8m), delivering a consistent EBITDA margin of 13% (2018: 13%). We continue to explore ways to improve EBITDA margin, both through targeting higher-margin revenue activities, and also actively managing cost.

Loss Before Tax

The following table provides a reconciliation between adjusted EBITDA and statutory loss before taxation.

	Restated		Variance	
	FY19 £000	FY18 £000	£000	%
Adjusted EBITDA	14,361	13,639	722	5%
Depreciation and Amortisation	(9,128)	(9,319)	191	-2%
Restructuring costs	(2,155)	(436)	(1,719)	394%
Acquisition (costs) / credits	(174)	856	(1,030)	-120%
Impairment	-	(33,255)	33,255	-100%
Financing costs	(368)	(336)	(32)	10%
Share option costs	(859)	(50)	(809)	1,618%
Net finance costs	(1,702)	(1,339)	(363)	27%
Loss before taxation	(25)	(30,240)	30,215	-100%

The reported loss before tax was £0.03m (2018: £30.2m loss).

Restructuring costs were £2.2m (2018: £0.4m) as the new Management team assessed in detail all operations of the Group in the year; restructuring business units and Group processes to improve the Group's current and future financial performance and prospects.

Loss Before Tax (continued)

Acquisition costs of £0.2m (2018: £0.9m credit) relates to the acquisition of Tascomi Limited. The prior year credit was in respect to an adjustment to deferred contingent consideration in relation to a prior period acquisition.

There were no impairments in the year (2018: £33.3m).

Net finance costs have increased to £1.7m (2018: £1.3m) as a direct consequence of the Group refinancing in February 2019 at more expensive terms to the previous financing arrangements. This has since been superseded by improved commercial terms achieved for the Group's new 3-year financing agreed in December 2019.

The Group continues to invest in developing innovative technology solutions and has incurred capitalised development costs of £4.4m (2018: £3.6m).

Taxation

The effective tax rate (ETR) for the period was (190.07%) (2018: 8.39%).

The main factors for the lower ETR on the net loss before tax position were threefold. New share options granted during the year, some of which were fully-vested on issue, resulted in a significant disallowable P&L impact. This was the same for costs incurred as part of the Digital division disposal and the acquisition of Tascomi.

Lastly, non-recognition of losses in certain jurisdictions, owing to uncertainty over their future utilisation, decreased ETR significantly. The main jurisdiction impact was in France which, alongside non-recognition of current-year losses, elected to derecognise losses brought forward from prior years. This downward pressure on ETR was mitigated slightly by recognition of previously unrecognised losses in Malta, following taxable profits in some of the subsidiaries based there.

Unrelieved trading losses of £0.4m, across the UK and the US, remain available to offset against future taxable trading profits with both likely to be extinguished during FY20. This number excludes substantial carried-forward losses not recognised for deferred tax purposes to date, owing to adoption of a prudent loss recognition position. The gross value of these losses not recognised to date totals £11.6m, split across Malta (£7.6m), the UK (£1.7m), Germany (£1.1m) and France (£1.2m). The Board is hopeful that the Group will benefit from these unrecognised tax losses in future and will be recognised at the point where utilisation becomes more certain.

Earnings Per Share and Dividends

Basic earnings per share for continuing and discontinued operations improved to (0.41)p (2018: (8.86)p) as a result of the impact of the impairment charge in FY18. Diluted earnings per share improved to (0.41)p (2018: (8.86)p).

Adjusted earnings per share for continuing operations fell to 1.30p (2018: 2.23p) as a result of the impact of the restructuring costs in year. Adjusted diluted earnings per share fell to 1.29p (2018: 2.21p).

The Board proposes a final dividend of £Nil as the business transitions to a more stable platform, giving a total dividend for the year of £Nil.

Balance Sheet and Cash Flows

The Group's net assets have reduced to £44.6m compared to £47.9m at 31 October 2018. The constituent movements are detailed in the Group's consolidated Statement of Changes in Equity: which are summarised as follows:

	12 months to 31 October 2019 (audited) £000
Total Equity as per FY18 Financial Report	49,786
FY19 Prior Year Adjustment	<u>(1,918)</u>
Total Equity as per FY18 Financial Report Restated	<u>47,868</u>
IFRS 15 adoption, net of deferred tax	(9,588)
Transactions with owners (primarily issue of equity in respect of Tascomi acquisition)	8,330
Loss for the year	(1,706)
Non-controlling interest	(113)
Exchange gains on translation of foreign operations	<u>(180)</u>
Total Equity as per FY19 Financial Report	<u>44,611</u>

This movement is principally due to the IFRS 15 adoption, partially offset by the increase in intangible assets in the year of £7.2m due to the acquisition of Tascomi Limited, which was funded by the issue of the equity noted above.

Cash generated from operating activities after tax as a percentage of Adjusted EBITDA was 86% (2018: 72%). Cash conversion has improved within the year as revenues (and therefore profit) are better linked to services and so more tightly aligned to payments the Group receives for work undertaken for our customers (in accordance with full adoption of the principles of IFRS 15).

The Group ended the year with net debt of £26.4m (2018: £31.8m), a significant improvement on the previous year. Net debt comprised cash of £7.0m less bank borrowings of £21.8m and the Malta Stock Exchange listed bond of £11.6m.

The Group's total signed debt facilities at 31 October 2019 stood at £28.8m, a combination of a £5.75m term loan and £23m revolving credit facility, split £5.75m with the Royal Bank of Scotland and £23m with Silicon Valley Bank respectively (the "Lenders"). Post year end, the Group has refinanced with The Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The new facilities, which comprise a revolving credit facility of £35m and £10m accordion facility, are committed until December 2022, with an option to extend this commitment for a further two years.

Contract liabilities, representing invoiced maintenance and SaaS contracts yet to be recognised in revenue stood at £20.3m (2018: £17.9m). Contract receivables, representing future cash flows, decreased to £7.2m (2018: £18.4m). This reduction is a direct result of the adoption of IFRS 15 and more balanced revenue recognition assessment being made in the year.

The Group has carefully assessed the likely impact of the Covid-19 pandemic on the business and our customers. Idox is fundamentally resilient due to the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Group retains significant liquidity with cash and available committed bank facilities and has strong headroom against financial covenants. We continue to monitor the situation and adapt our approach as required.

IFRS 15

The Group adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 November 2018 using the cumulative effect method. The two most significant impacts of implementing the standard are:

- Software license revenue previously recognised once a customer commitment was confirmed are now instead recognised over the duration of the project implementation period as milestones are achieved.
- Where software revenues are unbundled to individually recognise individual performance obligations (notably initial license fees versus ongoing support and maintenance, and hosting obligations) this unbundling is performed against pre-determined criteria to ensure that revenues recognised in the future for ongoing obligations are commensurate with the ongoing costs of those obligations.

The new standard more closely aligns our revenue recognition with the commercial substance of our contracts. The application of IFRS 15 has no impact on the lifetime profitability or cash flows of our contracts, or on the majority of our transactional businesses. Instead, the resulting changes in the timing of revenue and cost recognition more closely aligns our financial results with the timing of the delivery of our sales and services to our clients.

Under the cumulative effect method the impact of the change to IFRS 15 has been recorded as an adjustment to the opening contract receivables, contract liabilities and retained earnings position. The comparative statement of comprehensive income figures have therefore not been restated.

Further detail regarding the adoption of IFRS 15 is included within note 1, Accounting Policies, and note 2, Segmental Analysis.

Rob Grubb
Chief Financial Officer
9 April 2020

Responsibility for Risk

Risk identification and management strategy continues to be a key role for the Board, which has overall responsibility for the Group’s risk management. In addition, risk is specifically considered by the Audit Committee as part of the Audit Cycle. The Audit Committee has responsibility for assessing and challenging the robustness of the internal control environment and remains committed to continuous improvements in controls, processes and reporting to build on the strong progress in the year to ensure the Group remains best placed to suitably mitigate risks that emerge as the Group’s operations evolve.

Risk management processes and internal control procedures are established across all levels of the Group and are managed by the Executive Directors in conjunction with dedicated expert professionals in the business.

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

Embedding the Risk Culture

Throughout the Group, risk management is subject to regular review and any opportunities for improvements identified are implemented. This is recognised by ongoing training and advice by divisional and business unit risk representatives, best practice sharing, gap analysis and internal benchmarking. Successful training and communication help build a culture and ability to further embed processes and procedures throughout the organisation. A more deeply embedded risk management culture supports long-term value creation for all stakeholders.

Principal Risks and Uncertainties

The principal risks involved in delivering the Group’s strategy are actively managed and monitored against our risk appetite.

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<p><i>Covid-19 pandemic</i></p>	<p>As with most commercial organisations, the Group’s activities are dependent on its ability to interact directly with its customers, suppliers, staff and other partners. The emerging impact of the virus presents a risk to the Group’s ability to operate in the most effective manner.</p>	<p>The Group continues to monitor the impact of the Covid-19 pandemic. Idox is well placed because of the Group’s high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home.</p> <p>The Group has introduced a number of cost controls over new and existing spend which, together with linked Cost of Sale reductions, will mitigate any potential reduction in revenue from the Covid-19 pandemic. Management continue to anticipate future earnings and cash will be in line with its previous expectations.</p> <p>We have performed detailed financial forecasting of a number of credible potential Covid-19 pandemic scenarios, as well as severe stress-testing in our financial modelling. The Group retains significant liquidity with cash and available committed bank facilities</p>	<p>The exposures identified to date are as follows:</p> <ul style="list-style-type: none"> • Our Public Sector Software business is exposed to government policy in response to Covid-19 pandemic, notably the recent postponement of the local and mayoral elections originally scheduled for May 2020 to May 2021 which will impact the Elections sub-segment of this business. However, the overall PSS business has strong levels of recurring revenues from a well-established existing customer base and growing markets. • Our EIM business has seen significant reduction in travel given its cross-border operations but we continue to provide the majority of solutions and service customers remotely. Our EIM business also has strong existing high recurring revenues which account for approximately

Strategic report – Principal Risks and Uncertainties (continued)

For the year ended 31 October 2019

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<p><i>Covid-19 pandemic (continued)</i></p>		<p>and has strong headroom against financial covenants in these potential scenarios.</p>	<p>80% of its revenue targets, and is well-placed given its increasing focus on cloud-based solutions.</p> <ul style="list-style-type: none"> • Our Content business has operations in Germany and Netherlands, however, the impact of the Covid-19 pandemic to-date has been minimal. We are not anticipating any impact on the UK element of our Content business which is all recurring in nature and in respect of public sector customers. <p>We continue to update our risk assessments and contingency planning in respect of the Covid-19 pandemic as the impact of the virus develops.</p>
<p><i>Political</i></p>	<p>The Group has a large customer base in Local Government and other public sector bodies. A change in spending priorities by the current or a future Government could materially impact the Group.</p>	<p>Our favoured revenue model is for high levels of recurring revenue to establish a stable base of contracted or highly visible revenues to react to any such changes in a more strategic timeframe.</p> <p>Our development priorities are to ensure we remain at the heart of our customer's operations, delivering cost efficiencies and value for money, including moving to cloud-based technologies.</p>	<p>After many years of a Conservative-led Government espousing austerity, the UK has recently seen commitments from all main political parties supporting an end to austerity and increased public spending.</p> <p>With the recent strong Conservative majority, and many of these commitments included in their manifesto, we are buoyed by the anticipated funding implications for our public sector customers whom we continue to support in both doing more with what they already have, but also investing for the future to drive longer-term financial benefits and improved customer experience.</p>

Strategic report – Principal Risks and Uncertainties (continued)

For the year ended 31 October 2019

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Economic environment</i>	<p>Our performance is affected by the economic cycles of the markets of the countries in which we operate.</p> <p>The 'Brexit' referendum on the exit of the UK from the Treaty of the European Union has increased the uncertainty in the economic, social and environmental markets in which we operate.</p>	<p>A diversified geographic footprint and sector focus reduces the risk of exposure due to adverse country or sector specific conditions.</p> <p>We have scaled back our operations in ROI and Malta, which simplifies our organisational structure, reducing risk in those territories.</p> <p>We remain cognisant of UK and EU geo-political events and consider any impact on our chosen markets, both to reduce risk but also to capitalise on any opportunities that arise.</p> <p>In the main we operate within the UK, with discrete businesses in Germany and the Netherlands which serve largely domestic customers. The Board considers that it is protected from cross border Brexit risks, as businesses largely serve the needs of the country in which they are located.</p>	<p>Our strategy has been to exit non-core operations and to closely integrate our core operations. This has led to the closure of our Malta and ROI operations as we integrated healthcare delivery in the UK</p> <p>We continue to have discrete operations in Germany and the Netherlands serving largely domestic clients and so, following the Malta and ROI exit, we have little exposure to the impact of Brexit beyond any general macro-economic impact that is common to all UK companies.</p>
<i>Acquisitions</i>	<p>Acquisitions and restructuring may not achieve the anticipated returns for the Group.</p>	<p>Focus is placed on ensuring management reporting lines are clear, operational functions of acquired entities are supported, enhanced or consolidated in to wider Group functions as appropriate, and the potential for upsell and cross-sell across the Group's portfolio of products is maximised.</p> <p>We have project plans and track restructuring projects to their business case to ensure that actions match anticipated returns.</p>	<p>We have upgraded our skill set in this area with recent senior hires and have established processes for effective acquisition integration across the Group.</p> <p>We consider we are significantly better placed to integrate and make a success of acquisitions than in prior periods.</p>

Strategic report – Principal Risks and Uncertainties (continued)

For the year ended 31 October 2019

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Technological development</i>	<p>The Group risks being outclassed by competitor products that have increased capabilities if the Group fails to deliver continued product development, including digital innovations.</p>	<p>We strive to invest in quality assurance and research and development to deliver quality products into our chosen markets.</p> <p>In recent years we have invested significantly in increasing our capability in the delivery of digital and cloud-based solutions.</p>	<p>In FY19, our acquisition of Tascomi's product portfolio of cloud-native solutions includes innovative solutions for Planning, Building Control, Land Charges, Environmental Health, Trading Standards and Licensing. This creates a strong platform for our core product sets.</p> <p>In our wider Group, we have performed product assessments to consider status of our products and further work required against revenue and market opportunities, and adjusted development plans accordingly.</p> <p>As a result, we consider the Group to have lower risk from Technological development than in previous periods.</p>
<i>Ability to sell effectively</i>	<p>The Group has deep experience of selling our broad portfolio of products.</p> <p>It is imperative we have effective sales and marketing models, methodologies and techniques to effectively realise our investments in software products and to recover the costs of associated delivery and support functions, and that this is done in a profitable and cash generative way.</p>	<p>The Group has developed strong controls to support its sales teams in selling effectively. These include upfront business approval controls to ensure we are only bidding for work that has a suitable opportunity for a profitable, cash reward, and review controls to ensure once we are committed with a customer, the agreed terms are achieved.</p>	<p>The Group has significantly improved the control framework in our selling environment, which has led to a direct impact on both the margins and cash we are now realising from the revenue we commit to.</p> <p>In addition, we have a strong link between market opportunity and our ability to exploit both with product either ready or on our development roadmap, and the strength of our sales infrastructure to realise this.</p> <p>As a result, we consider the Group to have lower risk from selling effectively than in previous periods, however we consider selling to be a "whole-team" activity that is the responsibility of every member of the Group and so continue to strive for further improvements.</p>

Strategic report – Principal Risks and Uncertainties (continued)

For the year ended 31 October 2019

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Capital structure</i>	<p>The Group has significant borrowings in the form of bank debt and a listed Bond following prior period acquisitions.</p> <p>It is key that our capital structure is appropriately managed to ensure we can meet all obligations as they fall due, to ensure we have sufficient headroom to execute our strategy, and ultimately to deliver cash returns for our investors.</p>	<p>We perform regular reviews of short, medium and long-term cash forecasting to ensure our anticipated levels of cash are sufficient to meet both near-term requirements and longer-term strategic objectives.</p> <p>We carefully manage cash receipts and payments with customers and suppliers to ensure cash is delivered in line with agreed obligations.</p>	<p>Our relationships with our lenders are significantly improved on prior periods as a result of delivering on commitments made, better control environment and improving financial health of the Group, including in particular, cash generation.</p>
<i>Cyber risk</i>	<p>We operate systems that maintain our confidential data and in some cases that of our customers.</p> <p>An information security breach or cyber-attack could result in loss or theft of data, content or intellectual property.</p>	<p>We have cyber, data protection and security policies in place and regularly review the effectiveness of these policies.</p> <p>There is an enterprise-wide data security programme and defined incident management processes, including those for employees to report security breaches.</p> <p>The Group is accredited to the UK Government based Cyber Essentials standard and operates an ISO 27001 accredited Information Security Management System.</p>	<p>Whilst we are satisfied with our actions in the period to mitigate cyber risk, we remain cognisant that, it is by nature a constantly developing risk and we continue to review our processes and approaches on an ongoing basis.</p>

Signed on behalf of the Board by:

David Meaden
Chief Executive Officer
9 April 2020

Chris Stone *Non-Executive Chairman*

Chris was appointed Non-Executive Chairman on 22 November 2018. Chris is the Chairman of NCC Group plc and was Chairman of CityFibre plc until its sale. He has held various non-executive director and chief executive roles of listed and private equity backed technology companies, including being CEO of Northgate Information Solutions plc, from 1999 to 2011 where he led the transformation of the business from a small domestic player to a global leader. From 2013 to 2016, Chris was CEO of Radius Worldwide, a provider of software and services to support high growth companies establish and manage international operations.

David Meaden *Chief Executive Officer*

David Meaden was appointed Chief Executive on 1 June 2018. Prior to joining Idox, David held the position of Chief Executive at Northgate Public Services, a FTSE 250 company, and led the business through its successful sale to Cinven in 2014. David has a degree in Business Studies from the University of Huddersfield.

Rob Grubb *Chief Financial Officer*

Rob Grubb was appointed Chief Financial Officer on 1 November 2018. Prior to joining Idox, Rob held the position of CFO at Gresham Technologies plc from 2009 to March 2018 where he also served as Company Secretary until 2013. Prior to this he held roles at Lucite International and Ernst & Young in the UK and New Zealand specialising in financial services and technology. Rob is a member of the Institute of Chartered Accountants of Scotland.

Jeremy Millard *Non-Executive Director*

Jeremy Millard provides corporate finance advice to companies in the Technology sector as well as sitting on the board of a number of private and listed companies. He previously 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. Jeremy was appointed as a non-executive director of Ilika plc on 1 October 2018 and of Omega Diagnostics Group plc on 1 March 2019 (he chairs the audit committee of both AIM-listed companies). He qualified as a Chartered Accountant in 1999 and holds an M. Eng from Cambridge University. He is the Chairman of the Audit Committee.

Oliver Scott *Non-Executive Director*

Oliver is a partner of Kestrel Partners LLP, which he co-founded in 2009. Prior to this, Oliver spent 20 years advising smaller quoted and unquoted companies, latterly as a director of KBC Peel Hunt Corporate Finance. He previously was a non-executive director of IQGeo Group plc and KBC Advanced Technologies plc prior to its takeover by Yokogawa in 2016.

Phil Kelly *Non-Executive Director*

Phil has served as a non-executive director of several listed and private companies in the software and related services sector, and is currently a non-executive director of Castleton Technology plc. Prior to that he had over 25 years' experience as the Chief Executive of private and publicly quoted software companies supplying the commercial and public sectors in the UK, Europe and the USA. Phil had previously worked for Digital Equipment Corporation and 3i Consultants.

He has an Economics degree from the University of Leicester and a Master's Degree in Business Administration from Cranfield University.

Directors' Report

For the year ended 31 October 2019

The Directors submit their report and audited financial statements for the year ended 31 October 2019.

Results and Dividends

The Group's audited financial statements for the year ended 31 October 2019 are set out on pages 54 to 101. The Group's loss for the year after tax amounted to £1.8m (2018: £36.6m loss). The Directors have not paid a dividend in FY19. The Directors do not propose any dividend to be paid in respect of the year ended 31 October 2019.

Post Balance Sheet Events

Refinancing

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The new facilities, which comprise a revolving credit facility of £35,000,000 and £10,000,000 accordion facility, are committed until December 2022, with an option to extend this commitment for a further two years.

Disposal of SIX-PM Health Solutions (Ireland) Limited

The Group agreed on 22 November 2019 to sell its shareholding in SIX-PM Health Solutions (Ireland) Limited, a medical-record scanning business based in Limerick, to its Managing Director for €1. During the year ended 31 October 2019 SIX-PM Health Solutions (Ireland) Limited recorded revenues of €392,000 (2018: €587,000) and loss before tax on a standalone basis of €378,000 (2018: €12,000 loss).

Disposal of emCare Business

On 31 December 2019, the Group sold the trade and assets of its emCare business to Go plc, a telecoms business based in Malta, for cash consideration of €100,000. During the year ended 31 October 2019 emCare business recorded revenues of €317,000 (2018: €338,000) and profit before tax of €128,000 (2018: €115,000). Despite the profitability recorded in the business in FY18 & FY19, the business was anticipated to become loss-making for the foreseeable future.

