IDOX PLC

ANNUAL REPORT & ACCOUNTS 2018

Company Number: 03984070

Contents

Company Information

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Company Registration Number:	03984070

Strategic Report - Financial and Operational Highlights

For the year ended 31 October 2018

Financial highlights:

- Consolidated revenue:
  - for the continuing business, excluding our Digital business disposed of on 2 November 2018, of £67.4m (2017: £73.8m restated - see note 1); and
  - for all Group operations, including our disposed Digital Business, of £73.7m (2017: £85.9m restated).
- Adjusted EBITDA*:
  - for the continuing business, excluding our Digital business, of £14.4m (2017: £16.5m restated); and
  - for all Group operations, including our disposed Digital Business, of £11.6m (2017: £15.7m restated).
- Net debt position at 31 October 2018 of £31.8m (2017: £32.6m) comprising cash of £5.5m, third party borrowings of £25.8m and long term 2025 bond of £11.5m (2017: cash of £3.2m, third party borrowings of £24.6m and long term, 2025 bond of £11.2m).
- Adjusted profit before tax** £7.9m (2017: £10.3m)
- Adjusted EPS** for the continuing business, excluding our Digital Business 2.28p (2017: 2.18p).
- Adjusted EPS** for all Group operating, including our disposed Digital Business 1.72p (2017: 1.97p).
- No proposed dividend (2017: 1.040p) as the business transitions to a more stable platform.
- Post year end, banking arrangements extended to February 2020.

Statutory Equivalents
The above highlights are based on adjusted results. Reconciliations between adjusted and statutory results are contained within these financial statements. The statutory equivalents of the above results are as follows:

- Loss before tax £29.5m (2017: £2.8m profit) for continuing operations, including an impairment charge of £33.2m (2017: £2.7m). Loss on discontinued operations of £9.8m, including an impairment charge of £6.2m.
- Basic EPS of (8.72)p (2017: 0.09p).

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

Operational highlights:

- Ongoing review and transition to fully integrate prior year acquisitions and refocus operations on our core profitable and cash generative activities to maximise shareholder value.
- Appointment of new leadership team to drive value in the business with the appointment of Chris Stone as Non-Executive Chairman, David Meaden as Chief Executive Officer and Rob Grubb as Chief Financial Officer.
- Strategic focus on, and continued investment in Public Sector Software (PSS) which represented 47% of total Group Revenues and 84% of Adjusted EBITDA* in FY2018, including discontinued operations. Disposal of Digital business, cementing focus on software and related services for the Group.
- Review of revenue recognition policies (including adoption of IFRS 15) and practices with a focus on sustaining and improving levels of recurring revenues and visibility of revenues more generally:
    - Exit annualised recurring revenue run rate as at 31 October 2018 was £32.4m (as at 31 October 2017: £33.4m restated).
    - Our contracted order book for software and services has more than doubled to £9.4m at 31 October 2018 (2017: approximately £4.0m), an increase of £5.4m reflecting revenue recognition commensurate with our performance obligations.
- Improved cash conversion from realisation of prior period debtor and accrued income balances, and better cash terms for new deals signed.
- A continued focus on reducing costs as the Group adjusts its cost base to align more directly with its re-focused business model to drive increased profitability. This trend is expected to continue through FY2019 and beyond.

David Meaden, Chief Executive of Idox said:

This has been a challenging year for Idox. The business has faced a number of challenges resulting from previous leadership decisions and there has been significant work to re-establish the necessary disciplines and rigor required for future success. I am pleased that we have been able to establish a more cohesive model and clear business practices to drive the business forward and whilst there is much to be done, I believe we are well placed to grow the business and improve shareholder value over the coming years.

A number of corrective actions have been undertaken. The Digital operation was disposed of, eliminating future liabilities and ensuring the business is focused on its software assets and related services which are at the core of our business model. In addition, we have established a more integrated model for future sales, development, delivery and support activities, allowing the business to benefit more substantially from a unified approach. During the second half of the year we have ensured that the treatment of revenue is in line with our ongoing service obligations and that we have a clear focus on margins and cash across the group. As a result, we exit the year in a much stronger position and I am especially grateful to our staff who as well as showing resilience during the early part of the year are embracing new processes and ways of operating.

Our primary focus remains supporting and growing with our clients. 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 improve their services.

We ended FY2018 in a much stronger position than we started it. The markets in which we operate remain resilient and we now have a strong leadership team with a clear focus on clients and execution of our strategy of product and operational execution to drive increased profitability and cash generation. I am confident this momentum will continue strongly into FY2019 as we deliver success.

Introduction

2018 has been a very busy year for Idox, with significant changes in operating the businesses we own, accounting practices we apply, as well as changes to executive and non-executive leadership. Due to legacy issues, from the complex integration of 6PM and the accounting irregularities disclosed in the 2017 annual report, and decisions made by the previous leadership, it is difficult for any business to stay totally focused on the day to day demands of winning and delivering work for its clients when there is so much upheaval all around. I was appointed in November and my priority as Chairman of our Company is to help put that upheaval behind us and drive a focus on the core activities necessary to support our customers and rebuild value for shareholders.