UK Corporation Tax

On the 11 March 2020, the UK Government announced its intention to scrap its planned reduction of UK corporation tax from its current rate of 19% to a reduced rate of 17%, starting 1 April 2020. The Group's UK deferred tax assets and liabilities at 31 October 2019 are measured at 17%, being the rate previously announced and enacted at the balance sheet date. The impact on our deferred tax balances had they been recognised at the revised rate is as follows:

	Current at 17% £000	Revised to 19% £000
Deferred tax assets	1,368	1,529
Deferred tax liabilities	(4,015)	(4,487)
	<u>(2,647)</u>	<u>(2,958)</u>

Covid-19 pandemic

The Group continues to monitor the impact of the Covid-19 pandemic. Idox is well placed because of the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home.

Further details of our assessment of the impact of the Covid-19 pandemic on the Group is included in the Going Concern disclosures in the Directors' Report on pages 28 and 29.

Future Developments

Further information in relation to future developments has been disclosed in the Strategic Report as permitted by The Companies Act 2006, S414c(11).

Directors' Report (continued)

For the year ended 31 October 2019

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 2019	1 November 2018
C Stone (appointed 22 November 2018)	936,377	-
D Meaden	468,139	-
R Grubb (appointed 1 November 2018)	80,265	-
O Scott*** (appointed 1 November 2018)	33,537,916	-
P Kelly (appointed 29 March 2019)	105,263	-
J Millard	-	-
L Vaughan* (resigned 19 November 2018)	<i>not applicable</i>	232,250
R Kellett-Clarke** (resigned 3 April 2019)	<i>not applicable</i>	15,098,668
B Moorhouse (resigned 29 March 2019)	<i>not applicable</i>	-

* 2018: 232,250 of these shares are held through a Self-Invested Pension Plan.

** 2018: 2,761,667 of these shares are held through Self-Invested Pension Plans, 11,400,001 shares are held through certain members of his family and a family trust and 937,000 are held directly and subject to a two-year lock-in period following LTIP exercise in Mar 2018.

*** 33,537,916 of these share are held through Kestrel Opportunities, which Oliver Scott is deemed to have a beneficial interest in.

In addition to the shareholdings listed above, certain Directors have been granted options over ordinary shares. Full details of these options are given in the Report on Remuneration on pages 30 to 31.

Details of the Directors' service contracts can be found in the Report on Remuneration on pages 30 to 31.

Insurance for Directors and Officers

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report. Directors' and officers' liability insurance with an indemnity limit of £10m has been purchased in order to minimise the potential impact of proceedings against Directors in respect of claims that fall within the policy cover provided.

Substantial Shareholdings

As at 31 October 2019, the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of shares	% Holding
Canaccord Genuity Wealth Management	72,948,354	16.46
Soros Fund Management	55,246,663	12.47
Kestrel Investment Partners	44,654,438	10.08
Herald Investment Management	30,909,483	6.98
Long Path Partners	29,210,879	6.59
Richard Griffiths	29,175,642	6.58
Lombard Odier Asset Management	21,018,471	4.74
Gresham House	17,433,409	3.93

Transaction in own shares

During the year, the Group did not purchase any of its own ordinary shares.

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

The maximum number of shares held in treasury at any time during the year was 1,491,219, which had a cost value of £620,182. The current number of shares held in treasury is 1,491,219.

Health, Safety and Environmental Policies

The Group recognises and accepts its responsibilities for health, safety and the environment (H,S&E) and has a 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.

Anti-slavery and Human Trafficking

Pursuant to Section 54 of the Modern Slavery Act 2015, the Group has published a Slavery and Human Trafficking Statement for the year ended 31 October 2019. The Statement sets out the steps that the Group has taken to address the risk of slavery and human trafficking occurring within its own operations and its supply chains. This statement can be found on the Group's corporate website: <https://www.idoxgroup.com/investors/articles-policies/>.

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 on appropriate matters via The Group's Staff Consultation Forum comprising staff representatives elected to reflect The Group's business activities. An employee consultation policy is also in place. Employees are encouraged to present their views and suggestions in respect of the Group's performance and policies. In addition, the Group has an intranet, which facilitates faster and more effective communication.

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

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 provide finance for the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, exchange rate risk, price risk and interest rate risk. The Directors review these risks on an ongoing basis. This policy has remained unchanged from previous years. Further information on financial risk management is disclosed in note 23 of the Group accounts.

Credit Risk

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

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

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs through cash management and availability of borrowing facilities and by investing cash assets safely and profitably.

Exchange Rate Risk

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

Cash Flow and Interest Rate Risk

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

Going Concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered the Group's budget, cash flow forecasts, available banking facility with appropriate headroom in facilities and financial covenants and levels of recurring revenue.

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The new facilities, which comprise a revolving credit facility of £35,000,000, are committed until December 2022, with an option to extend this commitment for a further two years. The new facility is on improved commercial terms with a lower margin grid and standard financial covenants in respect of leverage and cash flow cover.

As the Group has net current liabilities of £26.3m as at 31 October 2019, the Directors have specifically considered whether this represents an indication of an issue with the going concern basis for the Group's accounting, particularly as the corresponding balance as at 31 October 2018 was a net current asset position of £6.1m. The Directors have identified that:

- the FY19 closing position includes our £21.8m borrowings which are secured for up to five years, being disclosed in less than one year due to the timing of finalising our new banking arrangement post year end, whereas the borrowings in FY18 were in the main disclosed as greater than 12 months due to that refinancing being an extension of additional facilities, and therefore excluded from current liabilities; and
- in FY19 the Group has seen a large opening accounting, non-cash, adjustment in FY19 that has reduced contract receivables and increased contract liabilities by a total of £12.6m following the adoption of IFRS 15.

After adjusting for these items to present an appropriate year on year comparison, the Group's net current asset position has improved by £2m from FY18 to FY19. Therefore, the Directors do not consider the net current liabilities reported as at 31 October 2019 to be an indicator of any issue with the Group's going concern assessment.

Covid-19 pandemic impact on Going Concern assessment

Idox along with most companies has been impacted by the emerging Covid-19 pandemic. We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the emerging situation.

As part of the preparation of our FY19 results, the Group has carefully assessed the likely impact of the Covid-19 pandemic on our business and specifically considered if it creates any material uncertainty in our going concern assessment. We have considered in detail anticipated changes in the way we engage with our customers, staff, supply chains and banking partners as a result of the Covid-19 pandemic.

Idox is fundamentally resilient to the Covid-19 pandemic due to the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Group retains significant liquidity with cash and available committed bank facilities and has strong headroom against financial covenants. We continue to monitor the situation as it continues to evolve and adapt our approach as required.

The exposures identified to date are as follows:

- Our Public Sector Software business is exposed to government policy in response to the Covid-19 pandemic, notably the recent postponement of the local and mayoral elections originally scheduled for May 2020 to May 2021 which will impact the Elections sub-segment of this business. However, the overall PSS business has strong levels of recurring revenues from a well-established existing customer base and growing markets.
- Our EIM business has seen significant reduction in travel given its cross-border operations which has had a limited impact but we continue to provide the majority of solutions and service customers remotely. Our EIM business also has strong existing high recurring revenues which account for approximately 80% of its revenue targets, and is well-placed given its increasing focus on cloud-based solutions.
- Our Content business has operations in Germany and Netherlands, however, the impact of the Covid-19 pandemic impact to-date has been minimal. We are not anticipating any impact on the UK element of our Content business which is all recurring in nature and in respect of public sector customers.

The Group has introduced a number of cost controls over new and existing spend which, together with linked Cost of Sale reductions, will mitigate any potential reduction in revenue from the Covid-19 pandemic. Management continue to anticipate future earnings and cash will be in line with its previous expectations.

We have performed detailed financial forecasting of a number of credible potential Covid-19 pandemic scenarios, as well as severe stress-testing in our financial modelling which includes potential restructuring in order to preserve the Group as a going concern in the event of the most extreme possible impact on our Group of the Covid-19 pandemic. The key assumptions in these scenarios are:

- There will be a direct impact period until most of the current restrictions are lifted as well as a recovery period until commercial and social life has broadly returned to normal (recovery period).
- Revenues from existing support and recurring services contracts will not be materially impacted.
- Revenues from new business and from current projects will be impacted by delays and some cancellation of procurements in the current pipeline.
- Cost management actions will be taken, consistent with these assumptions and the impacts experienced.

The scenarios considered most credible for the markets in which we operate and the customer base we have are:

- A. A direct impact period of 3 months and a recovery period of 3 months. This scenario assumes 20% to 50% of procurements are delayed but the majority resume. Project work recovers and any backlog is cleared by the end of the recovery period.
- B. A direct impact period of 6 months and a recovery period of 9 months. This scenario assumes 30% to 70% of procurements are delayed into the recovery period and a number are cancelled. Project work recovers and any backlog is cleared by the end of the longer recovery period.

We are satisfied these are valid and reasonable assumptions and that the scenarios tested are the most appropriate and credible as the Group has high levels of recurring revenue and repeating revenues from a diverse customer base across a number of business units. Both scenario A (our anticipated impact based on current information) and scenario B (further sensitivity test) demonstrate the business is expected to have significant liquidity available from cash in hand and from committed facilities and has strong headroom against financial covenants. In both scenario A and B, the Group is forecasting liquidity in excess of £20m and headroom of at least 100% on financial covenants. Therefore, this supports the going concern assessment for the business.

In our severe stress testing financial modelling we have sought to identify an extreme set of circumstances that would result in the Group breaching banking covenants and extinguishing its available liquidity. In order to create such a set of circumstances we further adjusted scenario B to reduce all Group revenues by 50% for the period April 2020 to June 2021, but with no further action on cost.

Whilst it is informative to identify extreme circumstances to test the Group's liquidity, this scenario is considered highly unlikely due to the high levels of recurring revenues the Group has in respect of software that is often either central to the customer, or a specific regulatory requirement under statute. Furthermore, in the event the Group did find revenues deteriorated further beyond the scenario's modelled, the Group has identified mitigating actions to preserve its liquidity. These actions include reducing any operations that may have become severely loss-making due to the Covid-19 pandemic either through further reduction in operational spend, restructuring of business units, or utilising available government financial support with job retention schemes.

Auditor

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

Statement of Disclosure to Auditor

So far as each person who was a Director at the date of approving these financial statements is aware, there is no relevant audit information of which the Group's auditor is unaware. Additionally, each Director has taken all the necessary steps, that they ought to have taken as a Director in order to make themselves aware of all relevant audit information and to establish that the Group's auditor is aware of this information.

This report was approved by the Board of Directors and authorised for issue. Signed on its behalf by:

Ruth Paterson
Company Secretary
9 April 2020

Corporate Governance Report

For the year ended 31 October 2019

In December 2018 the Board separated the activities of the Nomination and Remuneration Committee. This followed changes in Board membership and a review of the Company's governance arrangements. New Terms of Reference were agreed for both committees and are available at <https://www.idoxgroup.com/investors/corporate-governance/>.

The Nomination Committee was formed in December 2018 with Oliver Scott as Chair, and all other Non-Executive Directors as members.

The Remuneration Committee was formed in November 2018 with Barbara Moorhouse as Chair and all other Non-Executive Directors as members. Barbara Moorhouse stepped down as Chair following her resignation as a Director effective 29 March 2019. Phil Kelly was appointed as Chair of the Remuneration Committee on his appointment as a Director on 29 March 2019.

The Company's remuneration policies and the application of these policies to the Board and Senior Management Team during the year are set out in the sections below.

Remuneration Policy

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

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 and life cover. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee. In addition, the Group operates a Long-term Incentive Plan for the Executive Directors.

Directors' Remuneration

2019	Basic salary and fees 2019	Bonus 2019	Benefits in kind 2019	Total 2019	Pension 2019
	£000	£000	£000	£000	£000
Executive Directors					
David Meaden	331	160	20	511	-
Rob Grubb (appointed 1 November 2018)	175	72	9	256	10
Non-Executive Directors					
Chris Stone* (appointed 22 November 2018)	94	-	-	94	-
Oliver Scott (appointed 1 November 2018)	42	-	-	42	-
Phil Kelly (appointed 29 March 2019)	21	-	-	21	-
Jeremy Millard	56	-	-	56	-
Laurence Vaughan* (resigned 19 November 2018)	31	-	-	31	-
Richard Kellett-Clarke (resigned 3 April 2019)	23	-	-	23	-
Barbara Moorhouse (resigned 29 March 2019)	15	-	-	15	-
	788	232	29	1,049	10

* Chairman

Directors' Remuneration (continued)

2018	Basic salary and fees 2018	Bonus 2018	Benefits in kind 2018	Total 2018	Pension 2018
	£000	£000	£000	£000	£000
Executive Directors					
Andrew Riley (resigned 1 March 2018)	199	-	3	202	2
Richard Kellett-Clarke (13 December 2017 - 1 June 2018)	165	-	1	166	-
Jane Mackie (resigned 30 August 2018)	146	-	8	154	10
David Meaden (appointed 1 June 2018)	140	83	8	231	-
Non-Executive Directors					
Laurence Vaughan* (resigned 19 November 2018)	105	-	-	105	-
Richard Kellett-Clarke (1 November - 13 December 2018 and 1 June 2018 onwards)	19	-	-	19	-
Peter Lilley (resigned 19 April 2018)	16	-	-	16	-
Jeremy Millard	35	-	-	35	1
Barbara Moorhouse	35	-	-	35	-
	860	83	20	963	13

* Chairman

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

Non-Executive Directors

The Board reviews the remuneration of the Chairman and Non-Executive Directors on a regular basis.

Service Contracts

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

Share Options

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

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

Director	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
Richard Kellett-Clarke	800,000		-	(800,000)	-	38.38p	Feb 2015	Feb 2025
Chris Stone	-	585,500	-	-	585,500	1p	Mar 2019	Mar 2029
David Meaden	-	3,512,400	-	-	3,512,400	0p	Mar 2020	Mar 2029
Rob Grubb	-	1,000,000	-	-	1,000,000	0p	Mar 2020	Mar 2029
Totals	800,000	5,097,900	-	(800,000)	5,097,900			

The mid-market price of the Company's shares at close of business on 31 October 2019 was 34.35p and the low and high share prices during the year were 27.00p and 38.90p, respectively.

The Company recognised total expenses of £859,381 (2018: £50,000) related to equity-settled, share-based payment transactions during the year. Of the total recognised, expenses of £859,381 (2018: £50,000) related to equity-settled, share-based payment transactions during the year, of which £683,731 (2018: £44,000) related to the LTIP share option scheme.

The pre-tax aggregate gain on exercise of share options during the year was £Nil (2018: £628,623). Note 26 of the Group accounts contains full disclosure of the Company's share options.

Corporate Governance Report (continued)

For the year ended 31 October 2019

Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 26.

Corporate Governance

Idox plc has adopted the QCA Corporate Governance Code (the "Code") on a comply or explain basis. Further information on that can be found within the Compliance Statement published on our website: <https://www.idoxgroup.com/media/2232/idx-plc-statement-of-compliance-with-the-corporate-governance-code.pdf>. Where Idox chooses not to comply with the Code it will explain such choices in the context of the business.

Board of Directors

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

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

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

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies, in particular in relation to income recognition and research and development, are appropriate and are advised by its Auditors on future changes to such accounting policies.

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

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

Role of Chairman and Chief Executive Officer

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

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

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

Composition of and Appointments to the Board

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

The Board comprises the Non-Executive Chairman, the CEO, the CFO and three Non-Executive Directors. Short biographies of the Directors are given on page 24.

The Board considers Chris Stone, Jeremy Millard and Phil Kelly as independent. Oliver Scott is not considered independent as he represents Kestrel LLP, a major shareholder.

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

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

The Code requires that the Board undertakes a formal annual evaluation of its own performance and that of its Committees and Directors. Following the changes to the Board in November 2018, the Non-Executive Chairman has been working with each Non-Executive Director to assess their individual contribution and to assess that their contribution is relevant and effective, they have sufficient time to commit to the role, and where relevant, they have maintained their independence. Given the level of changes in the recent period, the Chairman shall schedule a formal review of the performance of the individual Directors, and their functioning as a team to ensure that the members of the board collectively function in an efficient and productive manner in FY20.

The Board continues to annually review its composition, to ensure there is adequate diversity to allow for its proper functioning and that the Board works effectively together as a unit.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. The Nomination Committee may elect to engage external recruitment agencies, with appropriate consideration being given, in regard 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 Audit Committee has been established to look after specific areas of the Board's responsibilities. The Audit Committee is chaired by Jeremy Millard and at present includes Chris Stone, Oliver Scott and Phil Kelly. The Report of the Audit Committee can be found on pages 38 to 42.

In December 2018 the Board established two separate Committees to replace the previous Nomination and Remuneration Committee, chaired by Peter Lilley until April 2018.

The Remuneration Committee was chaired by Barbara Moorhouse until her resignation as Director effective 29 March 2019, and was chaired by Phil Kelly from the date of his appointment as a Director, also on 29 March 2019. The committee members include Chris Stone, Oliver Scott and Jeremy Millard.

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

- making recommendations to the Board on any changes to service contracts;
- approving and overseeing any share related incentive schemes within the Group;
- ensuring that remuneration is in line with current industry practice; and
- 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 Nomination Committee is chaired by Oliver Scott and includes Chris Stone, Jeremy Millard and Phil Kelly as members.

Corporate Governance Report (continued)

For the year ended 31 October 2019

The Committee has overall responsibility for making recommendations to the Board, of the composition of the Board. The Committee's key responsibilities include:

- reviewing the size, composition and structure required of the Board and making recommendations to the Board with regard to any changes;
- identifying and nominating, for approval by the Board, candidates to fill Board vacancies as they arise;
- giving full consideration to succession planning for Directors; and
- vetting and approving recommendations from the Executive Directors for the appointment of senior Executives.

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

Re-election

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

There are no Directors due to retire by rotation and seek re-election at the next Annual General Meeting.

The new Director appointed since the last AGM, Phil Kelly, will automatically retire at the Annual General Meeting and will seek 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 Board remains committed to a continuous programme to make improvements in controls, processes and reporting to build on the strong progress in the year to ensure the Group remains best placed to suitably mitigate risks that emerge as the Group's operations evolve.

Prior period adjustments have been recorded in respect of Revenue and Onerous Contracts following extensive and detailed product and contract reviews by both Management and the Group's auditors.

The Audit Committee has maintained a close dialogue with Management and the Group's external auditors in FY19 and the resulting audit process to ensure the extensive operational reviews performed by the new Management team have been thorough and the resulting accounting has been appropriate. In addition, we have worked closely with the new Management team as part of their efforts to upgrade processes and controls throughout the Group, and where appropriate have requested recommendations for future improvements for addressing identified issues.

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

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

The Board considers that there have been improvements in internal financial controls that have reduced the risk of material losses, contingencies or uncertainties that need to be disclosed in the accounts particularly in respect to sales governance. These improvements have included the introduction of a Business Approval Form, whereby all new business must be approved based on size and risk before presentation to the customer, introduction of formal bid reviews for material contracts, introduction of balance sheet and cash flow forecasting, and introduction of detailed monthly business reviews.

The Board remains committed to further improvements in the internal control environment of the Group and is currently working with senior operational and finance staff to;

- further develop the Group's suite of financial reporting through investments in its Customer Relationship Management and Enterprise Resource Planning systems and internal resourcing to improve granularity and robustness of routine reporting;
- incorporate the outputs from the detailed monthly business reviews in Board reporting, detailing operational issues as they arise and any impact on the Group's financial reporting;
- establish a programme for senior operational management to attend Board meetings and present on their subject matter and answer questions;
- embed risk management throughout the organisation, by establishing risk registers at a divisional level, to be consolidated and presented to the Board; and
- consider the need for internal audit, notably to ensure the control frameworks established are being suitably adhered to.

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.

Information and Development

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

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

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

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

Investor Relations

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

The CEO and CFO meet institutional investors after publication of the annual and interim results, on an ongoing basis, as required.

The Directors also undertake consultation on certain matters with major shareholders from time to time. Through these consultations, the Group maintains a regular dialogue with institutional shareholders. Feedback is reported to the Board so that all Directors develop an understanding of the views of major shareholders.

Trading updates and press releases are issued as appropriate and the Group's Nominated Advisor (NOMAD) provide briefings on shareholder opinion and compile independent feedback from investor meetings. The Annual General Meeting is used by the Directors to communicate with both institutional and private investors.

Corporate Governance Report (continued)

For the year ended 31 October 2019

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

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

AIM Rule Compliance Report

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

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

Directors Responsibilities Statement

For the year ended 31 October 2019

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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

In preparing the parent Company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 9 April 2020 and is signed on its behalf by:

David Meaden
Chief Executive Officer

Rob Grubb
Chief Financial Officer

Report of the Audit Committee

For the year ended 31 October 2019

Overview

This report details the activities of the Committee during the financial year ended 31 October 2019. The report sets out how the Committee has discharged its responsibilities in relation to internal control and risk management.

Membership and Meetings

The Audit Committee is a committee of the Board and is comprised of four Non-Executive Directors: Jeremy Millard, Chris Stone, Oliver Scott and Phil Kelly.

The Audit Committee is chaired by Jeremy Millard. By virtue of his Executive and current Non-Executive responsibilities, the Board considers that Jeremy Millard has relevant and recent financial experience to discharge this role, as noted on page 24.

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

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

During the year under review, the Audit Committee held four scheduled meetings. The Group's Auditor has a standing invitation to attend meetings and representatives were in attendance at all of the four scheduled meetings. The Executive Directors were welcome to attend the meetings and were in attendance at all meetings of the Audit Committee in the year.

Roles and Responsibilities

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

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

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

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

Report of the Audit Committee (continued)

For the year ended 31 October 2019

Audit Committee Activities in the Financial Year Ended 2019

The Committee met four times during the financial year ended 31 October 2019 to consider standing items on its agenda and the prior period adjustments arising in the year. The Committee's standing items on its agenda:

- Received and considered, as part of the review of interim and annual financial statements, reports from the Auditor in respect of the audit plan for the year and the results of the annual audit. These reports included the scope of the annual audit, the approach to be adopted by the Auditor to address and conclude upon key estimates and other key audit areas, the basis on which the Auditor assesses materiality, the terms of engagement for the Auditor and an on-going assessment of the impact of future accounting developments for the Group.
- Considered the Annual Report and Accounts in the context of being fair, balanced and understandable.
- Considered the effectiveness and independence of the external auditor.
- Considered the risk register and principal risks to Group.
- Considered the effectiveness of the Group's risk management and internal control systems.
- Considered the whistleblowing procedures.
- Considered managements key judgement papers.
- Considered the level and value of non-audit services.
- Considered the review of business reporting segments in line with the guidance in respect of identifiable cash generating units.
- Considered the key audit matters from the Extended Audit Report.
- Considered the effectiveness of the Group's risk management and internal control systems, including establishment of the improved controls described above, and ensuring the finance department is sufficiently resourced with qualified and experienced individuals.

Prior Period Adjustments

In line with the improved governance in the year the Audit Committee, Management and the Group's auditors have worked closely to identify several prior period adjustments required to present the current and prior periods appropriately in these financial statements. These items include:

- Contract irregularities from FY16 identified from our detailed product and project reviews, and monthly business review controls.
- Identification of a loss-making contract by the Group's auditors during the audit process that was subsequently identified as an onerous contract that should have been recorded in prior periods. As a result, the Audit Committee commissioned a review of all material contracts in the Group, and commissioned a report by the Group's Chief Process and Transformation Officer to identify how the onerous contract had not previously been identified. These reviews concluded there were no other such examples of onerous contracts within the Group and resulted in several recommendations to strengthen the link between operational controls and financial reporting which the Audit Committee and Executive Management have fully adopted.
- Contracts identified, during our detailed IFRS 15 adoption review, which had revenue overstatements in prior periods whereby revenue was recognised by previous Management teams despite not being permissible under IAS 18 Revenue, the applicable accounting standard at the time.

More details of these items and their impact on the financial statements are included in Significant Matters below and presented in Note 1, Accounting Policies.

Internal Audit

During the year, the committee considered the need for a separate internal audit function and its impact on the external audit. The committee concluded that given the level of transformation and activity by Management, the Board and the Group's auditors in assessing the Group's control environment, establishment of a separate internal audit function would not have been effective in FY19, however, the requirement for an internal audit function will be kept under review by the committee as the Group and its control framework continue to evolve.

Report of the Audit Committee (continued)

For the year ended 31 October 2019

Effectiveness of the Auditor

The Committee continues to monitor the work of the Auditor to ensure that the Auditors remain effective. This includes liaising directly on significant matters (such as the IFRS adoption in the year) and discussing with Executive Directors and senior finance staff on Auditor performance.

The Committee is satisfied with the effectiveness of the Auditor in performing their audit for the year ended 31 October 2019.

Independence and Objectivity of the Auditor

The Committee continues to monitor the work of the Auditor to ensure that the Auditor's objectivity and independence is not compromised by it undertaking inappropriate non-audit work. The current auditor, Deloitte LLP, was appointed on 19 June 2018.

Auditor objectivity was safeguarded by the Committee considering several factors:

- an appraisal of the standing and experience of the audit partner; and
- the nature and level of services provided by the Auditor and confirmation from the Auditor that they have complied with relevant UK independence standards and fully considered any threats and safeguards in the performance of non-audit work.

Non-audit Fees

It is the Audit Committee's policy to engage the Group's Auditor for non-audit services where such level of expertise are not readily available from comparable firms at a commensurate cost, and engaging for such services would not impair the independence of the Group's Auditor. The Committee considers each engagement for non-audit services carefully against this policy, and when satisfied approves all non-audit work commission from the external auditors. During the year the fees paid to the Auditor were £350,000 (2018: £275,000) for Group and subsidiary audit services, £Nil (2018: £67,000) for interim audit services, and £187,000 (2018: £224,000) for non-audit services relating to tax compliance and advice and refinancing advice.

The Committee concluded that it was in the interests of the Group to use the Auditor for this work as they were considered to be best placed to provide these services and didn't present a threat to Deloitte's independence.

Significant Matters in Relation to Financial Statements

Revenue Recognition

Management assesses both legal paperwork and the underlying commercial specifics of transactions, alongside accounting standards, to determine revenue recognition treatment. This assessment could involve internal chartered accountants, internal legal staff, operational staff and professional advice where appropriate.

The Audit Committee has supervised the work of Management closely during the year as the Group's new revenue recognition framework has developed aligned to IFRS 15 and implemented throughout the business. In addition, the Audit Committee have regularly liaised with the Group's Auditors to validate that judgements made by Management in respect of revenue recognition are appropriate for the Group and consistent with external expectation.

As part of this exercise, several examples of revenue overstatements in prior periods have been identified whereby revenue was recognised by previous Management teams despite not being permissible under IAS 18 Revenue, the applicable accounting standard at the time.

Management has concluded whilst these overstatements in respect of prior periods individually are not significant, they are of sufficient quantum cumulatively to be represented as a prior year adjustment in these financial statements. See note 1 for further details of the Restatement of comparative figures.

Report of the Audit Committee (continued)

For the year ended 31 October 2019

Goodwill and Intangible Valuation

The Group recognises intangible assets acquired as part of business combinations. These include, Goodwill, Customer relationships, Trade names, Software, Development costs, Database and Order backlog, which are recorded at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement, and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Management estimates the expected useful lives of intangible assets and charges amortisation on those assets accordingly.

Management is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based upon value-in-use and net realisable value calculations. The value-in-use method requires the calculation 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 performed and supplied by independent valuation specialists.

The Audit Committee has considered Management's assessments of value-in-use of cash generating units of intangible assets at the reporting date. This included specifically considering and subsequently approving business plans prepared by Management, supporting the future performance expectations used in the calculation of the value-in-use. Impairment reviews were also an area of focus for the external auditor, which reported its findings to us.

Onerous Contract

In relation to the loss-making contract that was identified, by the Group's auditors, that should have been recorded in prior periods, the Audit Committee commissioned a review of all material contracts in the Group and commissioned a report by the Group's Chief Process and Transformation Officer to identify how the onerous contract had not previously been identified. These reviews concluded there were no other such examples of onerous contracts within the Group and resulted in several recommendations to strengthen the link between operational controls and financial reporting which the Audit Committee and Executive Management have fully adopted.

Management has concluded the onerous contract identified in respect of prior periods is of sufficient quantum to be represented as a prior year adjustment in these financial statements. See note 1 for further details of the Restatement of comparative figures.

Prior Period Adjustments

As set out above, prior period adjustments have been recorded in respect of Revenue and Onerous Contracts following extensive and detailed product and contract reviews by both Management and the Group's auditors.

The Audit Committee has maintained a close dialogue with Management and the Group's external auditors in FY19 and the resulting audit process to ensure the extensive operational reviews performed by the new Management team have been thorough and the resulting accounting has been appropriate. In addition, we have worked closely with the new Management team as part of their efforts to upgrade processes and controls throughout the Group, and where appropriate have requested recommendations for future improvements for addressing identified issues.

We have specifically challenged Management's presentation of historical issues as prior period adjustments and are satisfied these are cumulatively material and should be accounted for as prior period adjustments in order to present the FY19 results in a fair and meaningful manner.

Covid-19 Pandemic Impact

The Audit Committee, along with the remainder of the Board, has reviewed the Covid-19 pandemic impact assessment undertaken by management and, in particular, the assumptions made and the scenarios chosen for the assessment.

The key assumptions are:

- There will be a direct impact period until most of the current restrictions are lifted as well as a recovery period until commercial and social life has broadly returned to normal (recovery period).
- Revenues from existing support and recurring services contracts will not be materially impacted.
- Revenues from new business and from current projects will be impacted by delays and some cancellation of procurements in the current pipeline.
- Cost management actions will be taken, consistent with these assumptions and the impacts experienced.

Report of the Audit Committee (continued)

For the year ended 31 October 2019

The scenarios considered most credible for the markets in which we operate and the customer base we have are:

- A. A direct impact period of 3 months and a recovery period of 3 months. A number of procurements are delayed but the majority resume. Project work recovers and any backlog is cleared by the end of the recovery period.
- B. A direct impact period of 6 months and a recovery period of 9 months. A number of procurements are delayed into the recovery period and a number are cancelled. Project work recovers and any backlog is cleared by the end of the longer recovery period.

We are satisfied these are valid and reasonable assumptions and that the scenarios tested are the most appropriate and credible. Both scenario A (our anticipated impact based on current information) and scenario B (further sensitivity test) demonstrate the business is expected to have significant liquidity available from cash in hand and from committed facilities and has strong headroom against financial covenants, and therefore, support the going concern assessment for the business.

Impact of IFRS 15: Revenue from Contracts with Customers

During the year the Audit Committee has focused on the impact of the new accounting standard IFRS 15: Revenue from Contracts with Customers.

The Group adopted IFRS 15 on 1 November 2018 and applied the standard on a cumulative effect basis. During the year ended 31 October 2018 and in the first half of the year ended 31 October 2019, the Group has undertaken a review of all the services and products the Group provides, and the main types of commercial arrangements used with each service and product. Both the UK and the overseas businesses have been impacted by IFRS 15 and the two most significant impacts of implementing the standard are:

- Software license revenue previously recognised once a customer commitment was confirmed are now instead recognised over the duration of the project implementation period as milestones are achieved.
- Where software revenues are unbundled to individually recognise individual performance obligations (notably initial license fees versus ongoing support and maintenance, and hosting obligations) this unbundling is performed against pre-determined criteria to ensure that revenues recognised in the future for ongoing obligations are commensurate with the ongoing costs of those obligations.

Further details on the changes to the accounting policy and the impact of the adoption of IFRS 15 are included in the Notes to the Accounts.

Other Matters

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

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

Reporting Responsibilities

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

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

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

Jeremy Millard

Chairman of the Audit Committee
9 April 2020

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Idox plc (the parent Company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 October 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 31 to the Group financial statements, and the related notes 1 to 15 to the parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none">• revenue recognition;• valuation of goodwill and intangible assets;• completeness and valuation of provisions for onerous contracts;• presentation and disclosure of prior year adjustments in relation to revenue recognition and onerous contracts; and• the impact of Covid-19 pandemic on going concern.
Materiality	<p>The materiality that we used for the Group financial statements was £300,000 which was determined using a blended benchmark considering EBITDA, income before tax and adjusted income before tax.</p>
Scoping	<p>Our audit covered 90% of the Group's total revenue, 86% of the Group's EBITDA and 95% of the Group's total assets.</p>
Significant changes in our approach	<p>As a result of the identification of a loss making contract during the audit we have considered the completeness and valuation of provisions for onerous contracts as a key audit matter.</p> <p>We have also considered presentation and disclosure of prior year adjustments in relation to revenue recognition and onerous contracts as a key audit matter due to the historic revenue recognition irregularities.</p> <p>Given the unprecedented level of uncertainty in the global economy arising from the Covid-19 pandemic, we have also included the impact on going concern as a key audit matter.</p> <p>There were no other significant changes in our approach other than the new key audit matters identified in the current year.</p>

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition

Key audit matter description

The Group generated £65.5m of revenues (2018: £66.4m from continuing operations) during the year from the sale of goods (2019: £23.2m; 2018: £17.3m), being software, hardware and consumables, and the rendering of services (2019: £42.2m; 2018: £49.1m). Each business segment has its own revenue recognition policies (Please see note 1 accounting policies) depending on the nature of the revenue and underlying contractual arrangements. Management judgement is required around the timing of when performance obligations are met, as well as the valuation of revenue recognised given the increased level of judgment and estimation on application of principles set out in IFRS 15 *Revenue from contracts with customers*. This judgment could be the subject of management bias and so we consider that this represents a fraud risk.

Our key audit matter has been pinpointed to the cut-off, accuracy, and occurrence of product and service revenue, and the corresponding balance sheet risks of existence and accuracy of accrued revenue, and completeness of deferred revenue.

Further details are provided in note 2 to the financial statements.

How the scope of our audit responded to the key audit matter

The audit procedures we performed in respect of this matter included:

- Obtained an understanding of the relevant controls over the recording of revenue;
 - Testing of product and service revenue for one month pre year-end and one month post year-end, in order to assess the cut-off, agreeing each sampled item to invoice details and evidence the performance obligations have been met;
 - Confirmations were sent out to corroborate the terms of the contracts held with customers included within the accrued income balance;
 - Testing a sample of invoices raised in the year, to ensure they were accounted for in line with the Idox revenue recognition policy. Each of these items were traced through to invoice, third party support (e.g. purchase order or signed contract) and payment into the bank;
 - Testing of accrued income, with each selected item agreed to evidence of the split of the revenue (service/product/recurring), and also to evidence that the criteria for revenue recognition had been met before the year end; and
 - Detailed testing of deferred income, agreeing each item to evidence of the split of the revenue (service/product/recurring), and recalculating the portion of income that should be deferred based on evidence of the duration of the contract.
-

Key observations

Based on the work performed we concur that all revenue was appropriately recognised in the current year.

5.2. Valuation of goodwill and intangible assets

Key audit matter description

The Group has goodwill of £48.1m (2018: £45.9m) and other intangible assets of £37.9m (2018: £32.9m) as at 31 October 2019. As required by IAS 36 *Impairment of assets* management performs an impairment review for all goodwill balances on an annual basis, and for other assets whenever an indication of impairment is identified.

This has been identified as a key audit matter as a result of the quantitative significance of the balances, and the application of management judgement and estimation in performing impairment reviews for the PSS and EIM groups of Cash-Generating Units (CGU) in particular as significant components of the total intangible asset amount.

Determination of the recoverable amount incorporates judgements based on assumptions about future operating cash flows for the related businesses, using assumptions around discount rate, growth rates, and cash flow forecasts. Our key audit matter is focused around the most sensitive and judgemental assumptions, being the forecast cash flows in management's assessment of recoverable amount based on value-in-use, and the discount rates applied to the cash flows.

Further details are provided in note 12 to the financial statements.

How the scope of our audit responded to the key audit matter

The audit procedures we performed in respect of this matter included:

- Obtained an understanding of the relevant controls over the carrying value of goodwill and other intangible assets, in particular the controls over the forecasts that underpin the value in use models, and controls around management's selection of the discount rate;
 - Challenged management's assessment of the cash flow assumptions in determining value-in-use, including sensitivities, by assessing historical accuracy of forecasting and budgeting accuracy, reviewing sales order book and third party evidence where available;
 - Agreed cash flow forecasts to board approved budgets including net working capital and capital expenditure;
 - Performed sensitivity analysis on key assumptions based on comparison to readily available economic and industry data;
 - Engaged our valuations specialist to perform a review of the discount rate applied; and
 - Assessed management's disclosure of sensitivity within the EIM CGU grouping
-

Key observations

Based on the work performed we concluded that the valuation of goodwill and intangible assets was appropriate, and that appropriate disclosure has been made in relation to sensitivities that could give rise to future impairment.

5.3. Completeness and valuation of provisions for onerous contracts

Key audit matter description

During the audit, we concluded that a loss-making contract, which was identified by management through their business review process, had not been accounted for correctly. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires provision to be recognised if an entity has a contract that is onerous and as such a provision of £0.6m at 31 October 2018 and £0.4m at 31 October 2019 should be recognised. Please see page 41 of the audit committee report and note 1 prior year adjustment disclosures for further information. Please see section 5.4 below for details of the work performed and conclusions reached on whether these amounts have been recorded in the correct period.

The identification of this loss making contract, coupled with the deficiency in the internal financial reporting process and controls designed to ensure such an issue is accounted for correctly, led to an increase in the scope of the audit to consider the general completeness and valuation of accounting for onerous contracts, and the identification of this specific key audit matter.

Further details are provided in note 20 to the financial statements.

How the scope of our audit responded to the key audit matter

The audit procedures we performed in respect of this matter included:

- Profiled contracts to identify other similar contracts that may exist within the business;
 - Selected a sample of contracts, and reviewed the cost to complete analysis management had performed to search for other onerous contract provisions that may be required;
 - Increased the extent of testing over third party cost of sales, and challenging the allocation of these costs to existing contracts;
 - Reviewed a sample of the monthly business review packs prepared by business unit leads to review for potential other commercial and operational issues which may require an onerous contract loss provision or for which the appropriate accounting has not been applied due to a financial reporting control deficiency;
 - Reviewed management's calculation of the required onerous contract provisions, assessing the remaining term of the contract and the unavoidable costs of delivering in line with the contract terms; and
 - Analysed the nature of the adjustment identified to assess whether it related to error or estimation, and the availability of information to identify the provision at the prior year end.
-

Key observations

Based on the procedures performed, we concur with management's conclusion that the provision for onerous contracts is appropriate and includes all contracts that are in a loss making position.

5.4. Presentation and disclosure of prior year adjustments arising from revenue recognition and onerous contracts

Key audit matter description

In March 2019, and as described in the Group's regulatory announcement on 29 March 2019 and its Interim Results announced 22 July 2019, management identified three instances of irregularities in historic customer contracts, signed and recognised in the year ended 31 October 2016. These contracts had been inappropriately amended by a small number of employees whom have since left the Idox Group. This amounted to revenue and £0.5m of accrued income remaining as at 31 October 2018 that should not have been recognised.

In addition, during the reviews required to transition to IFRS 15 which required detailed considerations of performance obligations under all contracts, it was identified that there was an additional overstatement of revenue in prior periods. Revenue had been recognised relating to three specific and discrete sets of circumstances where revenue were either recognised in the incorrect period, or should not have been recognised at all. The total impact of these adjustments is to reduce prior year revenue by £1.0m.

As noted in section 5.3 above, there is an adjustment required to recognise an onerous contract provision of £0.4m at 31 October 2019, £0.6m at 31 October 2018 and £0.9m at 1 November 2017, which relates to a contract entered into in a prior period.

IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, defines prior period error as an omission from, and misstatement in, the entity's financial statement for one or more prior periods resulting from a failure to use, or misuse of, reliable information that was available when the financial statements were authorised for issue and could reasonably have expected to have been obtained and taken into account. When such a determination has been made IAS 8 requires restatement where prior period errors have a material impact on the financial statements. It distinguishes prior period errors from accounting estimates which, by their nature, may need to be revised as additional information becomes known. IAS 8 defines material misstatement as one that could, individually, or collectively, influence the economic decisions that users make on the basis of the financial statements.

Management concluded that the prior period errors noted above, considered in aggregate are quantitatively and qualitatively material and a restatement of the prior year financial statement is required.

Given the judgements required by management over the period in which the adjustments should be recognised, our key audit matter focussed on whether the adjustments were complete, accurate and appropriately presented and disclosed.

Further details are included within the strategic report on page 13, the audit committee report on pages 39 to 41, and critical accounting estimates and judgements in note 1 to the financial statements.

How the scope of our audit responded to the key audit matter

In addition to the procedures set out in relation to the revenue and onerous contract provisions note above, we performed additional audit procedures to analyse the nature of the adjustments. These procedures were designed to assess whether adjustments related to estimation or error, and the availability of information to make those adjustments at the prior year-end. This included:

- Made direct enquiries of management and reviewing reports produced by management in relation to these areas;

- Performed calculations and reviewing source documentation;
- Reviewed key contracts and understanding the nature of negotiations with the customer to assess the point at which it became onerous;
- Assessed the information available, or which could have been reasonably expected to be taken into account, as at 31 October 2018;
- Reviewed prior year working papers and our wider audit procedures to search for contradictory evidence that prior year errors were different to those proposed by management; and
- Reviewed the proposed disclosure in the financial statements in relation to any prior year adjustment.

Key observations

Based on the work performed we concluded that management's judgement, that the impact of the identified prior year errors are cumulatively material and so a restatement of the prior period financial statements is required, was reasonable and that this has been appropriately accounted for and disclosed.

5.5. The impact of Covid-19 pandemic on going concern

Key audit matter description

There is unprecedented level of economic uncertainty arising from the Covid-19 pandemic. Assessing the impact of this on going concern resulted in considerable focus and time being spent by both management and the audit team.

There is a challenge in modelling for the impact of the Covid-19 pandemic given the rapidly changing situation in the UK and the wide-reaching changes in government policy. Management spent time modelling different scenarios which may occur as a result of the Covid-19 pandemic. These scenarios included several out turns with revenue and EBITDA dropping 18% and 29% respectively during the remainder of 2020 and the full impact lasting through to October 2021. Whilst no material uncertainty was identified, we revised our audit plan to take account of these additional considerations when assessing the going concern conclusion.

Under the various different scenarios presented by management, the Directors have concluded that the going concern assumption remains appropriate.

Further details are included within the Chairman's statement on page 3, the audit committee report on page 41 to 42, note 1 going concern on page 58 to 60 and post balance sheet events in note 31 to the financial statements.