The restoration of value needs to start with a “back to basics” approach. Idox has been successful for many years in following a strategy of building discrete software and software enabled services businesses around specific Intellectual Property (IP) assets. This niche focused strategy 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 allows us to build 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.

Unfortunately, some of our more recent acquisitions did not fit our IP led model. The Digital businesses in particular were smaller, pure service businesses. Such businesses can be very successful but tend to be very reliant on an individual or small group of founder/owners and if these individuals leave, there can be challenges to maintaining revenues which we experienced in the year with our Reading Room and Rippleffect acquisitions. The option of trying to rebuild these businesses without any clear differentiation in very competitive markets was considered to be unlikely to deliver satisfactory shareholder value, leading to the decision to dispose of them. This was at negligible value but did staunch quite serious continuing losses and removed future liabilities.

The acquisitions of 6PM and Halarose, by contrast, have brought some very interesting IP to the Group that we hope to build into successful, growth businesses. However, in the case of 6PM, we paid a very full price for a company that had a number of issues of its own to resolve before we could start the process of fully integrating it into the rest of the Idox Group. We also had to wrestle with some complex accounting issues that absorbed a lot of our resources in getting to a satisfactory conclusion. All of this has delayed the realisation of some of the value that we expect from this business, but I am pleased to say that the integration process is now well under way.

With the disposal of the Digital division completed, we can now concentrate on driving value from the businesses in the Group, all of which have significant IP at their core. This emphasis combined with the creation of a single Head of Division for the Public Sector and Health division is designed to make it easier to identify and deliver new solutions and services that will deliver increased customer value, at the same time as leveraging our scale and skills to be more efficient in everything that we do. We have an excellent slate of products and services, an enviable customer list, and a talented and committed workforce. The task for the Chief Executive and his leadership team is to drive improved performance from these assets, but I have every confidence in them. David Meaden has made a very impressive start in his role and has moved swiftly to strengthen the team in some key positions.

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 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 technologies and solutions.

Following the challenges the Group has faced in the year as outlined above, the Board believes it can bounce back quickly with the steps already taken to rectify the issues identified and reflecting the underlying strengths of the core business, its product offering and its talented people.

Board

I am very pleased to report that the Board was successful in appointing David Meaden as our permanent Chief Executive in June 2018. David has enjoyed a very successful career of over 22 years in Sales Leadership and Chief Executive roles in businesses supplying software and services predominantly to the Public Sector. We are already enjoying the benefits of his insights and experience.

Richard Kellett-Clarke, who had become a Non-Executive Director of Idox in November 2016, stepped in as Interim Chief Executive in December 2017 through to David Meaden's appointment. The Board would like to thank Richard for his commitment during this period.

There were a number of other changes to the Board during the period. In March 2018 Andrew Riley left his role as Chief Executive, in April 2018 Peter Lilley, Senior Non-Executive Director and Chair of the Nomination and Remuneration Committee, ceased to be a Board member and in August 2018 Jane Mackie stepped down from her role as Chief Financial Officer.

On 1 November 2018 Rob Grubb joined us as Chief Financial Officer. Rob brings 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 the same date, 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 10.21% 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 22nd November 2018.

On 7 January 2019 it was announced that Barbara Moorhouse will step down from the Board at the Group's forthcoming 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.

I am very pleased to have the opportunity to take up this position. Idox is a business with some great strengths and some very exciting opportunities to grow and deliver value. I am looking forward to working with the team to realise that value.

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 Idox 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.

Dividends

The Board has decided no final dividend will be paid (2017: 0.655p) for FY2018 bringing the total for the year to nil (2017: 1.04p). In reaching this decision, the Board has taken into account the disappointing results for the year and the ongoing efforts to transition the business to a more stable footing.

Summary

Following a challenging year for the Group a number of substantive changes and re-tooling of the business have taken place. Idox enjoys an exceptionally strong market position in the public sector, good products, opportunities for growth and improving financial performance. The new leadership team will make customers, shareholders and our staff their priority and I am confident of the Group's future prospects.

Finally, I would like to extend my thanks to the entire workforce of the Idox 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
20 February 2019

Strategy

The Group continued its focus on 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 technologies and solutions.

Market Overview

The Group continues to operate successfully and has grown 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. Announcements concerning Public Sector savings are in line with our planning and expectations, and should result in increased demand for our solutions which provide cost savings and efficiencies to our customers in our chosen markets.

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 749 colleagues located in the UK, the USA, Canada, Europe, India and Australia.

Key Performance Indicators

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

Indicator	2018	2017 (restated)	Excluding Digital* 2018	Excluding Digital* 2017 (restated)	Measure (see note 1 for restatement)
Revenue					
Group Revenue	*£73.7m*	*£85.9m*	*£67.4m*	*£73.8m*	*Revenue received from provision of goods and services*
Annualised Recurring Revenue (“ARR”) exit run-rate	*£36.3m*	*£40.4m*	*£32.4m*	*£33.4m*	*Annualised recurring revenue at 31 October that is contracted or considered highly likely to recur in subsequent years*
Profitability ratios					
Adjusted EBITDA	*£11.6m*	*£15.7m*	*£14.4m*	*£16.5m*	*Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, corporate finance costs and share option costs*
Adjusted EBITDA margin	*16%*	*19%*	*21%*	*22%*	*Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, corporate finance costs and share option costs as a percentage of revenue*
Adjusted EPS	*1.72)p*	*1.97p*	*2.28p*	*2.18p*	*Adjusted EPS excludes amortisation on acquired intangibles, restructuring, acquisition and impairment costs*
Cash ratios					
Free Cashflow	*£5.3m*	*(£11.2m)*	*n/a*	*n/a*	*Net cash from operating activities less Net Cash used in investing activities*
Net Debt	*(£31.8m)*	*(£32.6m)*	*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*

Non-financial Indicators

Idox Group practises 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 comprises 14% constitution of female directors.

Overview

I have been impressed with both the quality and comprehensive range of solutions offered by the Group; we have a fundamentally strong business offering excellent solutions to attractive core markets. More than that, I have seen first-hand the commitment and determination of the team here at Idox to deliver to its clients, shareholders and wider stakeholders. I am leading a very capable company that is now focused on delivering tangible customer and shareholder value.

The markets in which we operate have a continued need for high quality products and an increasing need for expert support and service. It is well documented that the effects of persistent austerity and the pressure to deal with increasing frontline demands have driven our clients beyond the simple message of 'digital by design'.

Statutory and legislative complexity mean that clients operations' are not satisfied easily by 'build your own' digital solutions. Clients are increasingly searching for cost effective measures that combine the opportunities offered by direct connection to citizens with 'ready-now' products and services that accelerate business change and enable more effective working.

As such the 'back to basics' approach highlighted by the Chairman means that the coming year will see a laser focus on customers, colleagues and cash. We have an excellent customer list which has been created by delivering outstanding value. This will continue to be the number one priority for everyone in our business. There have been distractions that have interfered with this focus over the recent past, but it will be the focus of our entire Group, at all levels.

We also need to ensure that our colleagues, who have maintained an admirable focus on supporting their customers during this difficult period, continue to feel motivated and committed to Idox. We are fortunate to have so many talented people who have chosen Idox as the place for them, and we must make sure that commitment is rewarded and maintained.

And finally, we need to focus on cash. The new leadership team has already delivered a strong performance in improving our working capital, but there is more to do in that area.

Over the coming year our approach is to continue to build our market positions, focusing on our clients' needs and integrating our teams and structures to offer a comprehensive service to their extended requirements.

We have initiated a programme labelled, 'The 4 Pillars' with a focus on improving the quality of Revenue, EBITDA, Cashflow and a continued simplification of the organisation.

As a result of the actions taken since the half year, the Group now has a much better framework in place for future success; we have attended to unnecessary costs, restructured businesses, processed impairment charges, focused our teams, and introduced more appropriate contract pricing and terms. Whilst a number of challenges remain, I now have a much clearer view of the potential and optimal shape of the business going forward.

In future years we therefore expect that the Group's financial performance will benefit from an optimised cost base and a stronger commercial focus on organic growth, recurring revenues and cash conversion.

We are delivering a simplified business and operating model. The effect will be to make the Group more efficient in combining solutions to clients across its chosen sectors. We will focus on improving the long-term visibility of recurring and repeating revenues and ensure that all products and business areas are core to delivering shareholder value.

Appropriate contract pricing and contract terms have been implemented across the Group to increase recurring revenue and reduce the reliance on up front licence fees, which will improve the quality of our earnings. We have also seen a greater number of larger contract wins and this combined with strong client retention bode well for the future.

Divisional Review

Digital

The Digital business was disposed of shortly after year end, ensuring that the Group is not exposed to future liabilities and our focus is on software assets and related services. The business had reduced costs substantially during the second half of the year and we wish our ex colleagues well under their new ownership.

Public Sector

Public Sector Software continues to be the focal point of the business. We have a number of market leading products and impressive new technology solutions focused on delivering Smart Government, Smart Healthcare and Smart Cities.

Smart Government

During the year we have seen new contracts for software and hosting services including Sheffield City Council, South Ayrshire, London Borough of Southwark, Wolverhampton City Council, and London Borough of Bexley. Existing clients at Barnet, Westminster, Hammersmith & Fulham, and Aberdeen City Council also extended their existing software and hosting arrangements. Additional new notable contract wins include the Land Registry for data, and integration work to our core Land Charge Solutions which we anticipate will lead to additional work in FY2019 for all of our customer base in this area.

This adds to the success earlier in the year for a new planning solution for the combined Greater Cambridge Planning Service which saw Idox provide a comprehensive shared service solution to one of the largest planning authorities across the South East of England. In Environmental Health there were new wins at Blaby, Litchfield, Clackmannanshire and Harrogate.

We have also seen the return of clients, highlighting that in this complex process and legislative environment, Idox's ability to serve the market is unparalleled. We are delighted to welcome back Copeland Surrey Heath as an Idox Uniform client.

In Computer Aided Facilities Management, we recorded 25 new customers wins achieved this year.

Elections

Elections welcomed a new customer for Elections Management in North Lanarkshire and continued to improve the speed and efficiency of electoral results through our advanced E-Count software, with Malta being the latest client.