How the scope of our audit responded to the key audit matter

The audit procedures we performed in respect of this matter included:

- Reassessed our risk assessment on going concern for the impact of the Covid-19 pandemic;
 - Obtained an understanding of the processes and controls involved in management's going concern assessment in light of the Covid-19 pandemic;
 - Tested the integrity of management's updated going concern model;
 - Assessed the reasonableness of the scenarios identified by management, reverse stress testing performed, and key assumptions used by management in determining the impact of the Covid-19 pandemic on going concern;
 - Assessed management's ability to execute mitigating actions, as required, in light of the Covid-19 pandemic;
-

- Recalculated management's forecast covenant compliance calculations throughout the going concern period; and
- Assessed the adequacy of disclosures related to the impact of the Covid-19 pandemic on going concern made in the financial statements.

Key observations

Based on the work performed we concluded that the scenarios identified by management, reverse stress testing performed and key assumptions made in assessing the impact of the Covid-19 pandemic were reasonable and that the conclusions on going concern are appropriate.

6. Our application of materiality

6.1. Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£300,000 (2018: £415,000)	£120,000 (2018: £166,000)
Basis for determining materiality	We determined materiality using a blended benchmark considering EBITDA, income before tax, and adjusted income before tax. The adjusted income before tax benchmark normalises the profit figure for the impact of amortisation from acquisitions. This is consistent with prior year.	Parent Company materiality equates to 3% (2018: 3%) of net assets which has been capped at 40% (2018: 40%) of Group materiality.
Rationale for the benchmark applied	<p>We have used this blended benchmark for our determination of materiality having considered the important metrics of the business for different stakeholder groups.</p> <p>As a listed business shareholders are interested in a statutory measure of income before tax as an indicator of ability to pay dividends and overall performance of the business. From review of analysts' reports, banking agreements and management reporting it suggests that EBITDA is of most importance for these stakeholders.</p> <p>We have also considered the large gap between EBITDA and income before tax which predominantly arises due to amortisation of acquisition related intangible assets, and have therefore adjusted income before tax for this amortisation in arriving at an adjusted income before tax.</p>	As this is the ultimate holding Company for the Group, the key balances are investments held, external borrowings and intercompany balances.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors: our risk assessment, including our assessment of the Group’s overall control environment and the fact we did not plan to rely on controls; our past experience of the audit; and identification of prior period adjustments.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9,000 (2018: £12,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

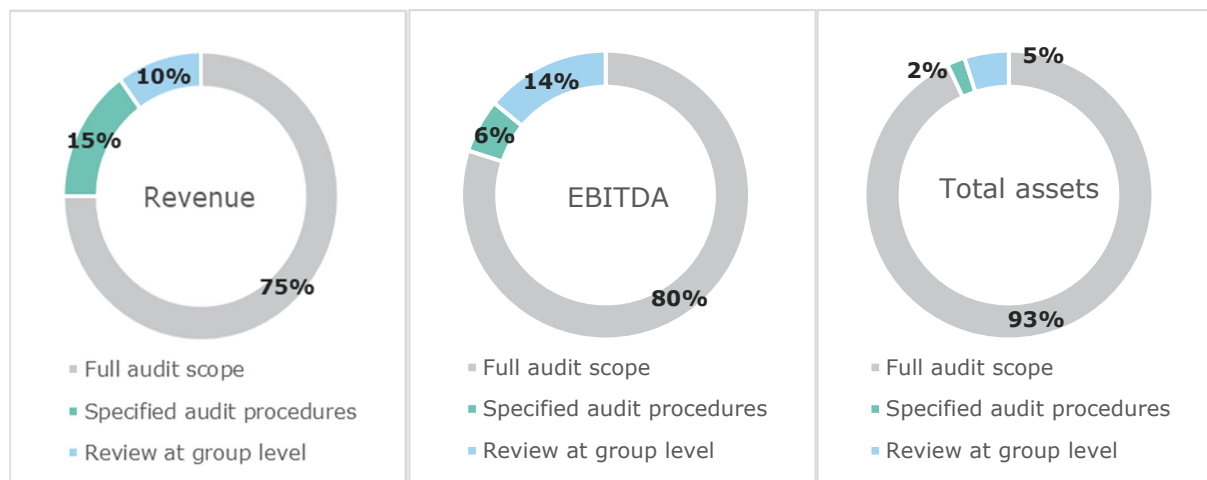
7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment through discussions with finance, IT and commercial teams and performing walkthroughs of processes across these areas, including Group wide controls, and assessing the risks of material misstatement at a Group level.

The Group operates globally with material revenues being generated in the United Kingdom, the United States of America, Europe and Australia. Revenues are split across the following segments: Public Sector Software, Engineering Information Management, and Content.

On a legal entity basis, the significant components to the Group are Idox Plc, Idox Software Ltd, Idox Health Limited, 6PM Limited, and McLaren Software Inc.

These components represent 75% (2018: 82%) of the Group’s revenue, 80% (2018: 86%) of the Group’s EBITDA and 93% (2018: 86%) of the Group’s total assets. Specified procedures have also been performed over revenue, accrued and deferred income within Idox Germany GmbH and Idox Netherlands. This adds an additional 15% of coverage over revenue, 6% of EBITDA and 2% over total assets.



During the year (and in prior year) all necessary work was performed by the Group engagement team and therefore no reliance was placed on work with other auditors. All non-significant components were subject to analytical review by the Group audit team.

Independent Auditor's Report to the Members of Idox plc (continued)

For the year ended 31 October 2019

Our audit work on components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality. Component materialities fall within the range of £120,000 to £210,000 (2018: £166,000 to £291,000).

At the Group level, we also tested the consolidation process.

7.2. Our consideration of the control environment

During our audit we did not plan to rely on IT controls, nor on controls over business cycles. This decision was taken after taking consideration of a number of factors including: the level of changes across the Group in underlying processes and system of reporting; the implementation of the Board's improved governance processes; timing of when changes to processes and controls were implemented during the year; level of change in client personnel; and the fact that prior year errors were indicative of control weaknesses requiring remediation.

As documented in Corporate Governance Report (page 34) and in section 5.3 above a financial reporting control deficiency was identified during the audit relating to the accounting for onerous contracts. Section 5.3 sets out the background to the deficiency, and the additional work we performed having identified this issue. Management has reviewed this issue and proposed control and process changes to be implemented, which have been discussed and approved by the Audit Committee as detailed on page 41.

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

Independent Auditor's Report to the Members of Idox plc (continued)

For the year ended 31 October 2019

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. Matters on which we are required to report by exception

12.1. Directors' remuneration

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of these matters.

13. Use of our report

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.

David Mitchell, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
10 April 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2019

	Note	2019 £000	Restated* 2018 £000
Continuing operations			
Revenue	2	65,492	66,414
Cost of sales		(19,481)	(18,115)
Gross profit		46,011	48,299
Administrative expenses		(44,334)	(77,200)
Operating profit / (loss)		1,677	(28,901)
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs			
	2	14,361	13,639
Depreciation	3	(839)	(1,106)
Amortisation	3	(8,289)	(8,213)
Restructuring costs	3	(2,155)	(436)
Acquisition (costs) / credit	5	(174)	856
Impairment		-	(33,255)
Financing costs		(368)	(336)
Share option costs	25	(859)	(50)
Finance income	6	172	449
Finance costs	6	(1,874)	(1,788)
Loss before taxation		(25)	(30,240)
Income tax (charge) / credit	8	(1,192)	2,680
Loss for the year from continuing operations		(1,217)	(27,560)
Discontinued operations			
Loss for the year from discontinued operations	9	(602)	(9,067)
Loss for the year		(1,819)	(36,627)
Non-controlling interest		113	6
Loss for the year attributable to the owners of the parent		(1,706)	(36,621)
Other comprehensive loss for the year			
Items that will be reclassified subsequently to profit or loss:			
Exchange losses on translation of foreign operations net of tax		(180)	(133)
Other comprehensive loss for the year, net of tax		(180)	(133)
Total comprehensive loss for the year		(1,999)	(36,760)
Total comprehensive loss for the year attributable to owners of the parent		(1,886)	(36,754)
Earnings per share attributable to owners of the parent during the year			
From continuing operations			
Basic	10	(0.26)p	(6.67)p
Diluted	10	(0.26)p	(6.67)p
From continuing and discontinued operations			
Basic	10	(0.41)p	(8.86)p
Diluted	10	(0.41)p	(8.86)p

*See Note 1 for restatement reconciliation

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

Consolidated Balance Sheet

At 31 October 2019

	Note	2019 £000	Restated 2018 £000	Restated 2017 £000
ASSETS				
Non-current assets				
Property, plant and equipment	11	1,162	1,211	1,743
Intangible assets	12	86,004	78,787	122,754
Investment	13	18	18	18
Deferred tax assets	14	1,368	1,107	1,086
Total non-current assets		<u>88,552</u>	<u>81,123</u>	<u>125,601</u>
Current assets				
Stock		77	115	163
Trade and other receivables	16	19,972	32,502	42,216
Current tax receivable		251	1,382	-
Cash and cash equivalents	17	7,023	5,534	3,248
Total current assets		<u>27,323</u>	<u>39,533</u>	<u>45,627</u>
Assets classified as held for sale	9	-	1,114	-
Total assets		<u>115,875</u>	<u>121,770</u>	<u>171,228</u>
LIABILITIES				
Current liabilities				
Trade and other payables	18	7,136	7,957	10,893
Deferred consideration	19	381	750	1,600
Other liabilities	19	23,892	21,201	25,746
Provisions	20	384	356	427
Current tax payable		-	-	190
Borrowings	22	21,809	3,289	3,102
Total current liabilities		<u>53,602</u>	<u>33,553</u>	<u>41,958</u>
Liabilities directly associated with assets classified as held for sale	9	-	963	-
Non-current liabilities				
Deferred tax liabilities	14	4,015	3,724	7,010
Deferred consideration	19	74	-	-
Other liabilities	19	1,878	1,288	1,616
Provisions	20	111	378	645
Bonds in issue	21	11,584	11,491	11,238
Borrowings	22	-	22,505	21,519
Total non-current liabilities		<u>17,662</u>	<u>39,386</u>	<u>42,028</u>
Total liabilities		<u>71,264</u>	<u>73,902</u>	<u>83,986</u>
Net assets		<u>44,611</u>	<u>47,868</u>	<u>87,242</u>
EQUITY				
Called up share capital	24	4,446	4,169	4,145
Capital redemption reserve		1,112	1,112	1,112
Share premium account		41,348	34,188	34,109
Treasury reserve		(621)	(621)	(621)
Share option reserve		1,837	1,232	1,730
Other reserves		7,528	7,528	7,528
ESOP trust		(365)	(399)	(349)
Foreign currency translation reserve		(64)	116	249
Retained earnings		(10,500)	540	39,330
Issued capital and reserves attributable to the owners of the parent		<u>44,721</u>	<u>47,865</u>	<u>87,233</u>
Non-controlling interest		(110)	3	9
Total equity		<u>44,611</u>	<u>47,868</u>	<u>87,242</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2020 and are signed on its behalf by:

David Meaden
Chief Executive Officer

Rob Grubb
Chief Financial 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 2019

	Called up share capital £000	Capital redemption reserve £000	Share premium account £000	Treasury reserve £000	Share option reserve £000	Other reserves £000	ESOP trust £000	Foreign currency translation reserve £000	Restated retained earnings £000	Non- controlling interest* £000	Total £000
Balance at 1 November 2017	4,145	1,112	34,109	(621)	1,730	7,528	(349)	249	40,669	9	88,581
FY19 Prior period adjustment (note 1)	-	-	-	-	-	-	-	-	(1,339)	-	(1,339)
Restated balance at 1 November 2017	4,145	1,112	34,109	(621)	1,730	7,528	(349)	249	39,330	9	87,242
Issue of share capital	24	-	79	-	-	-	-	-	-	-	103
Share option costs	-	-	-	-	50	-	-	-	-	-	50
Exercise of share options	-	-	-	-	(548)	-	-	-	548	-	-
ESOP trust	-	-	-	-	-	-	(50)	-	-	-	(50)
Equity dividends paid	-	-	-	-	-	-	-	-	(2,717)	-	(2,717)
Transactions with owners	24	-	79	-	(498)	-	(50)	-	(2,169)	-	(2,614)
Loss for the year	-	-	-	-	-	-	-	-	(36,042)	-	(36,042)
FY19 Prior period adjustment (note 1)	-	-	-	-	-	-	-	-	(579)	-	(579)
Non-controlling interest	-	-	-	-	-	-	-	-	-	(6)	(6)
Other comprehensive loss											
Exchange movement on translation of foreign operations	-	-	-	-	-	-	-	(133)	-	-	(133)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(133)	(36,621)	(6)	(36,760)
Restated Balance at 31 October 2018	4,169	1,112	34,188	(621)	1,232	7,528	(399)	116	540	3	47,868
IFRS 15 opening adjustment	-	-	-	-	-	-	-	-	(11,532)	-	(11,532)
IFRS 15 deferred tax opening adjustment	-	-	-	-	-	-	-	-	1,944	-	1,944
Issue of share capital	277	-	7,160	-	-	-	-	-	-	-	7,437
Share option costs	-	-	-	-	859	-	-	-	-	-	859
Exercise / lapses of share options	-	-	-	-	(254)	-	-	-	254	-	-
ESOP trust	-	-	-	-	-	-	34	-	-	-	34
Transactions with owners	277	-	7,160	-	605	-	34	-	254	-	8,330
Loss for the year	-	-	-	-	-	-	-	-	(1,706)	-	(1,706)
Non-controlling interest	-	-	-	-	-	-	-	-	-	(113)	(113)
Other comprehensive loss											
Exchange movement on translation of foreign operations	-	-	-	-	-	-	-	(180)	-	-	(180)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(180)	(1,706)	(113)	(1,999)
At 31 October 2019	4,446	1,112	41,348	(621)	1,837	7,528	(365)	(64)	(10,500)	(110)	44,611

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

*relates to a 30% non-controlling interest Six-PM Health Solutions (Ireland) Ltd, a subsidiary of 6PM Holdings plc.

Consolidated Cash Flow Statement

For the year ended 31 October 2019

	Note	2019 £000	Restated 2018 £000
Cash flows from operating activities			
Loss for the year before taxation		(627)	(39,983)
Adjustments for:			
Depreciation of property, plant and equipment	11	839	1,144
Amortisation of intangible assets	12	8,289	8,615
Acquisition credits - release of deferred consideration		(750)	(684)
Impairment		-	39,530
Finance income		(172)	(211)
Finance costs		1,629	1,666
Debt issue costs amortisation		(54)	90
Research and development tax credit		(182)	(832)
Share option costs	25	859	50
Movement in stock		38	48
Movement in receivables		4,923	8,671
Movement in payables		(3,595)	(7,456)
Cash generated by operations		<u>11,197</u>	<u>10,648</u>
Tax on loss refunded / (tax on profit paid)		1,185	(760)
Net cash from operating activities		<u>12,382</u>	<u>9,888</u>
Cash flows from investing activities			
Acquisition of subsidiaries		(6,394)	(209)
Net cash arising on disposal of discontinued operations		44	-
Purchase of property, plant and equipment		(780)	(606)
Purchase of intangible assets		(5,871)	(3,868)
Finance income		172	211
Net cash used in investing activities		<u>(12,829)</u>	<u>(4,472)</u>
Cash flows from financing activities			
Interest paid		(1,423)	(1,484)
New loans		8,000	6,500
Loan related costs		(81)	42
Loan repayments		(12,039)	(5,500)
Equity dividends paid		-	(2,717)
Issue of own shares		7,350	(53)
Net cash flows from / (used in) financing activities		<u>1,807</u>	<u>(3,212)</u>
Net movement in cash and cash equivalents		<u>1,360</u>	<u>2,204</u>
Cash and cash equivalents at the beginning of the year		5,534	3,248
Exchange gains on cash and cash equivalents		129	82
Cash and cash equivalents at the end of the year		<u>7,023</u>	<u>5,534</u>

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

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, limited by shares, which is listed on the AIM Market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA. The registered number of the Company is 03984070.

The financial statements are prepared in pounds 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, deferred consideration at fair value through profit or loss.

These financial statements are available on the Group's website: <https://www.idoxgroup.com/investors/financial-reporting/>.

As set out on page 28 in the Directors' Report, the financial statements have been prepared on a going concern basis.

Going concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered the Group's budget, cash flow forecasts, available banking facility with appropriate headroom in facilities and financial covenants, in addition to levels of contracted and recurring revenue.

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The new facilities, which comprise a revolving credit facility of £35,000,000 and £10,000,000 accordion facility, are committed until December 2022, with an option to extend this commitment for a further two years. The new facility is on improved commercial terms with a lower margin grid and standard financial covenants in respect of leverage and cash flow cover.

As the Group has net current liabilities of £26.3m as at 31 October 2019, the Directors have specifically considered whether this represents an indication of an issue with the going concern basis for the Group's accounting, particularly as the corresponding balance as at 31 October 2018 was a net current asset position of £6.1m. The Directors have identified that:

- the FY19 closing position includes our £21.8m borrowings which are secured for up to five years, being disclosed in less than one year due to the timing of finalising our new banking arrangement post year end, whereas the borrowings in FY18 were in the main disclosed as greater than 12 months due to that refinancing being an extension of additional facilities, and therefore excluded from current liabilities; and
- in FY19 the Group has seen a large opening accounting, non-cash, adjustment in FY19 that has reduced contract receivables and increased contract liabilities by a total of £12.6m following the adoption of IFRS 15.

After adjusting for these items to present an appropriate year on year comparison, the Group's net current asset position has improved by £2m from FY18 to FY19. Therefore, the Directors do not consider the net current liabilities reported as at 31 October 2019 to be an indicator of any issue with the Group's going concern assessment.

Covid-19 pandemic impact on Going Concern assessment

Idox along with most companies has been impacted by the emerging Covid-19 pandemic. We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the emerging situation.

As part of the preparation of our FY19 results, the Group has carefully assessed the likely impact of the Covid-19 pandemic on our business and specifically considered if it creates any material uncertainty in our going concern assessment. We have considered in detail anticipated changes in the way we engage with our customers, staff, supply chains and banking partners as a result of the Covid-19 pandemic.

1 ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

Idox is fundamentally resilient to the Covid-19 pandemic due to the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Group retains significant liquidity with cash and available committed bank facilities and has strong headroom against financial covenants. We continue to monitor the situation as it continues to evolve and adapt our approach as required.

The Group continues to monitor the impact of the Covid-19 pandemic. Idox is well placed because of the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home.

The exposures identified to date are as follows:

- Our Public Sector Software business is exposed to government policy in response to the Covid-19 pandemic, notably the recent postponement of the local and mayoral elections originally scheduled for May 2020 to May 2021 which will impact the Elections sub-segment of this business. However, the overall PSS business has strong levels of recurring revenues from a well-established existing customer base and growing markets
- Our EIM business has seen significant reduction in travel given its cross-border operations which has had a limited impact but we continue to provide the majority of solutions and service customers remotely. Our EIM business also has strong existing high recurring revenues which account for approximately 80% of its revenue targets, and is well-placed given its increasing focus on cloud-based solutions.
- Our Content business has operations in Germany and Netherlands, however, the impact of the Covid-19 pandemic impact to-date has been minimal. We are not anticipating any impact on the UK element of our Content business which is all recurring in nature and in respect of public sector customers.

The Group has introduced a number of cost controls over new and existing spend which, together with linked Cost of Sale reductions, will mitigate any potential reduction in revenue from the Covid-19 pandemic. Management continue to anticipate future earnings and cash will be in line with its previous expectations.

We have performed detailed financial forecasting of a number of credible potential Covid-19 pandemic scenarios, as well as severe stress-testing in our financial modelling which includes potential restructuring in order to preserve the Group as a going concern in the event of the most extreme possible impact on our Group of the Covid-19 pandemic.

The key assumptions in these scenarios are:

- There will be a direct impact period until most of the current restrictions are lifted as well as a recovery period until commercial and social life has broadly returned to normal (recovery period).
- Revenues from existing support and recurring services contracts will not be materially impacted.
- Revenues from new business and from current projects will be impacted by delays and some cancellation of procurements in the current pipeline.
- Cost management actions will be taken, consistent with these assumptions and the impacts experienced.

The scenarios considered most credible for the markets in which we operate and the customer base we have are:

- A. A direct impact period of 3 months and a recovery period of 3 months. This scenario assumes 20% to 50% of procurements are delayed but the majority resume. Project work recovers and any backlog is cleared by the end of the recovery period.
- B. A direct impact period of 6 months and a recovery period of 9 months. This scenario assumes 30% to 70% of procurements are delayed into the recovery period and a number are cancelled. Project work recovers and any backlog is cleared by the end of the longer recovery period.

We are satisfied these are valid and reasonable assumptions and that the scenarios tested are the most appropriate and credible as the Group has high levels of recurring revenue and repeating revenues from a diverse customer base across a number of business units. Both scenario A (our anticipated impact based on current information) and scenario B (further sensitivity test) demonstrate the business is expected to have significant liquidity available from cash in hand and from committed facilities and has strong headroom against financial covenants. In both scenario A and B, the Group is forecasting liquidity in excess of £20m and headroom of at least 100% on financial covenants. Therefore, this supports the going concern assessment for the business.

In our severe stress testing financial modelling we have sought to identify an extreme set of circumstances that would result in the Group breaching banking covenants and extinguishing its available liquidity. In order to create such a set of circumstances we further adjusted scenario B to reduce all Group revenues by 50% for the period April 2020 to June 2021, but with no further action on cost.