The Elections sales team were awarded a contract during October to provide managed services, software and support in future elections over the next 4 years for Aberdeenshire, Aberdeen City, and Highland Councils.

Social Care

The Social Care business has had great success winning new deals for the Information, Advice and Guidance Hub at South Gloucestershire, alongside wins at Lambeth, Blackpool, Wolverhampton, Westminster and Bromley where the Councils will offer a more efficient and transparent way for young people and their families to understand and track their Educational Health and Care (EHC) journeys. Special Educational Needs and Disability (SEND) teams, together with their health and social care partners, will also be able to collaborate on a fully-integrated assessment process, while keeping families fully updated in a way that empowers them to contribute.

Smart Healthcare

In Health, the acquisition of 6PM has proven challenging as was reported in the final results announced on 1st March 2018. However, the solution offerings are strong and particularly relevant to the current market. The iFIT product line for Asset, Prescribing and Document tracking now has over 30 UK Health Trusts as clients and delivers impressive returns on investment. We were delighted to add Epsom & St Helier University Hospitals NHS Trust, The George Eliot Hospital NHS Trust, North Cumbria, Dudley Group NHS Foundation Trust, and Doncaster & Bassetlaw Teaching Foundation Trust to our growing list of clients.

Smart Cities

Bristol City Council became the latest Idox client for the Smart Cities proposition, which encompasses the real time control of traffic flows, citizen and passenger assist services and traffic network management. In the second half of the year we welcomed the Greater Toronto Transportation Authority (Metrolinx) as an Idox client, our largest contract in this area to date.

Engineering Information Management (EIM)

As previously reported, the Engineering business has taken the first steps of transitioning to a Software as a Service (SaaS) based model which will result in higher quality, recurring revenue over the longer term.

In the first half of the year we released the new FusionLive SaaS Platform, and subsequently sold the SaaS platform to Clough, a global engineering and construction company Headquartered in Perth, Australia. After its initial one-year trial, Torxen Energy in Canada committed for 3 years to the same platform for its management of operational documents for its Palliser oil sands acquisition in Alberta, the division's first Oil & Gas operations platform delivered on a multi-tenanted cloud platform. In partnership with Catenda, a specialist provider of Building Information Modelling (BIM) solutions, the division delivered a new combined BIM/workflow cloud platform to SNCF to enable it achieve its targets on the EOLE Project, one of the current largest active railway projects in Europe, the RER-E line extension.

The Division has achieved further success through its partnership with Siveco China with four new deals for the on-premise Opidis platform sold through Engineering, Procurement and Construction companies ('EPC's') in the Far East and is working to expand on this in the coming year.

All of these initiatives and partnerships provide exciting opportunities for growth in the years ahead.

Content

Our international research funding database RESEARCHconnect, signed a further nine universities and research institutes across Europe, including in France, Spain, Sweden and The Netherlands. We now have over 100 clients using our solution.

The Content business also delivered new compliance programmes for a number of worldwide clients, including a range of solutions to facilitate new GDPR regulations.

In our grants business we secured our largest grant to date for BuyBay as part of our service delivering grant applications on a no win no fee basis.

Outlook

Our staff have shown excellent commitment during the year as we have continued to deliver market-leading software solutions that provide strong value and efficiencies for our customers in our chosen markets.

We have ended FY2018 in a much stronger position than we started it with a strong leadership team and clear focus on product and operational execution to drive increased profitability and cash generation, and I am confident this momentum will continue strongly in to FY2019 as we deliver success.

David Meaden
Chief Executive Officer
20 February 2019

Financial Review

Group revenues from continuing operations fell by 9% to £67.4m (2017: £73.8m), mainly due to a fall in revenue within our PSS division.

70% of Group revenues were generated in the UK (2017: 73%). Gross profit earned fell 7% to £58.6m (2017: £62.6m) but the Group saw a slight increase in gross margin from 85% to 87% as a result of cost saving initiatives introduced throughout the year. Earnings before interest, tax, amortisation, depreciation, restructuring, acquisition, impairment, corporate finance and share option costs ("Adjusted EBITDA") decreased by 13% to £14.4m (2017: £16.5m) with Adjusted EBITDA margins decreased by 5% to 21% (2017: 22%) as a result of the lower gross profit earned.

Performance by Segment

The PSS division, which accounted for 47% of Group revenues (2017: 47%), delivered revenues of £34.3m (2017: £40.8m). Product and services revenue decreased by 21% to £15.7m (2017: £19.9m). Election revenues accounted for £4.5m (2017: £4.7m) of PSS revenues. Election revenue was slightly down on the prior year as 2017 included the May local elections and the General Election. Recurring revenues within the PSS division from maintenance and hosting were £13.9m (2017: £15.3m). Recurring revenues represented 40.6% (2017: 38%) of total PSS revenue. Divisional Adjusted EBITDA decreased by 35% to £9.7m (2017: £15.0m), delivering a 28% EBITDA margin (2017: 37%).

The Digital division accounted for 9% of Group revenues (2017: 15%) with revenue of £6.5m (2017: £12.7m), £6.2m (2017: £12.1m) of revenue classified as discontinued.