1 ACCOUNTING POLICIES (CONTINUED)**Going concern (continued)**

Whilst it is informative to identify extreme circumstances to test the Group's liquidity, this scenario is considered highly unlikely due to the high levels of recurring revenues the Group has in respect of software that is often either central to the customer, or a specific regulatory requirement under statute. Furthermore, in the event the Group did find revenues deteriorated further beyond the scenario's modelled, the Group has identified mitigating actions to preserve its liquidity. These actions include reducing any operations that may have become severely loss-making due to the Covid-19 pandemic either through further reduction in operational spend, restructuring of business units, or utilising available government financial support with job retention schemes.

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. These 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:

- IFRIC 23 Uncertainty over Income Tax Treatments – effective for periods commencing on or after 1 January 2019.

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

- IFRS 16 'Leases' – IFRS 16 presents new requirements for the recognition, measurement, presentation and disclosure of leases. The standard provides that lessees will be required to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. The standard is applicable to the Group for the period beginning 1 November 2019. At this time the group will recognise the current leases (note 27) as a series of lease assets (£4.5m) and lease liabilities (£4.9m) using the modified retrospective method, when an adjustment will be made to the opening balance of equity. The anticipated impact on FY20 is a reduction in profit before tax of £0.1m.

Adoption of new and revised standards

- IFRS 15 'Revenue from Contracts with Customers' - the standard was adopted for the first time in the year ending 31 October 2019. The Group applied IFRS 15 on a cumulative effect basis from the date of initial application (1 November 2018), without restatement of comparative amounts. The adoption of IFRS 15 does not alter the total contract value, the timing of cash flows or the Group's ability to pay dividends.

IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. The Group has undertaken a review of all the services and products the businesses provide and the main types of commercial arrangements used with each service and product. Both the UK and the overseas businesses are impacted by IFRS 15 and the most significant impact of implementing the standard is as follows:

- Software licence revenue: Under previous accounting policies revenue from software licences was mainly recognised as the licences are issued to the customers. For bundled contracts this results in the revenue for software licences being recognised earlier than it would be under IFRS 15 as software licences do not meet the criteria of being a distinct performance obligation. IFRS 15 resulted in the software licence fees in bundled contracts being combined with other promises in the contract, specifically implementation services, and recognised over the implementation term. This resulted in a delay in revenue previously recognised and an increase in contract liabilities going forward. There was no change to the net contract values.
- Hardware revenue: Under previous accounting policies revenue from hardware was mainly recognised as the hardware is issued to the customers. For bundled contracts this resulted in the revenue for hardware being recognised earlier than it would be under IFRS 15 as hardware does not meet the criteria of being a distinct performance obligation. IFRS 15 resulted in the hardware fees in bundled contracts being combined with other promises in the contract, specifically implementation services, and recognised over the implementation term. This resulted in a delay in revenue previously recognised and an increase in contract liabilities going forward. There was no change to the net contract values.
- Quantitative impact: The following table summarises the entries arising from the adoption of IFRS 15:

	£000
Deferral of revenues previously reported	11,880
Eliminate discounting of contract receivables balances greater than one year	(348)
Associated deferred tax	(1,944)
IFRS 15 impact	9,588

1 ACCOUNTING POLICIES (CONTINUED)**Adoption of new and revised standards (continued)**

- Quantitative impact: The impact of adoption of IFRS 15 on our financial statements for the year ended 31 October 2019 was as follows:

	Restated* 2018 £000	IFRS 15 Impact £000	Opening balance 2019 £000
Contract receivables	18,432	(5,872)	12,560
Deferred tax asset	1,107	1,944	3,051
Contract liabilities	(17,859)	(5,660)	(23,519)
Retained earnings	(540)	9,588	9,048

*Balances restated for the impact of prior period adjustments as detailed in the next section.

Further detail regarding the adoption of IFRS 15 are included within note 2, Segmental Analysis.

There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year.

The following standards, amendments and interpretations were effective in the year but had no material impact on the Group's financial statements:

- IFRS 9 'Financial Instruments' - an assessment of the impact of moving from recognising bad debt provisions on potentially irrecoverable individual trade debtor balances, to calculating expected credit loss scenarios in regards to trade debtors was carried out and the results analysed. It was concluded that the impact was not material to the financial statements and there was not a significant increase in the credit risk relative to the date of initial recognition.

We have no expected credit loss scenarios in respect of our contract assets which are in respect of local authority entities.

Restatement of comparative figures**Reallocation of Cost of Delivery**

There has been a reallocation of £9,588,000 between Administrative expenses and Cost of Sales in the FY18 comparatives to include an element of employment costs within the Cost of Sales to be more representative of gross margin generated from revenue.

This reallocation has no impact on earnings.

Contract Irregularities

In March 2019, the new management team identified a small number of contract documentation irregularities in respect to the 2016 year-end. As part of our more stringent approach to contract monitoring and execution we identified three instances of irregularities in historic customer contracts, signed and recognised in the year ended 31 October 2016 (FY16) that had been inappropriately amended by a small number of employees whom have since left the Idox Group.

These contract irregularities amounted to £497,000, and as a result contract receivables and retained earnings within the opening balance sheet for FY18 have been reduced by £497,000.

Onerous Contract

Following identification of a loss-making contract during the audit process, it was subsequently identified as an onerous contract that should have been recorded in prior periods.

As a result of this contract being identified, the Audit Committee commissioned a review of all material contracts in the Group and commissioned a report by the Group's Chief Process and Transformation Officer to identify how the onerous contract had not previously been identified. These reviews concluded there were no other such examples of onerous contracts within the Group and resulted in several recommendations to strengthen the link between operational controls and financial reporting which the Audit Committee and Executive Management have fully adopted.

As a result, an onerous contract provision of £911,000 has been recorded and an associated revision to brought-forward retained earnings as at 31 October 2017. This provision has been partially realised by £267,000 in the restated FY18 Consolidated Statement of Comprehensive Income, with a remaining onerous contract provision of £644,000 as at 31 October 2018 and £378,000 as at 31 October 2019.

1 ACCOUNTING POLICIES (CONTINUED)**Restatement of comparative figures (continued)***Other Items*

In addition to the adjustments noted above, there were further contracts identified, during the IFRS 15 review, in which revenue overstatements in prior periods have been identified whereby revenue was recognised by previous Management teams despite not being permissible under IAS 18 Revenue, the applicable accounting standard at the time. Management has concluded whilst these overstatements in respect of prior periods individually are not significant, they are of sufficient quantum cumulatively to be represented as a prior year adjustment in these financial statements.

As a result of these adjustments, the impact on the prior year's results are noted in the table below:

	Pre FY18	FY18
	£000	£000
Reduction in revenue	(30)	(1,029)
Increase in administrative expenses	-	(16)
	<u>(30)</u>	<u>(1,045)</u>
Reduction in contract receivables	(30)	(194)
Increase in accruals	-	(16)
Increase in contract liabilities	-	(835)
	<u>(30)</u>	<u>(1,045)</u>

Overall

The following tables summarise the impact of the reclassification of employment costs and the prior period errors in the financial statements of the Group.

Consolidated Statement of Comprehensive Income	Reclassification	Prior Period Adjustments			31 October 2018
		Contract Irregularities	Onerous Contract	Other Items	
	£000	£000	£000	£000	£000
Loss for the year from continuing operations as originally presented					(26,981)
<i>Reclassification of employment costs:</i>					
Cost of sales	(9,588)	-	-	-	(9,588)
Employment costs	9,588	-	-	-	9,588
<i>Restatement due to contract irregularities and other contract reviews:</i>					
Revenue	-	-	-	(1,029)	(1,029)
Cost of sales	-	-	267	-	267
Administrative expenses	-	-	-	(16)	(16)
Income tax	-	-	-	199	199
Loss for the year from continuing operations as restated					<u>(27,560)</u>

1 ACCOUNTING POLICIES (CONTINUED)

Restatement of comparative figures (continued)

Consolidated Balance Sheet	Contract Irregularities £000	Onerous Contract £000	Other Items £000	31 October 2018 £000
Opening retained earnings as at 1 November 2017 as presented in FY18 Annual Report				40,669
<i>Restatement of:</i>				
FY17 trade and other receivables	(497)	-	(30)	(527)
FY 17 provisions	-	(911)	-	(911)
FY17 current tax payable	-	-	99	99
Opening retained earnings as restated				39,330
Closing Net assets as originally presented				49,786
<i>Restatement of:</i>				
Trade and other receivables	(497)	-	(224)	(721)
Current tax receivable	-	-	298	298
Trade and other payables	-	-	(16)	(16)
Other liabilities	-	-	(835)	(835)
Provisions	-	(644)	-	(644)
Closing Net assets as restated				47,868

Earnings per share from continuing and discontinued operations**31 October 2018**

Basic EPS as originally presented	(8.72)p
Impact on loss for the year (£000)	(579)
Basic EPS as restated	(8.86)p
Diluted EPS as originally presented	(8.65)p
Impact on loss for the year (£000)	(579)
Diluted EPS as restated	(8.86)p

Critical judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not easily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements (not involving estimation)

Management considers the following items to be critical judgements (apart from those involving estimations) that were made in the process of applying the Group's accounting policies in the reporting period that are deemed to have the most significant effect on the amounts recognised in financial statements:

1 ACCOUNTING POLICIES (CONTINUED)

Development costs

Judgement is exercised in the expenditure that is capitalised or alternatively expensed as research. This is governed by the Group's capitalisation policy, which describes the nature and type of costs that should be capitalised to ensure consistency across the Group. Creation and application of this Group capitalisation policy requires judgement in how IFRS is applied to Idox in describing which expenditure qualifies for capitalisation as well as the thresholds that are applied.

The recognition requirements of development costs are reviewed quarterly. 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 review. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors.

Capitalised development is reviewed on an individual project basis and management will select the most appropriate rate of amortisation for each asset. Amortisation is typically 5 years depending on the future revenue projected for each individual asset.

See note 12 for further information.

Revenue recognition

Management assesses both legal paperwork and the underlying commercial specifics of transactions, alongside accounting standards, to determine revenue recognition treatment. This assessment could involve internal chartered accountants, internal legal staff, operational staff and professional advice where appropriate.

The adoption of IFRS 15 from 1 November 2018 has been a key revenue recognition consideration for the Group this period and going forward. The Group has prepared an underlying technical framework to substantiate current and ongoing judgements on revenue recognition.

Management exercise judgement over various elements of a contract, for example:

- the point at which the customer takes full control of any bundled software solution ;
- an estimate of the value of the underlying elements of a bundled software solution ; and
- whether it is appropriate to recognise revenue on certain contracts prior to an invoice being raised, where work has been completed and there is a high degree of certainty of the contract being completed, with the invoice raised and cash received.

The underlying technical framework is used to inform and support areas of judgement, of the type mentioned in these examples.

Key sources of estimation uncertainty

Management consider the following items to involve key assumptions and other sources of estimation uncertainty. These items generate a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Impairment of goodwill

Management is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based upon value-in-use and net realisable value calculations. The value-in-use method requires the calculation 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 performed and supplied by independent valuation specialists. See note 12 for further commentary and associated risk in relation to the EIM division.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 October each year. Under IFRS 10, control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its powers over the investee. As each of the subsidiaries are 100% wholly owned, with the exception of 6PM Ireland which is adjusted for non-controlling interest, the Group has full control over each of its investees.

All inter-company transactions are eliminated on consolidation.

1 ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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 fair values at acquisition date of assets, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Acquisition costs are expensed as incurred. For all acquisitions, the Group will perform a fair value review of all property, plant and equipment, intangible assets, and accrued and deferred balances to align accounting policies with the Group.

Revenue

Revenue represents the income arising in the course of an entity's ordinary activities, net of value added tax and after eliminating sales within the Group.

Where work has been completed but the performance obligation has not been fully satisfied, the income has been accrued and included in contract receivables on the balance sheet.

The Group derives its revenue from six revenue streams, as follows:

Recurring: Managed Services

Revenue from recurring managed services is recognised evenly across the managed service period, in line with the pattern of how we deliver the services and how they are consumed by the customer.

Recurring: Hosting

Revenue from recurring hosting is recognised evenly across the hosting period, in line with the pattern of how we deliver the services and how they are consumed by the customer.

Non-Recurring: Services

Revenue from non-recurring services is recognised over the course of the service provision in line with agreed delivery milestones as control of the environment is progressively transferred to the customer.

Non-Recurring: Hardware

Revenue on hardware is recognised when control of the asset is passed to the customer which typically occurs on delivery.

Recurring: Software (Recurring Licence Fee (RLF) and Support & Maintenance)

Revenue from Recurring License Fee (typically in respect of a term license granted) is recognised on delivery and passing of full control of the software to the customer. In order to achieve this, anticipated license fees from future recurring invoicing are typically 'unbundled' from the Support & Maintenance element and accrued until the invoicing occurs.

Revenue from Support & Maintenance is recognised over the course of the service provision in line with agreed delivery milestones as control of the environment is progressively transferred to the customer.

Recurring: Non-Recurring: Software (Initial Licence Fee (ILF))

Revenue from Initial License Fees (whether in respect of a perpetual or term license granted) is recognised on delivery and passing of full control of the software to the customer.

For license fees (ILFs and RLFs) where the customer's control of our software is dependent on associated services such as non-recurring services which may be essential for the customer to use the software, the revenue from software license fees will be recognised over the course of the service provision in line with agreed delivery milestones as control of the whole solution is progressively transferred to the customer.

Contract revenue, receivables and liabilities

Long-term contracts for software solutions often contain multiple elements such as software, support, services, hosting and/or managed services.

Where there is a need to unbundle a software solution into its constituent elements, software industry benchmarks are applied.

Recognition of revenue on the software and services elements of longer-term contracts will be driven by new IFRS 15 treatment whereby revenue is recognised in line with agreed delivery milestones as control passes to the customer. The remaining elements will be considered distinct performance obligations with revenue recognised over the course of the contract.

1 ACCOUNTING POLICIES (CONTINUED)

Contract revenue, receivables and liabilities (continued)

Contract receivables are recognised when performance obligations are discharged under a contractual arrangement to the customer but have not been invoiced. Once the invoicing does occur a trade receivable is recognised, and the contract receivable is derecognised.

Contract liabilities arise when invoicing occurs in advance of performance obligations being discharged. The revenue associated with the invoicing is deferred until such time as the performance obligation is delivered.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the Chief Executive Officer and the Chief Financial Officer.

Discontinued operations and held for sale

Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Subsidiary Audit Exemption

Idox Software Limited (02933889), Idox Trustees Limited (04111557), McLaren Software Limited (SC213218) and Tascomi Limited (NI057879) are exempt from the provisions of Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A.

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 biannually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Other intangible assets

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

(i) Research and development

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

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

1 ACCOUNTING POLICIES (CONTINUED)

(i) Research and development (continued)

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.

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

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

(ii) Customer relationships

Customer relationships represent the purchase price of customer lists and contractual relationships purchased on the acquisition of subsidiaries. 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 or 5 years.

(iii) Trade names

Trade names represent the named intangible asset recognised on the acquisition of these trade names are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of between 5 and 20 years.

(iv) Software

Software represents the purchase price of developed products either acquired as part of the acquisition of subsidiaries or procured directly from a vendor. The software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of between 3 and 10 years.

(v) Database

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

(vi) Order backlog

Order backlog includes the managed service contracts and subscription deferred revenue purchased on the acquisition of subsidiaries. Amortisation on the managed service deferred revenue is calculated based on the weighting and length of each contract purchased. Amortisation on the subscription deferred revenue is calculated using the straight-line method over a period up to 5 years.

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (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 unit groupings 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.

1 ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

Useful economic lives and residual values are reviewed annually.

Employee benefits

Defined contribution pension plans

Contributions paid to pension plans of employees are charged to the statement of comprehensive income in the period in which they become payable.

Share-based payment transactions

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee.

This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

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

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

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

Reserves

Equity comprises the following:

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

1 ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

In addition, tax losses available to be carried forward as well as other income credits to the Group are assessed for recognition as deferred tax assets.

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

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

Research and development tax credits

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

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 translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

In the consolidated financial statements, the assets and liabilities of non-sterling functional currency subsidiaries, are translated into pound sterling at the rate of exchange ruling at the balance sheet date. The results of non-sterling functional currency subsidiaries are translated into pound sterling using average rates of exchange.

Exchange adjustments arising are taken to the foreign currency translation reserve and reported in other comprehensive income. There is no tax impact on these adjustments.

1 ACCOUNTING POLICIES (CONTINUED)

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.

The Group has a hold-to-collect business model in respect of financial assets held at amortised cost. The objective of the 'hold to collect' business model is, in most cases, to hold financial assets to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows.

Financial assets

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

Trade and other receivables

The entity always recognises lifetime expected credit losses (ECL) for trade receivables, and contract assets, and ECL are estimated using a provision matrix based on the Group's historical credit loss experience.

Trade receivables do not carry any interest and are initially stated at their fair value, as reduced by appropriate credit losses for estimated irrecoverable amounts.

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

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

Bonds in issue

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

Trade and other payables

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

Equity instruments

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

2 SEGMENTAL ANALYSIS

As at 31 October 2019, the Group was organised into three operating segments, which are detailed below.

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

- Public Sector Software (PSS) – delivering specialist information management solutions and services to the public sector.
- Engineering Information Management (EIM) – delivering engineering document management and control solutions to asset intensive industry sectors.
- Content (CONT) – delivering funding and compliance solutions to corporate, public and commercial customers.

Health is now included in PSS as it shares resources within PSS and is no longer separately identifiable.

On 2nd November 2018 the Digital segment was sold. As Digital was a separately identifiable division the results for the period ended 31 October 2019 and comparative period have been classified as a discontinued operation.

Segment revenue comprises sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before the allocation of taxation, Group interest payments and Group acquisition costs. The assets and liabilities of the Group are not reviewed by the chief operating decision maker on a segment basis. The Group does not place reliance on any specific customer and has no individual customer that generates 10% or more of its total Group revenue.

The segment revenues by geographic location are as follows:

	Continuing 2019 £000	Discontinued 2019 £000	Total Group 2019 £000
2019			
Revenues from external customers			
United Kingdom	43,416	-	43,416
USA	5,448	-	5,448
Europe	14,948	-	14,948
Australia	315	-	315
Rest of World	1,365	-	1,365
	<u>65,492</u>	<u>-</u>	<u>65,492</u>
	Restated Continuing 2018 £000	Discontinued 2018 £000	Total Group Restated 2018 £000
2018			
Revenues from external customers			
United Kingdom	45,584	5,995	51,579
USA	4,921	-	4,921
Europe	15,070	205	15,275
Australia	475	-	475
Rest of World	364	21	385
	<u>66,414</u>	<u>6,221</u>	<u>72,635</u>

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

2 SEGMENTAL ANALYSIS (CONTINUED)

The segment revenues by type are as follows:

	Continuing	Discontinued	Total Group
	2019	2019	2019
	£000	£000	£000
2019			
Revenues by type			
Recurring revenues – PSS	24,144	-	24,144
Recurring revenues – EIM	7,100	-	7,100
Recurring revenues – Content	4,492	-	4,492
Recurring revenues	<u>35,736</u>	<u>-</u>	<u>35,736</u>
Non-recurring revenues – PSS	17,498	-	17,498
Non-recurring revenues – EIM	2,070	-	2,070
Non-recurring revenues – Content	10,188	-	10,188
Non-recurring revenues	<u>29,756</u>	<u>-</u>	<u>29,756</u>
	<u>65,492</u>	<u>-</u>	<u>65,492</u>
Revenue from sale of goods	23,247	-	23,247
Revenue from rendering of services	42,245	-	42,245
	<u>65,492</u>	<u>-</u>	<u>65,492</u>
	Restated		
	Continuing	Discontinued	Group Restated
	2018	2018	2018
	£000	£000	£000
2018			
Revenues by type			
Recurring revenues – PSS	19,239	-	19,239
Recurring revenues – EIM	7,285	-	7,285
Recurring revenues – Content	4,059	-	4,059
Recurring revenues – Digital	-	3,276	3,276
Recurring revenues	<u>30,583</u>	<u>3,276</u>	<u>33,859</u>
Non-recurring revenues – PSS	23,300	-	23,300
Non-recurring revenues – EIM	2,718	-	2,718
Non-recurring revenues – Content	9,813	-	9,813
Non-recurring revenues – Digital	-	2,945	2,945
Non-recurring revenues	<u>35,831</u>	<u>2,945</u>	<u>38,776</u>
	<u>66,414</u>	<u>6,221</u>	<u>72,635</u>
Revenue from sale of goods	17,335	61	17,396
Revenue from rendering of services	49,079	6,160	55,239
	<u>66,414</u>	<u>6,221</u>	<u>72,635</u>

Recurring revenue is income generated from customers on an annual contractual basis. Recurring revenue amounts to approximately 55% (2018: 46%) of continuing revenue, which is revenue generated annually from sales to existing customers.

All revenues are recognised over the period of the contract, unless our only performance obligation is to license or re-license a customer's existing user without any further obligations, in which case the revenue is recognised upon completion of the obligation.

All contracts are issued with commercial payment terms without any unusual financial or deferred arrangements and do not include any amounts of variable consideration that are constrained.

The Group's total outstanding contracted performance obligations at 31 October 2019 was £56,410,000 and it is anticipated that 73% of this will be recognised as revenue in FY20.

2 SEGMENTAL ANALYSIS (CONTINUED)*IFRS 15 adoption*

The following table sets out the impact the opening IFRS 15 adjustment has on FY19 and future periods, as at 1 November 2018 when it was recorded:

	12 months to 31 October 2019 £000
IFRS 15 adoption opening adjustment (gross of deferred tax)	11,532
<i>Anticipated realisation:</i>	
- FY19	6,026
- FY20	2,820
- FY21	1,685
- FY22	757
- FY23 - FY25	244
	<u>11,532</u>

The following table sets out the Group's estimation of the financial reporting of FY19 had IFRS 15 not been adopted:

	IFRS 15 £000	IAS 18 £000
Revenue	65,492	59,116
Cost of sales	(19,481)	(19,481)
Administrative expenses	(44,334)	(44,334)
Net finance cost	(1,702)	(1,500)
Income tax charge	(1,192)	(19)
Loss for the year from continuing operations	<u>(1,217)</u>	<u>(6,218)</u>
Net Assets	44,611	39,610

Whilst the IAS 18 estimation of FY19 presents lower revenues and a larger retained loss from continuing activities, it is important to note following the introduction of a new Board and Management team, the Group's approach to revenue recognition in FY19 is more cautious than in prior periods irrespective of the distinctions between IAS 18 and IFRS 15.

The changes in the way the revenue is recorded in FY19 and future periods as a result of the adoption of IFRS 15, better reflect the Group's delivery of performance obligations with its customers.

Notes to the Accounts (continued)

For the year ended 31 October 2019

2 SEGMENTAL ANALYSIS (CONTINUED)

The segment results by business unit for the year ended 31 October 2019:

	PSS £000	EIM £000	CONTENT £000	Continuing Operations Total £000	Discontinued Operations Digital £000	Total £000
Revenue	41,642	9,170	14,680	65,492	-	65,492
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	11,052	1,410	1,899	14,361	-	14,361
Depreciation	(720)	(93)	(26)	(839)	-	(839)
Amortisation – software licences, customer lists, order backlog and R&D	(2,991)	(772)	(340)	(4,103)	-	(4,103)
Amortisation – acquired intangibles	(3,270)	(440)	(476)	(4,186)	-	(4,186)
Restructuring costs	(1,613)	(30)	(512)	(2,155)	-	(2,155)
Acquisition costs	(174)	-	-	(174)	-	(174)
Share option costs	(850)	-	(9)	(859)	-	(859)
Adjusted segment operating profit	1,434	75	536	2,045	-	2,045
Financing costs				(368)	-	(368)
Loss from the sale of discontinued operations				-	(602)	(602)
Finance income				172	-	172
Finance costs				(1,874)	-	(1,874)
Loss before taxation				(25)	(602)	(627)

The corporate recharge to the business unit EBITDA is allocated on a head count basis in FY19, compared to a revenue basis in FY18.

Notes to the Accounts (continued)

For the year ended 31 October 2019

2 SEGMENTAL ANALYSIS (CONTINUED)

The restated segment results by business unit for the year ended 31 October 2018:

	PSS £000	EIM £000	CONTENT £000	DIGITAL* £000	HEALTH £000	Continuing Operations Total £000	Discontinued Operations Digital £000	Total £000
Revenue	33,285	10,003	13,604	268	9,254	66,414	6,221	72,635
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	8,939	1,361	2,295	(486)	1,530	13,639	(2,834)	10,805
Depreciation	(779)	(196)	(14)	-	(117)	(1,106)	(38)	(1,144)
Amortisation – software licences, order backlog and R&D	(2,355)	(651)	(176)	-	(536)	(3,718)	(28)	(3,746)
Amortisation – acquired intangibles	(2,052)	(468)	(493)	-	(1,482)	(4,495)	(374)	(4,869)
Restructuring costs	(104)	(239)	(38)	(8)	(47)	(436)	(194)	(630)
Acquisition costs	850	-	6	-	-	856	-	856
Impairment	(6,079)	(1,800)	-	-	(25,376)	(33,255)	(6,275)	(39,530)
Share option costs	(46)	-	(4)	-	-	(50)	-	(50)
Adjusted segment operating (loss) / profit	(1,626)	(1,993)	1,576	(494)	(26,028)	(28,565)	(9,743)	(38,308)
Financing costs						(336)	-	(336)
Finance income						449	-	449
Finance costs						(1,788)	-	(1,788)
Loss before taxation						(30,240)	(9,743)	(39,983)

*Results for the Knowledge Exchange for the period to 30th April 2018. On the 1st May 2018 following an internal reorganisation the Knowledge Exchange sub division was transferred to the Content segment. Results also include the corporate recharge for the Digital segment which remain as continuing as the cost are not clearly identifiable as costs of the segment.

3 OPERATING PROFIT / (LOSS) FOR THE YEAR

Operating profit / (loss) for the year has been arrived at after charging:	2019	2018
	£000	£000
Auditor's remuneration:		
Fees payable to the Company Auditor for the audit of the parent company and consolidated annual accounts	18	10
The audit of the Company's subsidiaries, pursuant to legislation	332	265
Audit related services	-	67
Non-audit services	75	119
	<u>425</u>	<u>461</u>
Tax services – compliance	36	42
Tax services – advisory	76	63
Operating lease rentals – buildings & equipment	1,564	2,664
Depreciation – owned *	839	1,106
Amortisation:		
Software licences	743	934
Research & development	3,172	2,784
Backlog Orders	29	84
Customer Contracts	160	-
Acquired intangibles **	4,185	4,411
Equity-settled share-based payments	<u>859</u>	<u>50</u>

*Depreciation excludes £Nil (2018: £38,000) in relation to the discontinued Digital division. The total depreciation charge of the year including discontinued operations is £839,000 (2018: £1,144,000) as disclosed in note 11.

**Amortisation on acquired intangibles excludes £Nil (2018: £402,000) in relation to the discontinued Digital division. The total amortisation charge for the year including discontinued operations of £8,289,000 (2018: £4,800,000), as disclosed in note 12.

Restructuring costs

Restructuring costs were £2.2m (2018: £0.4m) as the new Management team assessed in detail all operations of the Group in the year; restructuring business units and Group processes to improve the Group's current and future financial performance and prospects. Includes costs relating to redundancies, disposal of property and resolution of historic litigation.

4 DIRECTORS AND EMPLOYEES

	Continuing Operations 2019 £000	Discontinued Operations 2019 £000	Total 2019 £000
Staff costs during the year were as follows:			
Wages and salaries	27,938	-	27,938
Social security costs	3,232	-	3,232
Pension costs	1,324	-	1,324
	<u>32,494</u>	<u>-</u>	<u>32,494</u>
	Continuing Operations 2018 £000	Discontinued Operations 2018 £000	Total 2018 £000
Staff costs during the year were as follows:			
Wages and salaries	30,156	4,317	34,473
Social security costs	3,269	398	3,667
Pension costs	1,282	138	1,420
	<u>34,707</u>	<u>4,853</u>	<u>39,560</u>

In addition, during the year share based payment charges of £859,000 (2018: £50,000) were incurred.

During the year, the Group incurred redundancy costs to former employees in respect of continuing operations of £285,000 (2018: £436,000) and £Nil (2018: £194,000) in respect of discontinued operations.

4 DIRECTORS AND EMPLOYEES (CONTINUED)

The average number of employees of the Group during the year was 671 (2018: 804) and was made up as follows:

	Continuing Operations 2019 No.	Discontinued Operations 2019 No.	Total 2019 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	60	-	60
Sales	44	-	44
Development	130	-	130
Operations	437	-	437
	<u>671</u>	<u>-</u>	<u>671</u>
	Continuing Operations 2018 No.	Discontinued Operations 2018 No.	Total 2018 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	55	2	57
Sales	56	3	59
Development	133	12	145
Operations	477	66	543
	<u>721</u>	<u>83</u>	<u>804</u>

The average number of Directors of the Group during the year was 7 (2018: 6).

Remuneration in respect of Directors was as follows:

	2019 £000	2018 £000
Emoluments	1,049	880
Pension contributions	10	13
Share option exercise gain	-	629
	<u>1,059</u>	<u>1,522</u>

In addition to the remuneration stated above, the Group incurred social security costs in respect of Directors of £139,000 (2018: £181,000).

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

	2019 £000	2018 £000
Aggregate emoluments	511	202
Pension contributions	-	1
	<u>511</u>	<u>203</u>

During the year the highest paid Director did not exercise share options. In the prior year the highest paid Director did not exercise share options.

During the year, the Group incurred social security costs in respect of the highest paid Director of £78,000 (2018: £23,000).

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 30 to 31 but does not form part of the audited accounts.

Notes to the Accounts (continued)

For the year ended 31 October 2019

5 ACQUISITION COSTS

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 26.

Acquisition costs	2019 £000	2018 £000
Acquisition costs	(174)	(3)
Release of contingent consideration	-	859
	<u>(174)</u>	<u>856</u>

6 FINANCE INCOME AND COSTS

	2019 £000	Restated 2018 £000
Interest receivable	3	2
Dividends receivable	-	18
Foreign exchange differences	-	22
Other income	169	191
Time Value of Money Adjustment on contract receivables greater than 1 year	-	216
Finance income	<u>172</u>	<u>449</u>
Bank interest payable	(850)	(814)
Bond interest payable	(539)	(618)
Effective interest rate adjustment	(33)	(76)
Non-utilisation fees	(85)	(52)
Amortisation of employee equity scheme shares	(122)	(106)
Amortisation of bank fees	(164)	(122)
Foreign exchange differences	(81)	-
Finance costs	<u>(1,874)</u>	<u>(1,788)</u>

7 DIVIDENDS

	2019 £000	2018 £000
Final dividend paid in respect of the year ended 31 October 2018 and 31 October 2017	-	2,717
Pence per ordinary share	-	0.655p
Interim dividend paid in respect of the year ended 31 October 2019 and 31 October 2018	-	-
Pence per ordinary share	-	-

The Directors have proposed the payment of a final dividend of £Nil per share, which would amount to £Nil (2018: £Nil).

8 INCOME TAX

The tax charge is made up as follows:

	2019	Restated
	£000	2018
		£000
Current tax		
UK corporation tax on loss for the year	44	366
Foreign tax on overseas companies	300	274
Over provision in respect of prior periods	(195)	(1,384)
Total current tax	<u>149</u>	<u>(744)</u>
Deferred tax		
Origination and reversal of temporary differences	897	(3,020)
Adjustment for rate change	(170)	407
Adjustments in respect of prior periods	316	1
Total deferred tax	<u>1,043</u>	<u>(2,612)</u>
Total tax charge / (credit)	<u>1,192</u>	<u>(3,356)</u>

The tax charge is made up as follows:

	Continuing	Restated
	Operations	Continuing
	2019	Operations
	£000	2018
		£000
Current tax		
UK corporation tax on loss for the year	44	366
Foreign tax on overseas companies	300	274
Over provision in respect of prior periods	(195)	(1,395)
Total current tax	<u>149</u>	<u>(755)</u>
Deferred tax		
Origination and reversal of temporary differences	897	(2,289)
Adjustment for rate change	(170)	363
Adjustments in respect of prior periods	316	1
Total deferred tax	<u>1,043</u>	<u>(1,925)</u>
Total tax charge / (credit)	<u>1,192</u>	<u>(2,680)</u>

The tax charge is made up as follows:

	Discontinued	Discontinued
	Operations	Operations
	2019	2018
	£000	£000
Current tax		
UK corporation tax on loss for the year	-	-
Under provision in respect of prior periods	-	11
Total current tax	<u>-</u>	<u>11</u>
Deferred tax		
Origination and reversal of temporary differences	-	(731)
Adjustment for rate change	-	44
Total deferred tax	<u>-</u>	<u>(687)</u>
Total tax credit	<u>-</u>	<u>(676)</u>

8 INCOME TAX (CONTINUED)

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

	2019	% ETR	Restated	% ETR
	£000	movement	2018	movement
			£000	
Loss before taxation on total operations	(627)		(39,983)	
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(119)	19.00	(7,597)	19.00
Effects of:				
Share option deduction	197	(31.39)	(52)	0.13
Tax losses utilised in year	-	-	-	-
International losses derecognised / (recognised)	507	(80.96)	(1,163)	2.91
Accelerated capital allowances	(6)	0.96	(29)	0.07
Other timing differences	(7)	1.05	-	-
Expenses not deductible for tax purposes	386	(61.52)	5,941	(14.86)
Prior year over-provision	193	(30.74)	(606)	1.52
Non-taxable income	25	(3.93)	(246)	0.62
Adjustment for tax rate differences	(49)	7.76	471	(1.18)
R&D enhanced relief	62	(9.89)	(77)	0.19
Foreign tax suffered	3	(0.41)	2	(0.01)
	<u>1,192</u>	<u>(190.07)</u>	<u>(3,356)</u>	<u>8.39</u>

The effective tax rate (ETR) for the period was (190.07%) (2018: 8.39%). The main factors for the lower ETR on the net loss before tax position were threefold. New share options granted during the year, some of which were fully-vested on issue, resulted in a significant disallowable P&L impact. This was the same for costs incurred as part of the Digital division disposal and the acquisition of Tascomi.

Lastly, non-recognition of losses in certain jurisdictions, owing to uncertainty over their future utilisation, decreased ETR significantly. The main jurisdiction impact was in France which, alongside non-recognition of current-year losses, elected to derecognise losses brought forward from prior years. This downward pressure on ETR was mitigated slightly by recognition of previously unrecognised losses in Malta, following taxable profits in some of the subsidiaries based there.

Movement on trading losses during 2019 are as follows:

	UK	Foreign	Total	Tax effect
	unrelieved	unrelieved	unrelieved	£000
	trading	trading	trading	
	losses	losses	losses	
	£000	£000	£000	
Recognised trading losses				
As at 1 November 2018	-	1,186	1,186	347
Impact of deferred tax recognition at local rate	-	50	50	11
Recognised / (derecognised) during the year	1,729	(593)	1,136	79
Utilised during the year	-	(238)	(238)	(50)
Adjustment for foreign exchange movements	-	(26)	(26)	(5)
	<u>1,729</u>	<u>379</u>	<u>2,108</u>	<u>382</u>
Unrecognised trading losses				
Losses not recognised	(1,698)	(9,925)	(11,623)	(3,394)
	<u>(1,698)</u>	<u>(9,925)</u>	<u>(11,623)</u>	<u>(3,394)</u>

8 INCOME TAX (CONTINUED)

For comparative purposes, movement on trading losses during 2018 were as follows:

	UK unrelieved trading losses £000	Foreign unrelieved trading losses £000	Total unrelieved trading losses £000	Tax effect £000
Recognised trading losses				
As at 1 November 2017 Restated	327	819	1,146	338
Impact of deferred tax recognition at local rate	-	-	-	(107)
Recognised during the year	-	1,858	1,858	467
Utilised during the year	(327)	(1,491)	(1,818)	(351)
	-	1,186	1,186	347
Unrecognised trading losses				
Losses not recognised	(1,698)	(8,693)	(10,391)	(2,978)
	(1,698)	(8,693)	(10,391)	(2,978)

The UK trading losses remaining unrecognised at the end of the year relate to brought-forward losses in respect of loss-making trades. The foreign losses derecognised during the year were in France as they are not expected to be utilised in future. The foreign losses recognised during the year were in Netherlands and are expected to be utilised in the future. The foreign losses utilised during the year were in the US. The closing unrecognised losses of £11,623,000 relate to Malta, the UK, France and Germany. The decision was made to maintain derecognition of these assets until there is more certainty over their future utilisation. Across the year the total deferred tax asset in respect of unrelieved trading losses increased from £347,000 to £382,000. There is no expiry dates for any of the unrelieved trading losses carried forward.

9 DISCONTINUED OPERATIONS

On 12 September 2018 the Group resolved to seek to dispose of the Digital division which carried out the Groups digital consultancy operations. The disposal was effected in order to limit the Group's exposure to future losses and liabilities and improve the working capital position. The disposal was completed on 2nd November 2018, on which date control of the Digital division was passed to the acquirer.

The results of the discontinued operations, which have been excluded in the consolidated statement of comprehensive income, were as follows:

	2019 £000	2018 £000
Revenue	-	6,221
Expenses	-	(15,964)
Loss on Disposal	(602)	-
Loss before tax	(602)	(9,743)
Attributable tax credit	-	676
Net loss attributable to discontinued operations	(602)	(9,067)

During the year, Digital contributed £Nil (2018: (£1,856k)) to the Group's net operating cash flows, paid £Nil (2018: £Nil) in respect of investing and financing activities. Expenses for discontinued operations in FY19 relate to disposal costs.

For the year ending 31 October 2018 the Digital operations were classified as a disposal group held for sale and presented separately on the balance sheet. Non-current assets were fully impaired at April 2018 with an impairment loss of £6.3m recognised. No further impairment loss was recognised on the classification of these operations held for sale.

9 DISCONTINUED OPERATIONS (CONTINUED)

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2019 £000	2018 £000
Trade and other receivables	-	1,114
Total assets classified as held for sale	<u>-</u>	<u>1,114</u>
Trade and other payables	-	384
Other liabilities	-	579
Total liabilities associated with assets classified as held for sale	<u>-</u>	<u>963</u>
Net assets of disposal group	<u>-</u>	<u>151</u>

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:

Continuing Operations	2019 £000	Restated 2018 £000
Loss for the year	<u>(1,104)</u>	<u>(27,554)</u>
Basic earnings per share		
Weighted average number of shares in issue	<u>420,788,528</u>	<u>413,116,107</u>
Basic earnings per share	<u>(0.26)p</u>	<u>(6.67)p</u>
Weighted average number of shares in issue	420,788,528	413,116,107
Add back:		
Treasury shares	1,491,219	1,491,219
ESOP shares	1,316,142	1,214,256
Weighted average allotted, called up and fully paid share capital	<u>423,595,889</u>	<u>415,821,582</u>
Diluted earnings per share		
Diluted earnings per share	<u>(0.26)p</u>	<u>(6.67)p</u>

Diluted earnings per share cannot further dilute the loss attributable to the owners, therefore, diluted earnings per share during a loss making period is the same as basic earnings per share.

10 EARNINGS PER SHARE (CONTINUED)

Adjusted earnings per share	2019 £000	Restated 2018 £000
Loss for the year	(1,104)	(27,554)
Add back:		
Amortisation on acquired intangibles	4,215	4,495
Impairment	-	33,255
Acquisition costs	174	(856)
Restructuring costs	2,155	435
Financing costs	368	336
Share option costs	859	50
Tax effect	(1,210)	(937)
Adjusted profit for year	<u>5,457</u>	<u>9,224</u>
Weighted average number of shares in issue - basic	420,788,528	413,116,107
Weighted average number of shares in issue - diluted	424,320,396	416,729,859
Adjusted earnings per share	1.30p	2.23p
Adjusted diluted earnings per share	1.29p	2.21p

Alternative Performance Measures

In the financial statements presented in FY18 and prior periods, share option costs were not included as an adjusting item in the adjusted earnings per share calculation.

We have concluded share option costs should be included as an adjusting item to present a comparable measure against our peers. Adjusted earnings per share for FY19 has been presented on this basis and the FY18 comparatives have also been updated given the prior period restatements.