The EIM division accounted for 14% of Group revenues (2017: 15%) with revenue of £10.0m (2017: £12.9m). Recurring revenues within the EIM division from maintenance and SaaS were 73% (2017: 60%). EIM saw a fall in revenue due to an increased emphasis on SaaS and managed service deals, continued pressure on per-seat licence prices and oil and gas spending still tight on non-key investment.

The Content division in the UK and Europe had revenue growth of 10% to £13.6m (2017: £12.4m).

The Health division accounted for 13% of Group revenues (2017: 8% in nine months) with revenue of £9.3m (2017: £7.1m in nine months).

Profit Before Tax

	12 months to 31 October 2018 (audited) £000	Restated 12 months to 31 October 2017 (audited) £000
(Loss) / profit before tax for the period	(29,462)	2,790
Add back:		
Amortisation on acquired intangibles	4,495	4,444
Restructuring costs	435	377
Acquisition (credits) / costs	(856)	8
Impairment	33,255	2,681
Adjusted profit before tax for the period	7,867	10,300

The reported loss before tax was £29.5m (2017: £2.8m profit) mainly as a result of impairment charges related to the PSS, EIM Digital and Health divisions. The impairments arose from further reassessments of the results following the issues which came to light towards the end of the 2017 financial year and poor performance in 2018 financial year as the business refocused in a number of areas including review of revenue performance obligations and cost structures. This resulted in a total impairment charge of £33.3m in continuing operations and £6.3m in discontinued operations.

Profit Before Tax (continued)

Amortisation of acquired intangibles increased marginally to £4.4m (2017: £4.4m). The profit before tax for FY2017 has also decreased by £2.7m in relation to prior year adjustments processed in the year as disclosed in note 1.

Amortisation of development costs was £2.8m (2017: £2.3m) and amortisation on software licences was £0.9m (2017: £0.9m). Development costs are amortised over a 1 to 5 year period on a project by project basis and software licences are amortised over 3 years. Acquisition credits of £856,000 (2017: £8,000) relates mainly to a part release of the contingent consideration on Open Objects Limited, reducing the contingent consideration from £1.6m to £0.7m. Restructuring charges of £0.6m (2017: £0.7m) were incurred in the year.

Adjusted profit before tax and adjusted earnings per share are alternative performance measures, considered by the Board to be a better reflection of true business performance than looking at the Group's results on a statutory basis only.

Adjusted EBITDA for continuing operations decreased 14% to £14.4m (2017: £16.5m) impacted by lower margin election revenue in PSS, lower revenue in EIM, and losses in Health. Cost of sales decreased by 21%, partly as a result of the decrease in revenue. The accounting issues previously reported in the Health division around 6PM, where we inherited issues with incomplete accounting records, revenue recognition and inconsistent contractual paperwork have unfortunately led to an impairment in the 2018 financial year amounting to £25.4m.

Administrative expenses increased by 49% to £86.8m (2017: £58.3m), due to the impairment of £33.3m offset with cost savings in the year.

Finance costs have reduced slightly to £1.8m (2017: £1.9m). The Maltese Stock Exchange bond was issued in 2015 prior to Idox acquiring 6PM at a nominal value of €13m, is repayable in 2025 and has a coupon rate of 5.1%.

The Group continues to invest in developing innovative technology solutions and has incurred capitalised development costs of £3.6m (2017: £4.8m).

Taxation

The effective tax rate ('ETR') for the period was 8.05% (2017: 53.27%).

The main factor for the lower ETR on the net loss before tax position was the impairment processed during FY2018, which is not deductible for tax purposes. Furthermore, non-recognition of losses in Malta, owing to uncertainty over their future utilisation, decreased ETR further.

These downward pressures on ETR were mitigated by adjustments to prior periods and recognition of losses not previously recognised, the latter primarily on account of permitted recognition against outstanding deferred tax liabilities of the same entity.

Unrelieved trading losses of £1.1m, across the US and France, remain available to offset against future taxable trading profits. 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 £10.4m, split across Malta (£7.4m), the UK (£1.7m) and Germany (£1.3m). 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 fell to (8.72)p (2017: 0.09p) as a result of the impact of the impairment charge. Diluted earnings per share fell to (8.65)p (2017: 0.09p).

Adjusted earnings per share fell to 1.72p (2017: 1.97p) as a result of the impact of the impairment charge. Adjusted diluted earnings per share fell to 1.71p (2017: 1.91p).

The Board proposes a final dividend of nil as the business transitions to a more stable platform, a decrease of 100% on the previous final dividend, giving a total dividend for the year of nil.

Balance Sheet and Cashflows

The Group's balance sheet position deteriorated significantly during the period and at 31 October 2018 net assets had fallen to £49.8m compared to £88.6m at 31 October 2017. The deterioration in net assets is mainly driven by the fall in value of intangible assets due to the aforementioned impairment charge, principally goodwill, from £73.4m to £45.9m, customer relationships, from £21.0m to £13.3m, trade names, from £8.3m to £4.7m and software, from £10.8m to £6m.

Cash generated from operating activities after tax as a percentage of Adjusted EBITDA was 68% (2017: 79%). Cash conversion has historically been impacted by deferred payment deals over 3 to 5 years which have been offered to local authorities and as a result, payments received from customers have become slightly less aligned with when services are provided. The Group has a clear objective to reduce this misalignment going into FY2019 and achieve higher cash conversion from its previous and ongoing activities.

The Group ended the period with net debt of £31.8m (2017: £32.6m), a slight improvement on the previous year.

The Group's total signed debt facilities at 31 October 2018 stood at £30m, a combination of a £7m term loan and £23m revolving credit facility, split £7m with the Royal Bank of Scotland and £23m with Silicon Valley Bank respectively (the "Lenders"). Post year end the group successfully extended its existing banking arrangement with the Lenders to 25 February 2020. The Group anticipates it will still have a net debt position at the point of expiry of the current facilities and therefore expects to enter negotiations to extend the facility in the coming year. Given the improvements in the business, the Group expects to be in a strong position to secure financing on a longer-term basis that is commensurate with its target capital structure, and has no reason to believe it will not be complete.

Under the terms of the extension the revolving credit facility will be increased to £24.5m until 1 June 2019 at which point it will revert to £23.0m until the expiry of this extension, the term loan will be reduced by £1.25m on 30 April 2019, with the balance of £5.75m due at the expiry of this extension and the Group is now subject to additional financial covenants and requires the consent of the Lenders in the event it wishes to propose a dividend. The extension gives Idox a strong platform to continue refocussing its operations, allows the Group to prepare its annual report on a going concern basis and allows the Group time to consider longer-term financing alternatives. In addition to the signed debt facilities there is a 6PM Maltese Stock Exchange bond issued in 2015 pre-acquisition at a nominal value of €13m; it is repayable in 2025 and has a coupon rate of 5.1%.

Deferred income, representing invoiced maintenance and SaaS contracts yet to be recognised in revenue stood at £17m (2017: £19.8m). Accrued income, representing future cash flows, decreased to £19.2m (2017: £20.6m).

£7.0m of accrued income relates to licences and services that have been delivered to local authorities and revenue recognised but the customer is paying for the licence and services over a period of typically 3 to 5 years. This will result in future cash inflows for the Group. The balance of accrued income is service revenue where work has been completed but the project has not yet reached an invoicing milestone and will convert to cash in the short term.

Impact of IFRS 15

The Group will adopt IFRS 15 Revenue from Contracts with Customers with effect from 1 November 2018 using the cumulative effect method. Software license revenue will now be recognised over the duration of the project implementation period on a percentage completion basis. This has the effect of spreading the recognition of software license revenue over the period of implementation, rather than taking immediate, upfront recognition. There are no changes to the timing of the recognition of Support, Maintenance or Hosting revenue.

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 will be recorded as an adjustment to the opening accrued income, deferred income and retained earnings position. The calculated impact on revenue in financial year 2019 is £3.2m This is explained more fully in the Notes to the Accounts.

Rob Grubb
Chief Financial Officer
20 February 2019

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.

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 an evolving process. 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 as follows:

Risk	**Principal risks**	**Management of risks**
Political	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.	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. Our development priorities are to ensure we remain at the heart of our customer's operations, delivering cost efficiencies and value for money.
Economic environment	Our performance is affected by the economic cycles of the markets of the countries in which we operate. 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.	A diversified geographic footprint and sector focus reduces the risk of exposure due to adverse country or sector specific conditions. 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. Our Brexit statement is available to stakeholders via the following link: https://www.idoxgroup.com/media/2313/brexit-no-deal-idox-statement-to-customers.pdf
Acquisitions	Acquisitions and restructuring may not achieve the anticipated returns for the Group.	The Group is currently in the process of consolidating prior year acquisitions. 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

Risk	Principal risks	Management of risks
		cross-sell across the Group's portfolio of products is maximised.
Technological development	The Group risks being outclassed by competitor products that have increased capabilities if the Group fails to deliver continued product development, including digital innovations.	We strive to invest in quality assurance and research and development to deliver quality products in to our chosen market. In recent years we have invested significantly in increasing our capability in the delivery of digital.
Ability to sell effectively	The Group has deep experience of selling our broad portfolio of products. It is imperative we have effective sales and marketing models, methodologies and techniques to effectively realise our investments in software product and to recover the costs of associated delivery and support functions, and that this is done on a profitable and cash generative way.	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.
Capital structure	The Group has significant borrowings in the form of bank debt and a listed Bond following prior period acquisitions. It is key 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.	We perform regular review 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. We carefully manage cash receipts and payments with customers and suppliers to ensure cash is delivered in line with agreed obligations. We have good relations with our Lenders, and provide regular updates on the activities of our business and adjust funding requirements as the needs of the Group may evolve from time to time.
Cyber risk	We operate systems that maintain our confidential data and in some cases that of our customers. An information security breach or cyber-attack could result in loss or theft of data, content or intellectual property.	We have cyber, data protection and security policies in place and regularly review the effectiveness of these policies. There is an enterprise-wide data security programme and defined incident management processes, including those for employees to report security breaches. The Group is accredited to the UK government based Cyber Essentials standard and continues to focus on achieving ISO 22301: 'Business Continuity Management System'.