Discontinued Operations

	2019 £000	2018 £000
Loss for the year	<u>(602)</u>	<u>(9,067)</u>
Basic earnings per share		
Weighted average number of shares in issue	<u>420,788,528</u>	<u>413,116,107</u>
Basic earnings per share	<u>(0.14)p</u>	<u>(2.19)p</u>
Weighted average number of shares in issue	420,788,528	413,116,107
Add back:		
Treasury shares	1,491,219	1,491,219
ESOP shares	1,316,142	1,214,256
Weighted average allotted, called up and fully paid share capital	<u>423,595,889</u>	<u>415,821,582</u>
Diluted earnings per share		
Diluted earnings per share	<u>(0.14)p</u>	<u>(2.19)p</u>

10 EARNINGS PER SHARE (CONTINUED)

Total Operations	2019 £000	Restated 2018 £000
Loss for the year	(1,706)	(36,621)
Basic earnings per share		
Weighted average number of shares in issue	420,788,528	413,116,107
Basic earnings per share	(0.41)p	(8.86)p
Weighted average number of shares in issue	420,788,528	413,116,107
Add back:		
Treasury shares	1,491,219	1,491,219
ESOP shares	1,316,142	1,214,256
Weighted average allotted, called up and fully paid share capital	423,595,889	415,821,582
Diluted earnings per share		
Diluted earnings per share	(0.41)p	(8.86)p
Adjusted earnings per share		
	2019 £000	Restated 2018 £000
Loss for the year	(1,706)	(36,621)
Add back:		
Amortisation on acquired intangibles	4,215	4,897
Impairment	-	39,530
Acquisition costs	174	(856)
Restructuring costs	2,155	630
Financing costs	368	336
Share option costs	859	50
Tax effect	(1,210)	(1,050)
Adjusted profit for year	4,855	6,916
Weighted average number of shares in issue - basic	420,788,528	413,116,107
Weighted average number of shares in issue - diluted	424,320,396	416,729,859
Adjusted earnings per share	1.15p	1.67p
Adjusted diluted earnings per share	1.14p	1.66p

11 PROPERTY, PLANT AND EQUIPMENT

	Computer hardware £000	Fixtures, fittings and equipment £000	Library books and journals £000	Total £000
Cost				
At 1 November 2017	3,410	2,038	17	5,465
Foreign exchange	120	97	(1)	216
Additions	595	10	1	606
Additions on acquisition	1	-	-	1
Disposals	(1,094)	(858)	(6)	(1,958)
Internal reallocation of asset category	6	(6)	-	-
At 31 October 2018	<u>3,038</u>	<u>1,281</u>	<u>11</u>	<u>4,330</u>
Foreign exchange	(16)	76	-	60
Additions	674	73	11	758
Additions on acquisition	35	15	-	50
Disposals	-	(39)	-	(39)
At 31 October 2019	<u><u>3,731</u></u>	<u><u>1,406</u></u>	<u><u>22</u></u>	<u><u>5,159</u></u>
Depreciation				
At 1 November 2017	1,953	1,758	11	3,722
Foreign exchange	51	78	-	129
Provided in the year	994	146	4	1,144
Eliminated on disposal	(1,012)	(858)	(6)	(1,876)
Internal reallocation of asset category	5	(5)	-	-
At 31 October 2018	<u>1,991</u>	<u>1,119</u>	<u>9</u>	<u>3,119</u>
Foreign exchange	6	72	-	78
Provided in the year	754	80	5	839
Disposals	-	(39)	-	(39)
At 31 October 2019	<u><u>2,751</u></u>	<u><u>1,232</u></u>	<u><u>14</u></u>	<u><u>3,997</u></u>
Net book amount at 31 October 2019	<u><u>980</u></u>	<u><u>174</u></u>	<u><u>8</u></u>	<u><u>1,162</u></u>
Net book amount at 31 October 2018	<u>1,047</u>	<u>162</u>	<u>2</u>	<u>1,211</u>

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

12 INTANGIBLE ASSETS

	Goodwill £000	Customer relation- ships £000	Trade names £000	Software £000	Develop- ment costs £000	Order backlog £000	Customer lists £000	Total £000
Cost								
At 1 November 2017	77,263	30,807	12,593	16,002	12,671	307	-	149,643
Foreign exchange	-	-	-	1	17	4	-	22
Additions	-	-	-	222	3,646	-	-	3,868
Additions on acquisition	240	-	-	14	-	-	-	254
Additions on hive-in	-	-	-	14	-	-	-	14
Impairment	-	-	-	-	(1,694)	-	-	(1,694)
Disposals	-	-	-	(189)	(524)	-	-	(713)
Disposals on hive-in	-	-	-	(14)	-	-	-	(14)
Fair value adjustment	61	-	-	(12)	-	-	-	49
At 31 October 2018	77,564	30,807	12,593	16,038	14,116	311	-	151,429
Foreign exchange	-	-	-	-	22	9	-	31
Additions	8	-	-	2,206	4,351	-	273	6,838
Additions on acquisition	2,269	1,151	-	4,448	799	-	-	8,667
Disposals	-	-	-	(5)	-	-	-	(5)
At 31 October 2019	79,841	31,958	12,593	22,687	19,288	320	273	166,960
Amortisation								
At 1 November 2017	3,878	9,814	4,292	5,217	3,609	79	-	26,889
Foreign exchange	-	-	-	-	7	3	-	10
Amortisation for the year	-	1,909	859	2,979	2,784	84	-	8,615
Additions on acquisition	-	-	-	5	-	-	-	5
Impairment	27,831	5,754	2,717	2,041	(507)	-	-	37,836
Disposals	-	-	-	(189)	(524)	-	-	(713)
At 31 October 2018	31,709	17,477	7,868	10,053	5,369	166	-	72,642
Foreign exchange	-	2	-	-	17	7	(1)	25
Amortisation for the year	-	1,663	697	2,512	3,172	85	160	8,289
At 31 October 2019	31,709	19,142	8,565	12,565	8,558	258	159	80,956
Carrying amount at 31 October 2019	48,132	12,816	4,028	10,122	10,730	62	114	86,004
Carrying amount at 31 October 2018	45,855	13,330	4,725	5,985	8,747	145	-	78,787
Average remaining amortisation period (years)								
31 October 2019	n/a	7.7	5.8	4.0	3.4	0.7	0.7	
31 October 2018	n/a	7.0	5.5	2.0	3.1	1.7	n/a	

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, 'Impairment of Assets'. An impairment charge of £Nil (2018: £31,455,000) was processed in the period in relation to the PSS division, £Nil (2018: £6,275,000) in relation to the Digital division and £Nil (2018: £1,800,000) in relation to the EIM division.

12 INTANGIBLE ASSETS (CONTINUED)**Impairment test for goodwill**

For this review, goodwill was allocated to individual Cash Generating Unit groupings (CGUs) on the basis of the Group's operations as disclosed in the segmental analysis. As the Board reviews results on a segmental level, the Group monitors goodwill on the same basis. This was previously separated as, Local Authority, Transport, Social Care, Computer Aided Facilities Management and Health.

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

	2019	2018
	£000	£000
Cash Generating Unit Groupings		
Public Sector Software	30,737	28,468
Engineering Information Management	9,974	9,974
Content	7,421	7,413
	<u>48,132</u>	<u>45,855</u>

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

For value-in-use calculations, the growth rates and margins used to estimate future performance are based on financial year 2020 budgets (as approved by the Board) which is management's best estimate of short term performance based on an assessment of market opportunities and macro-economic conditions. In the year to 31 October 2019, the Weighted Average Cost of Capital for each CGU has been used as an appropriate discount rate to apply to cash flows. The same basis was used in the year to 31 October 2018.

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

	Discount rate Current year	Compound Annual Growth Rate	Long term growth rate Current year	Discount rate Prior year	Growth rate Prior year
Cash Generating Unit Groupings					
Public Sector Software	12.4%	5.7%	1.5%	11.7%	1.5%
Engineering Information Management	13.1%	9.9%	1.5%	13.9%	1.5%
Content	11.8%	6.5%	1.5%	12.2%	1.5%

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

Management considered the level of intangible assets within the Group in comparison to the future budgets and have processed an impairment charge of £Nil within the year (2018: £39,530,000). The charge in FY18 was broken down on a divisional and then business unit level as; PSS Transport £6,079,000, Health £25,376,000, EIM £1,800,000, Digital £6,275,000.

The Group has conducted sensitivity analysis on the impairment test of each CGU and the group of units carrying value. Sensitivities have been run on the discount rate applied and management are satisfied that a reasonable increase in the discount rate used would not lead to the carrying amount of each CGU exceeding the recoverable amount.

Sensitivities have also been run on cash flow forecasts for all CGUs EBITDA by 10%. Management are satisfied that this change would not lead to the carrying amount of each CGU exceeding the recoverable amount.

Sensitivities have also been run on cash flow forecasts for all CGUs reducing the growth rate to 0%. Management are satisfied that this change would not lead to the carrying amount of the PSS and Content CGU exceeding the recoverable amount. A growth rate of 4.9% in EIM would result in CGU carrying amount equalling its recoverable amount. A growth rate of less than 4.9% would result in an impairment in EIM. If growth rates reduced to 0% in EIM, this would cause its CGU carrying amount to exceed its recoverable amount by £5.0m which would result in an impairment in EIM.

Management have further considered the CGUs for which prior period impairments were recorded to reduce the value-in-use of those CGUs to their recoverable amount, and how such carrying values are subject to the current year sensitivities noted above.

12 INTANGIBLE ASSETS (CONTINUED)

Whilst the current year impairment reviews and sensitivities have not provided any indicators of further impairment on these assets, management have considered whether a reversal of the prior period impairment is required and concluded this is not appropriate at this time due to the ongoing transformation and improvement of those businesses.

13 INVESTMENTS

The investment relates to a 22.5% (2018: 22.5%) shareholding, of membership units, in Javaili LLC a company incorporated in the USA, with a principal place of business of the UK. This investment was acquired as part of the acquisition of the 6PM Group in February 2017.

14 DEFERRED TAX

Deferred tax assets and liabilities are summarised as follows:

	2019	2018
	£000	£000
Deferred tax assets	1,368	1,107
Deferred tax liabilities (non-current)	(4,015)	(3,724)
	<u>(2,647)</u>	<u>(2,617)</u>

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

	2019	2018
	£000	£000
At 1 November	(2,617)	(5,924)
Opening adjustment re IFRS 15	1,944	-
Credit to income for the year	(952)	1,035
Adjustment for changes in rate	144	(452)
Adjustment to prior year provision	(235)	(1)
Other movements	10	8
Arising on acquisition	(941)	2,717
At 31 October	<u>(2,647)</u>	<u>(2,617)</u>

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

	Share-based payments	Other temporary differences	Tax losses carried forward	Accelerated tax depreciation	IFRS 15	Total deferred tax asset	Total deferred tax liability
	£000	£000	£000	£000	£000	£000	£000
At 1 November 2017	195	41	336	514	-	1,086	(7,010)
Charge to income	(78)	9	(9)	126	-	48	971
Charge to equity	-	-	-	-	-	-	-
Changes in rate	(11)	(8)	20	(28)	-	(27)	(402)
Deferred tax recognised on acquisition	-	-	-	-	-	-	2,717
At 31 October 2018	106	42	347	612	-	1,107	(3,724)
At 1 November 2018	106	42	347	612	-	1,107	(3,724)
Opening adjustment re IFRS 15	-	-	-	-	2,025	2,025	-
Charge to income	40	4	35	(499)	(1,344)	(1,764)	650
Charge to equity	-	-	-	-	-	-	-
Changes in rate	-	-	-	-	-	-	-
Deferred tax recognised on acquisition	-	-	-	-	-	-	(941)
At 31 October 2019	146	46	382	113	681	1,368	(4,015)

14 DEFERRED TAX (CONTINUED)

Deferred tax is recognised where there is evidence that there will be sufficient future profitability of Group companies in the required jurisdictions to utilise the unrelieved losses or timing difference that gives rise to the deferred tax. Such evidence includes profitability of these companies in the year, and an estimate on future profitability based on budgeted future financial performance. The deferred tax liability relates to deferred tax on intangible assets acquired on acquisition of subsidiaries.

15 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		2019	Restated
	Note	£000	2018
			£000
Financial assets measured at amortised cost:			
Non-current:			
Investment	13	18	18
		<u>18</u>	<u>18</u>
Current:			
Trade receivables, net	16	8,822	10,704
Other receivables	16	1,684	952
Contract receivables	16	7,164	18,432
Cash and cash equivalents	17	7,023	5,534
		<u>24,693</u>	<u>35,622</u>
Financial liabilities			
	Note	2019	Restated
		£000	2018
			£000
Financial liabilities measured at amortised cost:			
Non-current:			
Bonds in issue	21	11,584	11,491
Bank borrowings	22	-	22,505
		<u>11,584</u>	<u>33,996</u>
Current:			
Bank borrowings	22	21,809	3,289
Trade and other payables	18	7,136	7,957
Other liabilities	19	2,862	1,898
		<u>31,807</u>	<u>13,144</u>
Financial liabilities measured at fair value through profit or loss:			
Non-current:			
Other liabilities*	19	74	-
		<u>74</u>	<u>-</u>
Current:			
Other liabilities*	19	381	750
		<u>381</u>	<u>750</u>

*Hierarchy 3 being inputs for the asset or liability which are not based on observable market data. The current year liability relates to deferred consideration on the acquisition of Tascomi Limited and the acquisition of the Funding Solutions customer lists, the prior year liability relates to deferred consideration on the acquisition of Open Objects Limited.

15 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

Category of financial liability	Fair value at 31 October 2019 £000	Level in hierarchy	Description of valuation technique	Inputs used for financial model	Total gains recognised in profit or loss £000
Contingent consideration due on acquisitions	455	3	Based on future revenue and probability that vendor will meet obligations under sale and purchase agreement	Management estimate on probability and timescale of vendors meeting revenue targets specified in sale and purchase agreement	-

There have been no changes to valuation techniques in the year.

16 TRADE AND OTHER RECEIVABLES

	2019 £000	Restated 2018 £000
Trade receivables, gross	8,891	10,908
Allowance for credit losses	(69)	(204)
Trade receivables, net	8,822	10,704
Other receivables	1,684	952
Contract receivables	7,164	18,432
Financial assets	17,670	30,088
Prepayments	2,302	2,414
Non-financial assets	2,302	2,414
Trade and other receivables due within one year	19,972	32,502

Total trade receivables (net of allowances) held by the Group at 31 October 2019 amounted to £8,822,000 (2018: £11,648,000), comprising the amount presented above of £8,822,000 (2018: £10,704,000) and trade receivables classified as held for sale of £Nil (2018: £944,000).

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery, impairment provision calculations are based on historic performances. The implementation of IFRS 9 – Financial Instruments has had no material impact on the Group.

The following table sets out expected credit losses of gross trade receivables at 31 October 2019:

	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	>90 days past due	Total
Expected credit loss rate	0.4%	0.7%	2.8%	3.6%	9.6%	
Expected total gross carrying amount at default (£000)	5,227	1,044	70	190	308	
Lifetime ECL	23	7	2	7	30	69

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

We have no expected credit loss scenarios in respect of our contract assets which are in respect of local authority entities.

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

Contract receivables represent work completed and delivered to the customer but due to the contractual payment terms have not yet been invoiced. £5,866,000 (2018: £14,989,000) of the balance is in relation to deferred payment deals on local authority contracts, which typically have three to five year payment terms. The reduction in these Local Authority balances is due to the adjustment following adoption of IFRS 15 as at 1 November 2019.

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

	2019	2018
Euros	€4,051,914	€4,509,840
Australian Dollars	AUD144,574	AUD79,000
US Dollars	\$1,824,897	\$1,646,950
Canadian Dollars	CAD42,056	CAD322,000
Norwegian Krone	NOK660,300	-
Polish Zloty	-	PLZ1,000

Credit quality of financial assets

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

	2019	2018
	£000	£000
Local authorities and other public bodies	4,109	5,231
Private companies	4,782	5,677
	<u>8,891</u>	<u>10,908</u>

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

	Gross	Impairment	Gross	Impairment
	2019	2019	2018	2018
	£000	£000	£000	£000
Not past due	6,436	-	7,954	-
Past due 0 to 30 days	1,459	-	780	-
Past due 31 to 60 days	52	-	343	-
More than 60 days	944	69	1,831	204
	<u>8,891</u>	<u>69</u>	<u>10,908</u>	<u>204</u>

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

	2019	2018
	£000	£000
At 1 November	204	564
Charge for the year	197	403
Utilised	(332)	(763)
At 31 October	<u>69</u>	<u>204</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.

17 CASH AND CASH EQUIVALENTS

	2019	2018
	£000	£000
Cash at bank and in hand	7,023	5,534
Cash and cash equivalents per cash flow statements	7,023	5,534

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

18 TRADE AND OTHER PAYABLES

	2019	Restated
	£000	2018
		£000
Trade payables	2,366	3,721
Accruals	4,770	4,236
	7,136	7,957

Total trade payables held by the Group at 31 October 2019 amounted to £2,366,000 (2018: £3,874,000), comprising the amount presented above of £2,366,000 (2018: £3,721,000) and trade payables classified as held for sale of £Nil (2018: £153,000).

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

19 OTHER LIABILITIES

	2019	Restated
	£000	2018
		£000
Current:		
Social security and other taxes	2,583	2,732
Other payables – deferred consideration	381	750
Other payables	2,862	1,898
Contract liabilities	18,447	16,571
Other Liabilities payable within one year	24,273	21,951
Other payables – deferred consideration	74	-
Contract liabilities	1,878	1,288
Other Liabilities payable after one year	1,952	1,288

Contract liabilities represents software revenue, where billing milestones have been reached but the appropriate proportion of work has not been completed, and maintenance, managed service and subscription revenues that are spread over the period, typically one year, for which the service is supplied. Of the £17,425,000 contract liabilities present at 31 October 2018, £16,137,000 has been recognised as revenue in FY19.

20 PROVISIONS

	2019	Restated
	£000	2018
		£000
At 1 November	734	1,072
Provision made during the year	67	8
Provision utilised during the year	(306)	(346)
At 31 October	495	734

The opening and closing provisions relate to estimated dilapidation costs in relation to the exit of previously leased properties and an onerous contract. Of the full provision, £384,000 is expected to be payable during the year ending 31 October 2020 and £111,000 is expected to be payable in the year ended 31 October 2021.

Notes to the Accounts (continued)

For the year ended 31 October 2019

21 BONDS IN ISSUE

Bonds in issue are measured at amortised cost.

	2019 £000	2018 £000
130,000 bonds at €100 each	11,584	11,491
	<u>11,584</u>	<u>11,491</u>

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

The bonds are listed on the Official Companies List of the Malta Stock Exchange. At 31 October 2019 the bond was trading at 101% which equates to a fair value of £11,725,000.

22 BORROWINGS

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

	2019 £000	2018 £000
Current:		
Bank borrowings	21,809	3,289
Non-current:		
Bank borrowings	-	22,505
Total borrowings	<u>21,809</u>	<u>25,794</u>

Reconciliation of liabilities arising from financing activities:

	2019				2018			
	Bonds in issue £000	Long-term borrowings £000	Short-term borrowings £000	Total £000	Bonds in issue £000	Long-term borrowings £000	Short-term borrowings £000	Total £000
As at 1 November	11,491	22,505	3,289	37,285	11,238	21,519	3,102	35,859
<i>Cash movements:</i>								
Repayment of borrowings	-	(12,039)	-	(12,039)	-	(5,500)	-	(5,500)
New loans	-	-	8,000	8,000	-	6,500	97	6,597
<i>Non-cash movements:</i>								
Movement in ageing	-	(10,466)	10,466	-	-	-	-	-
Movement in amortisation	-	-	(54)	(54)	-	-	90	90
Movement in foreign exchange rate	69	-	-	69	75	-	-	75
Movement in EIR Adjustment	24	-	108	132	178	(14)	-	164
As at 31 October	<u>11,584</u>	<u>-</u>	<u>21,809</u>	<u>33,393</u>	<u>11,491</u>	<u>22,505</u>	<u>3,289</u>	<u>37,285</u>

22 BORROWINGS (CONTINUED)

At the balance sheet date, the Group had two loan facilities in place through a two-bank facility with Royal Bank of Scotland and Silicon Valley Bank. The facilities consist of a term loan of £5.75m (2018: £7.0m) and a revolving credit facility of £23m (2018: £23m).

During the period the loan was held, the average interest rate on the term loan was 3.75% (2018: 2.98%) and on the revolving credit facility was 3.67% (2018: 3.05%).

There are unamortised loan fees of £54,000 (2018: £Nil) at the balance sheet date.

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

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

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The new facilities, which comprise a revolving credit facility of £35,000,000 and £10,000,000 accordion facility, are committed until December 2022, with an option to extend this commitment for a further two years. The interest payable on the new facilities ranges from 2.0% to 3.5%, plus LIBOR.

23 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the finance department under policies approved by the Board. The Group's finance department identifies, evaluates and manages financial risks.

The Board provides guidance on overall risk management including foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Board has evaluated the risks and is satisfied that the risk management objectives are met.

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

Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

The Group's main interest rate risk arises from its 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 2019 and 2018, all the Group's borrowings at variable rates were denominated in UK Sterling. The average interest rate during the year ended 31 October 2019 was 3.75% (2018: 2.98%) for the term loan and 3.67% (2018: 3.05%) for the revolving credit facility. Interest payable in the year was £850,000 (2018: £775,000). If the average interest rate during the year had been 1% different, this would have had an impact of £230,000 (2018: £256,000) on the interest payable during the year.

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**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:

	2019	Restated
	£000	2018
		£000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	7,023	5,534
Trade receivables	8,822	10,704
Contract receivables	7,164	18,432
Other receivables	1,684	952
Financial assets	<u>24,693</u>	<u>35,622</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 and these reviews take into account the nature of the Group's trading history with the customer.

The credit risk on liquid funds is limited because the majority of funds are held with 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.

Detailed analysis of the debt facilities taken out and available to the Group are disclosed in note 22.

As at 31 October 2019, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current			Non-current	
	Within 1	1 - 3	3 - 12	1 - 5	Later than 5
	month	months	months	years	years
	£000	£000	£000	£000	£000
Bonds in issue	-	-	444	2,370	12,229
Bank borrowings	64	22,057	-	-	-
Trade and other payables	3,978	2,970	39	130	19

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

	Current			Non-current	
	Within 1	1 - 3	3 - 12	1 - 5	Later than 5
	month	months	months	years	years
	£000	£000	£000	£000	£000
Bonds in issue	-	-	440	2,356	12,670
Bank borrowings	838	1,436	1,744	22,795	-
Trade and other payables	7,337	151	66	180	223

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

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**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:	2019 £000	Restated 2018 £000
Total equity	44,611	47,868
Less unrestricted cash and cash equivalents (note 17)	(7,023)	(5,534)
	<u>37,588</u>	<u>42,334</u>
Total equity	44,611	47,868
Bonds in issue (note 21)	11,584	11,491
Borrowings (note 22)	21,809	25,794
	<u>78,004</u>	<u>85,153</u>
Capital-to-overall-financing ratio	<u>0.48</u>	<u>0.50</u>

24 SHARE CAPITAL

	2019 £000	2018 £000
Authorised:		
650,000,000 ordinary shares of 1p each	<u>6,500</u>	<u>6,500</u>
Allotted, called up and fully paid:		
As at 1 November	4,169	4,145
Issued and allotted during the year	277	24
444,631,006 ordinary shares of 1p each (2018: 416,908,167)	<u>4,446</u>	<u>4,169</u>

Movement in issued share capital in the year

During the year to 31 October 2019, two employees exercised share options across three separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 1,757,927 new ordinary shares of 1p each.

During the year, the Company issued 25,964,912 new 1p ordinary shares at a cost of 28.5p per share, as part of a placing in respect of the acquisition of Tascomi Limited.