Signed on behalf of the Board by:

David Meaden
Chief Executive Officer
20 February 2019

Christopher Stone *Non-Executive Chairman*

Christopher 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 recent 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.

Richard Kellett-Clarke *Non-Executive Director:*

Richard Kellett-Clarke has 31 years of directorial experience. He joined Idox first as CFO in 2006, becoming COO and then CEO in 2007 until becoming a non-executive director in November 2016. Prior to Idox, Richard held a number of CFO appointments with Brady plc, Pickwick Group Limited, and in subsidiaries of Pearson plc and Invensys plc. In addition, he was a founder and Managing Director of AFX NEWS Ltd, now part of Thomson Reuters Group, IT Director of Financial Times Information, and Founding Director of Sealed Media Ltd, an Internet start-up. In 2011 he joined the Board of dotDigital Group plc as a Non–Executive Director.

Jeremy Millard *Non-Executive Director*

Jeremy Millard provides corporate finance advice to companies primarily in the Technology sector. 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. He has also worked for the UK Ministry of Defence and Mars Snack Foods, qualified as a chartered accountant in 1999, and holds an M. Eng from Cambridge University. He is the Chairman of the Audit Committee.

Barbara Moorhouse *Non-Executive Director*

Barbara Moorhouse is Chair of Rail Safety Standards Board (RSSB), Non-Executive Director at Balfour Beatty plc, Microgen plc and Agility Trains. She is a Trustee of Guy's and St Thomas' Charity. Barbara was formerly CFO in two international listed IT companies – Kewill Systems plc and Scala Business Solution NV. She has held the positions of Director General at the Ministry of Justice / Department for Transport and Chief Operating Officer at Westminster City Council. Barbara will step down from the Board at the Group's forthcoming Annual General Meeting (AGM) having completed her three year term of office in January 2019.

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 is currently a non-executive director of IQGeo Group plc and was previously a non-executive director of KBC Advanced Technologies plc prior to its takeover by Yokogawa in 2016.

The Directors submit their report and audited financial statements for the year ended 31 October 2018.

Results and Dividends

The Group's audited financial statements for the year ended 31 October 2018 are set out on pages 39 to 82. The Group's loss for the year after tax amounted to £36.2m (2017: £0.6m profit). The Directors paid a dividend of 0.655 pence per share in the first half of the 2018 financial year, in respect of the year ended 31 October 2017. The Directors do not propose any dividend to be paid in respect of the year ended 31 October 2018.

Post Balance Sheet Events

On 2 November 2018, the Group sold its digital division to Fat Media Limited, a digital marketing solution provider, for a nominal cash consideration of £1.00.

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 2018	1 November 2017
L Vaughan* (resigned 19 November 2018)	232,250	232,250
D Meaden	-	-
R Kellett-Clarke**	15,098,668	14,161,668
J Millard	-	-
B Moorhouse	-	-
J Mackie (resigned 30 August 2018)	506,287	494,781
A Riley (resigned 1 March 2018)	-	1,416,272
Rt. Hon. P B Lilley MP*** (resigned 19 April 2018)	533,000	533,000

* 232,250 (2017: 232,250) of these shares are held through a Self-Invested Pension Plan.

** 2,761,667 (2017: 2,761,667) of these shares are held through Self-Invested Pension Plans, 11,400,001 (2017: 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.

*** 111,300 (2017: 111,300) of these shares are held through a Self-Invested Pension Plan and 59,250 (2017: 59,250) shares are held through certain members of his family.

In addition to the shareholdings listed above, certain Directors have been granted options over ordinary shares. Full details of these options are given in the Report on Remuneration on pages 19 to 21.

Details of the Directors' service contracts can be found in the Report on Remuneration on pages 19 to 21.

Insurance for Directors and Officers

The Company has purchased and maintains appropriate insurance cover against legal action brought against Directors and Officers.

Substantial Shareholdings
As at 31 October 2018, the Company was aware of the following interests in 2% or more of its issued share capital:

Shareholder	Number of shares	% Holding
Canaccord Genuity Wealth Management	67,000,007	16.13%
Kestrel Partners	42,398,503	10.21%
Soros Fund Management	37,995,747	9.15%
Herald investment Management	30,909,483	7.44%
1798 Volantis	24,298,111	5.85%
Livingbridge	17,543,409	4.22%
Richard Griffiths	16,765,765	4.04%
Rorema Beheer BV	16,617,721	4.00%
Richard Kellett-Clarke	15,098,668	3.63%
Octopus Investments	8,521,544	2.05%

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 dedicated team, which provides advice and support in this area. The team members regularly attend external H,S&E courses and internal reviews are performed on a regular basis to ensure compliance with best practice and all relevant legislation.

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 2018. 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 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.

Financial Risk Management Objectives and Policies (continued)
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 a quarterly 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 29 January 2019 that the Group had extended its existing banking arrangements with the Royal Bank of Scotland plc and Silicon Valley Bank until 25 February 2020. The Group anticipates it will still have a net debt position at the point of expiry of the current facilities and therefore expects to enter negotiations to extend the facility in the coming year. Given the improvements in the business, the Group expects to be in a strong position to secure financing on a longer-term basis that is commensurate with its target capital structure, and has no reason to believe this will not be completed.