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

At 31 October 2019, there were 3,018,545 (2018: 3,190,648) shares in issue under ESOP. During the year, the average issue share price was 33p (2018: 35p).

At 31 October 2019, there were 1,491,219 (2018: 1,491,219) shares held in treasury.

25 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 typically quarterly from the date of grant, and at the discretion of the Board. Per the contractual agreements, the options are settled in equity once exercised.

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

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

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
1,365,854	-	(682,927)	-	682,927	10.25p	Mar 2010	Mar 2020
2,000,000	-	(1,000,000)	-	1,000,000	20.00p	Mar 2011	Mar 2021
340,000	-	(75,000)	(150,000)	115,000	18.00p	Mar 2011	Mar 2021
180,000	-	-	(180,000)	-	35.00p	Apr 2012	Apr 2022
200,000	-	-	-	200,000	35.75p	Jul 2013	Jul 2023
446,668	-	-	(296,668)	150,000	39.00p	Jul 2014	Jun 2024
800,000	-	-	(800,000)	-	38.38p	Feb 2015	Feb 2025
2,395,000	-	-	(1,870,000)	525,000	50.00p	Apr 2016	Apr 2026
700,000	-	-	(300,000)	400,000	50.00p	Apr 2016	Apr 2026
-	585,500	-	-	585,500	1.00p	Mar 2019	Mar 2029
8,427,522	585,500	(1,757,927)	(3,596,668)	3,658,427			

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

	2019		2018	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	8,427,522	32.80	8,971,424	31.75
Granted during the year	585,500	1.00	-	-
Exercised during the year	(1,757,927)	16.13	(543,902)	15.44
Lapsed during the year	(3,596,668)	44.42	-	-
Outstanding at the end of the year	3,658,427	24.30	8,427,522	32.80
Exercisable at the end of the year	3,658,427	24.30	8,427,522	32.80

The share options outstanding at the end of the year have a weighted average remaining contractual life of 4 years. The share options exercised during the year had a weighted average exercise price of 16.13p and a weighted average market price of 31.00p.

585,500 share options were granted during the year ended 31 October 2019.

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

Date of issue	Number granted No.	Weighted average share price Pence	Weighted average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Weighted average fair value at grant date £
Mar 19	585,500	33.7	1.00	37.00	3	0.75	-	0.30

25 SHARE OPTIONS (CONTINUED)

The Group recognised a total charge of £175,650 (2018: £6,000) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. The charge of £175,650 (2018: £6,000) related to share options granted and £Nil (2018: £Nil) related to share options exercised.

Long-Term Incentive Plan (LTIP)

During the year, 9,157,982 options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £683,731 (2018: £44,000) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to share options granted.

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

	2019	2018
	No.	No.
Outstanding at the beginning of the year	-	3,600,000
Granted	9,157,982	-
Forfeited	(728,572)	(1,700,000)
Vested	-	(1,900,000)
Outstanding at the end of the year	<u>8,429,410</u>	-
Exercisable at the end of the year	<u>-</u>	<u>-</u>

26 ACQUISITIONS**Tascomi Limited**

On 9 August 2019, the Group acquired the entire share capital of Tascomi Limited (Tascomi).

Tascomi is a cloud-native supplier of solutions to Local Authority property and environmental services markets, and will complement the Group's existing Local Authority business within the PSS division.

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

	Book value £000	Fair value £000
Intangible Assets	799	799
Property, plant and equipment	83	50
Trade receivables	162	207
Other receivables	-	8
Cash at bank	2	2
Total Assets	1,046	1,066
Trade payables	(239)	(239)
Other liabilities	(37)	-
Contract liabilities	(661)	(875)
Social security and other taxes	(303)	(160)
Deferred tax liability	-	(941)
Total Liabilities	(1,240)	(2,215)
Net Assets		(1,149)
Goodwill arising on acquisition		2,269
Purchased customer relationships capitalised		1,151
Purchased software capitalised		4,448
Total consideration		6,719
Satisfied by:		
Cash to vendor		6,394
Earn out consideration		325
Total consideration		6,719

The revenue included in the consolidated statement of comprehensive income since 9 August 2019 contributed by Tascomi was £536,000. Tascomi also made a profit after tax of £127,000 for the same period. If Tascomi had been included from 1 November 2018, it would have contributed £2,144,000 to Group revenue and a profit after tax of £507,000.

Acquisition costs of £174,000 have been written off in the consolidated statement of comprehensive income.

27 OPERATING LEASE COMMITMENTS

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

Amounts due:	2019	2018
	£000	£000
Within one year	1,236	2,162
Between one and five years	2,239	5,422
After five years	22	2,756
	<u>3,497</u>	<u>10,340</u>

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

28 CAPITAL COMMITMENTS

We are committed to pay a supplier £950,000 in December 2019 in relation to the usage of Software Licences.

29 CONTINGENT LIABILITIES

There were no material Group contingent liabilities at 31 October 2019 or 31 October 2018.

30 RELATED PARTY TRANSACTIONS

Compensation paid to key management (which comprises the Executive Management Team and the Board) of the Group:

	2019	2018
	£000	£000
Salaries and other short-term employee benefits including NIC	2,513	2,160
Post-employment benefits	63	68
Share-based payments	684	44
	<u>3,260</u>	<u>2,272</u>

During the year ended 31 October 2019, no Directors and one member of the Executive Management Team exercised share options resulting in a taxable gain of £251,707. Two Directors and no members of the Executive Management Team exercised share options resulting in a taxable gain of £628,623 in the year ended 31 October 2018.

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 30 to 31 but does not form part of the audited accounts.

31 POST BALANCE SHEET EVENTS*Refinancing*

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The new facilities, which comprise a revolving credit facility of £35,000,000 and £10,000,000 accordion facility, are committed until December 2022, with an option to extend this commitment for a further two years.

Disposal of SIX-PM Health Solutions (Ireland) Limited

The Group agreed on 22 November 2019 to sell its shareholding in SIX-PM Health Solutions (Ireland) Limited, a medical-record scanning business based in Limerick, to its Managing Director for €1. During the year ended 31 October 2019 6PM Ireland Limited recorded revenues of €392,000 (2018: €587,000) and loss before tax on a standalone basis of €378,000 (2018: €12,000 loss).

Disposal of emCare Business

On 31 December 2019, the Group sold the trade and assets of its emCare business to Go plc, a telecoms business based in Malta, for cash consideration of €100,000. During the year ended 31 October 2019 emCare business recorded revenues of €317,000 (2018: €338,000) and profit before tax of €128,000 (2018: €115,000). Despite the profitability recorded in the business in FY18 & FY19, the business was anticipated to become loss-making for the foreseeable future.

31 POST BALANCE SHEET EVENTS (CONTINUED)*UK Corporation Tax*

On the 11 March 2020, the UK Government announced its intention to scrap its planned reduction of UK corporation tax from its current rate of 19% to a reduced rate of 17%, starting 1 April 2020. The Group's UK deferred tax assets and liabilities at 31 October 2019 are measured at 17%, being the rate previously announced and enacted at the balance sheet date. The impact on our deferred tax balances had they been recognised at the revised rate is as follows:

	Current at 17% £000	Revised to 19% £000
Deferred tax assets	1,368	1,529
Deferred tax liabilities	<u>(4,015)</u>	<u>(4,487)</u>
	<u>(2,647)</u>	<u>(2,958)</u>

Covid-19 Pandemic

The Group continues to monitor the impact of the Covid-19 pandemic. Idox is well placed because of the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home.

Further details of our assessment of the impact of the Covid-19 pandemic on the Group is included in the Going Concern disclosures in the Directors' Report on pages 28 and 29.

Company Balance Sheet

At 31 October 2019

	Note	2019 £000	2018 £000
Non-current assets			
Investments	6	98,290	91,924
		<u>98,290</u>	<u>91,924</u>
Current assets			
Debtors: falling due within one year	7	292	58
Creditors: amounts falling due within one year	8	<u>(41,818)</u>	<u>(16,766)</u>
Net current liabilities		<u>(41,526)</u>	<u>(16,708)</u>
Total assets less current liabilities		56,764	75,216
Creditors: amounts falling due after more than one year	9	-	(22,505)
Net assets		<u>56,764</u>	<u>52,711</u>
Capital and reserves			
Called up share capital	10	4,446	4,169
Capital redemption reserve		1,112	1,112
Share premium account		41,348	34,188
Other reserve		6,234	6,234
Treasury reserve		(621)	(621)
Share option reserve		1,834	1,228
Retained earnings		2,411	6,401
Shareholders' funds		<u>56,764</u>	<u>52,711</u>

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 £4,244,000 (2018: £30,400,000 loss).

The financial statements were approved by the Board of Directors and authorised for issue on 9 April 2020 and are signed on its behalf by:

David Meaden
Chief Executive Officer
9 April 2020

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

Company name: Idox plc

Company number: 03984070

Company Statement of Changes in Equity

For the year ended 31 October 2019

	Called-up share capital	Capital redemption reserve	Share premium account	Other reserve	Treasury reserve	Share option reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 31 October 2017	4,145	1,112	34,109	6,234	(621)	1,726	38,970	85,675
Issue of share capital	24	-	79	-	-	-	-	103
Share options reserve movement	-	-	-	-	-	(498)	-	(498)
Exercise of options	-	-	-	-	-	-	310	310
Lapse of options	-	-	-	-	-	-	238	238
Dividends paid	-	-	-	-	-	-	(2,717)	(2,717)
Transactions with owners	24	-	79	-	-	(498)	(2,169)	(2,564)
Loss for the year	-	-	-	-	-	-	(30,400)	(30,400)
Total comprehensive loss for the year	-	-	-	-	-	-	(30,400)	(30,400)
At 31 October 2018	4,169	1,112	34,188	6,234	(621)	1,228	6,401	52,711
Issue of share capital	277	-	7,160	-	-	-	-	7,437
Share options reserve movement	-	-	-	-	-	606	-	606
Exercise of options	-	-	-	-	-	-	146	146
Lapse of options	-	-	-	-	-	-	108	108
Transactions with owners	277	-	7,160	-	-	606	254	8,297
Loss for the year	-	-	-	-	-	-	(4,244)	(4,244)
Total comprehensive loss for the year	-	-	-	-	-	-	(4,244)	(4,244)
At 31 October 2019	4,446	1,112	41,348	6,234	(621)	1,834	2,411	56,764

1 COMPANY INFORMATION

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

2 ACCOUNTING POLICIES

Basis of preparation

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

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

These financial statements are separate financial statements for Idox plc the Company.

The financial statements are prepared in pounds sterling.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

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

Judgements and estimates

Management assess critical judgements and estimates in line with the Financial Reporting Council's ("FRC") guidance. The Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not easily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Management consider the following items to involve key assumptions and other sources of estimation uncertainty. These items generate a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Impairment of investments

Management considers, at least annually, whether investments have 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 calculation 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 performed and supplied by independent valuation specialists.

2 ACCOUNTING POLICIES (CONTINUED)

Share based payment

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

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

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

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

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

Investments

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

Financial instruments

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

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

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

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

Reserves

Equity comprises the following:

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

3 DIRECTORS AND EMPLOYEES

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

The Company has no employees and Directors are remunerated by other Group companies. Details of the remuneration for each Director are included in the Report on Remuneration which can be found on pages 30 to 31 but which do not form part of the audited accounts.

4 DIVIDENDS

	2019	2018
	£000	£000
Final dividend paid in respect of the year ended 31 October 2019 and 31 October 2018	-	2,717
Pence per ordinary share	-	0.655p
Interim dividend paid in respect of the year ended 31 October 2019 and 31 October 2018	-	-
Pence per ordinary share	-	-

The Directors have proposed the payment of a final dividend of £Nil per share, which would amount to £Nil (2018: £Nil).

5 PROFIT FOR THE FINANCIAL YEAR

The parent company's loss for the year was £4,244,000 (2018: £30,400,000 loss). During the prior year, the Idox Group performed a review of intercompany balances and elected to waive various balances. This resulted in a credit of £1,509,000 to the Company's loss for the year ended 31 October 2018.

6 INVESTMENTS

	Investment in Group undertakings £000
Cost or market value	
At 1 November 2018	126,007
Additions	7,587
Disposals	(1,221)
At 31 October 2019	<u>132,373</u>
Impairment	
At 1 November 2018	34,083
Provided in the year	-
At 31 October 2019	<u>34,083</u>
Net book amount	
At 31 October 2019	<u>98,290</u>
At 31 October 2018	<u>91,924</u>

The Group has performed impairment reviews in respect of the assets of all its CGUs as disclosed in note 12 of the Group's financial statements.

The Company's investments in Group undertakings associated with its EIM and Content CGUs have comparable carrying values to the carrying values of the assets of those CGUs, and therefore, sensitivity of impairment reviews against value-in-use calculations is also comparable.

The Company's investments in Group undertakings associated with its PSS CGUs has a higher carrying value than the carrying value of the assets of the PSS CGUs, however, headroom of impairment reviews against value-in-use calculations is significant in both cases.

Notes to the Company Financial Statements (continued)

For the year ended 31 October 2019

6 INVESTMENTS (CONTINUED)

Any comparable movement in sensitivity which resulted in an impairment of intangibles would result in a similar impairment to investments. However, at present there is no significant risk of an impairment to the investment values unless there was a movement in the EIM growth rate as disclosed in note 12 of the Group's financial statements.

At 31 October 2019 the Company held investments in the following companies (* indirect holdings):

	Country of registration	Registered office	Class of share held	Proportion held	Nature of business
Idox Trustees Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Corporate trustee of Employee share ownership trust
Idox Software Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Software services
Idox Belgium NV	Belgium	1831 Machelen (Brab.), Pegasuslaan 5, Belgium Klavermaten 25, 7472	Ordinary	100%	Information services
Idox Netherlands BV	Netherlands	DD Goor, the Netherlands	Ordinary	100%	Information services
Idox Germany GmbH	Germany	Hauptstrabe 65, 12159 Berlin, Germany	Ordinary	100%	Software services
McLaren Software Limited	Scotland	72 Gordon Street, Glasgow, Scotland, G1 3RS	Ordinary	100%	Software services
McLaren Software Inc	USA	818 West Seventh St, 2nd Floor, LA, CA 90017	Ordinary	100%	Software services
Idox France SARL	France	75, Avenue Parmentier, 75544 Paris cedex 11, France	Ordinary	100%	Software services
Idox India Private Limited*	India	Kapil Towers Sixth Floor C Wing Dr. Ambedkar Road Pune MH 411001	Ordinary	100%	Software services
McLaren Software Group Limited	Scotland	72 Gordon Street, Glasgow, Scotland, G1 3RS	Ordinary	100%	Holding Company
McLaren Software GmbH*	Germany	Hauptstrabe 65, 12159 Berlin, Germany	Ordinary	100%	Dormant Company
McLaren Consulting BV*	Netherlands	Costerweg 5, 6702AA Wageningen	Ordinary	100%	Dormant Company
McLaren Software SARL*	Switzerland	Avenue Antoine-Henri-Jomini 8	Ordinary	100%	Dormant Company
CT Space Inc	USA	1209 Orange Street, Corporation Trust Center, Wilmington, DE 19801	Ordinary	100%	Dormant Company
Citadon Inc	USA	919 North Market St, Suite 950, Wilmington, DE 19801	Ordinary	100%	Dormant Company
6PM Holdings plc	Malta	Idox Business Centre Triq it-Torri, Swatar Birkirkara	Ordinary	100%	Holding Company
Halarose Holdings Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Dormant Company
Atlas Adviesgroep Twente B.V.	Netherlands	Klavermaten 25, 7472 DD Goor, Netherlands	Ordinary	100%	Software services

For the year ended 31 October 2019

6 INVESTMENTS (CONTINUED)

	Country of registration	Registered office	Class of share held	Proportion held	Nature of business
Tascomi Limited	Northern Ireland	3 Ballynahinch Street, Hillsborough, Northern Ireland BY26 6AW	Ordinary	100%	Software services
Halarose Limited*	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Dormant Company
6PM Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
6PM Infrastructure* Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
SIX-PM Health Solutions (Ireland) Limited*	Ireland	Unit H, L.E.D.P., Roxboro, Limerick, Ireland	Ordinary	100%	Software services
emCare360 Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
emCare Group Malta Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
6PM Agencies Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Dormant Company
Idox DOOEL*	North Macedonia	5, Vasil Gjorgov Street 1000 Skopje, North Macedonia	Ordinary	100%	Software services
Idox Health Limited*	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale	Ordinary	100%	Software services

* Indirect holding

7 DEBTORS

	2019 £000	2018 £000
Falling due within one year:		
Other debtors	232	-
Amounts owed by Group undertakings	60	58
	<u>292</u>	<u>58</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000	2018 £000
Bank loan	21,809	2,500
Amounts owed to Group undertakings	19,391	13,006
Other creditors	438	854
Accruals	180	406
	<u>41,818</u>	<u>16,766</u>

Amounts owed to Group undertakings are interest bearing and are repayable on demand.

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£000	£000
Bank loan	-	22,505

At the balance sheet date, the Group had two loan facilities in place through a two-bank facility with Royal Bank of Scotland and Silicon Valley Bank. The facilities consist of a term loan of £5.75m (2018: £7.0m) and a revolving credit facility of £23m (2018: £23m) and were in place to February 2020.

During the period the loan was held, the average interest rate on the term loan was 3.75% (2018: 2.98%) and on the revolving credit facility was 3.67% (2018: 3.05%).

There are unamortised loan fees of £54,000 (2018: £Nil) at the balance sheet date.

An accounting adjustment of £108,000 (2018: £5,000) has been processed during the period to take into account the effective rate of interest on the bank facilities.

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

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

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The new facilities, which comprise a revolving credit facility of £35,000,000 and £10,000,000 accordion facility, are committed until December 2022, with an option to extend this commitment for a further two years.

10 SHARE CAPITAL

	2019	2018
	£000	£000
Authorised:		
650,000,000 ordinary shares of 1p each	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	4,169	4,145
Issued and allotted during the year	277	24
444,631,006 ordinary shares of 1p each (2018: 416,908,167)	4,446	4,169

Movement in issued share capital in the year

During the year to 31 October 2019, two employees exercised share options across three separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 1,757,927 new ordinary shares of 1p each.

During the year, the Company issued 25,964,912 new 1p ordinary shares as part of a placing in respect of the acquisition of Tascomi Limited.

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

At 31 October 2019, there were 3,018,545 (2018: 3,190,648) shares in issue under ESOP. During the year, the average issue share price was 33p (2018: 35p).

At 31 October 2019, there were 1,491,219 (2018: 1,491,219) shares held in treasury.

11 SHARE OPTIONS

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

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

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

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
1,365,854	-	(682,927)	-	682,927	10.25p	Mar 2010	Mar 2020
2,000,000	-	(1,000,000)	-	1,000,000	20.00p	Mar 2011	Mar 2021
340,000	-	(75,000)	(150,000)	115,000	18.00p	Mar 2011	Mar 2021
180,000	-	-	(180,000)	-	35.00p	Apr 2012	Apr 2022
200,000	-	-	-	200,000	35.75p	Jul 2013	Jul 2023
446,668	-	-	(296,668)	150,000	39.00p	Jul 2014	Jun 2024
800,000	-	-	(800,000)	-	38.38p	Feb 2015	Feb 2025
2,395,000	-	-	(1,870,000)	525,000	50.00p	Apr 2016	Apr 2026
700,000	-	-	(300,000)	400,000	50.00p	Apr 2016	Apr 2026
-	585,500	-	-	585,500	1.00p	Mar 2019	Mar 2029
8,427,522	585,500	(1,757,927)	(3,596,668)	3,658,427			

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

	2019		2018	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	8,427,522	32.80	8,971,424	31.75
Granted during the year	585,500	1.00	-	-
Exercised during the year	(1,757,927)	16.13	(543,902)	15.44
Lapsed during the year	(3,596,668)	44.42	-	-
Outstanding at the end of the year	3,658,427	24.30	8,427,522	32.80
Exercisable at the end of the year	3,658,427	24.30	8,427,522	32.80

The share options outstanding at the end of the year have a weighted average remaining contractual life of 4 years. The share options exercised during the year had a weighted average exercise price of 16.13p and a weighted average market price of 31.00p.

585,500 share options were granted during the year ended 31 October 2019.

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

Date of issue	Number granted No.	Weighted average share price Pence	Weighted average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Weighted average fair value at grant date £
Mar 19	585,500	33.7	1.00	37.00	3	0.75	-	0.30

11 SHARE OPTIONS (CONTINUED)

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

Long-Term Incentive Plan (LTIP)

During the year, 9,157,982 options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £683,731 (2018: £44,000) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to share options granted.

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

	2019	2018
	No.	No.
Outstanding at the beginning of the year	-	3,600,000
Granted	9,157,982	-
Forfeited	(728,572)	(1,700,000)
Vested	-	(1,900,000)
Outstanding at the end of the year	<u>8,429,410</u>	-
Exercisable at the end of the year	<u>-</u>	<u>-</u>

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

12 RELATED PARTY DISCLOSURES

As permitted by FRS 101, related party transactions with wholly owned members of the Group and remuneration of key management personnel have not been disclosed.

13 CAPITAL COMMITMENTS

The Company had no capital commitments at 31 October 2019 or 31 October 2018.

14 CONTINGENT LIABILITIES

There were no material Company contingent liabilities at 31 October 2019 or 31 October 2018.

15 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.