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.

By order of the Board

Rob Grubb
Chief Financial Officer
20 February 2019

Nomination and Remuneration Committee
For FY2018 the Nomination and Remuneration Committee comprised the Chair and three Non-Executive Directors. It was chaired by Peter Lilley until his departure from the Board in April 2018. The Committee did not meet between April and October 2018.

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.

In November 2018 the Board decided to separate the activities of the Nomination and Remuneration Committee. This followed changes in Board membership and a review of the Company's governance arrangements. The Nomination Committee was formed with Oliver Scott as Chair, and all other Non-Executive Directors as members. The Remuneration Committee was formed with Barbara Moorhouse as Chair and all other Non-Executive Directors as members. New Terms of Reference were agreed for both committees. The changes to both committees were approved at the Board meeting in December 2018.

At the 12 December meeting, the Remuneration Committee reviewed existing documentation relating to remuneration arrangements across the Company. From that review it became apparent that there were outstanding issues on a number of remuneration matters. The most significant of these was the finalisation of the remuneration arrangements for the CEO, David Meaden, who was appointed in June 2018. Having taken legal and other professional advice, the Remuneration Committee accepted that correspondence in mid 2018 on the structure of the CEO incentive plan limited the Remuneration Committee's discretion over future remuneration arrangements. This is reflected in the approved bonus and share arrangements for the CEO, which will be finalised in February 2019 and reported in the 2018/19 accounts.

The financial impact of the CEO remuneration arrangements are as follows:

1. 2018 Bonus: the CEO is entitled to a discretionary £250,000 annual bonus. For 5 months, the pro rate maximum award is £104,166. Payment was agreed at 80%, a sum of £83,333. This bonus earned in respect of the year ending 31 October 2018 is shown in the Directors' Remuneration table below in line with best practice.

2. Short term (STIP) and long term incentive plan (LTIP) for the CEO: The STIP and LTIP agreed with the CEO on his appointment will be finalised in 2019 and will be accounted for under IFRS 2 (Share based payments) from the FY2019 accounting period onwards. Under the proposed LTIP, subject to the CEO acquiring £100,000 of Company shares, a nominal cost option over Company shares with a value of up to 12 times this investment (i.e. up to £1.2m) will be granted. Under the proposed STIP, the CEO will be entitled to a bonus payment on the sale of the entire issued share capital of the Company. The bonus payment is based on specified threshold share price targets being achieved on a sale of the Company (which are considered to be commercially sensitive) and has a minimum guaranteed payment of £1.2m. The fair value of the STIP and LTIP award will be recognised over the vesting period.

The STIP and LTIP awards for the CEO and other participants in the Company LTIP will be reported in the FY2019 Accounts.

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, life cover and critical illness cover. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Nomination and Remuneration Committee. In addition, the Group operates a Performance Share Plan for the Executive Directors.

Directors' Remuneration

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**

2017	Basic salary and fees 2017	Bonus* 2017	Benefits in kind 2017	**Total 2017**	Pension 2017
	£000	£000	£000	**£000**	£000
Executive Directors					
Andrew Riley	260	105	12	**377**	6
Jane Mackie	175	70	10	**255**	14
Non-Executive Directors					
Laurence Vaughan**	105	-	-	**105**	-
Richard Kellett-Clarke	42	179	1	**222**	-
Peter Lilley	35	-	-	**35**	-
Jeremy Millard	35	-	-	**35**	1
Barbara Moorhouse	35	-	-	**35**	-
	687	**354**	**23**	**1,064**	**21**

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

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

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	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
Richard Kellett-Clarke	1,900,000	(1,900,000)	-	-	1p	Mar 2015	Mar 2018
Peter Lilley	243,902	(243,902)	-	-	10.25p	Mar 2010	Mar 2020
Peter Lilley	250,000	(250,000)	-	-	20p	Mar 2011	Mar 2021
Andrew Riley	1,700,000		(1,700,000)	-	1p	Mar 2015	Mar 2018
Totals	**4,893,902**	**(2,393,902)**	**(1,700,000)**	**800,000**			

The mid-market price of the Company's shares at close of business on 31 October 2018 was 33.00p and the low and high share prices during the year were 26.50p and 66.00p, respectively.

The Company recognised total expenses of £50,000 (2017: £324,000) related to equity-settled, share-based payment transactions during the year. Of the total recognised, expenses of £50,000 (2017: £324,000) related to equity-settled, share-based payment transactions during the year, of which £44,000 (2017: £178,000) related to the LTIP share option scheme.

The pre-tax aggregate gain on exercise of share options during the year was £628,623 (2017: £3,200,747).

Note 25 of the Group accounts contains full disclosure of the Company's share options.

Directors' Share Interests
The Directors' shareholdings in the Company are listed in the Directors' Report on page 16.

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/idox-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 system 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 on its Auditors on future changes to such accounting policies. In the coming financial year, the business will be adopting IFRS15.

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 nine 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 and senior 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 ('EMT') 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 four Non-Executive Directors. Richard Kellett-Clarke had been acting as Interim Chief Executive Officer since December 2017 and reverted to Non-Executive Director on 1 June 2018. Short biographies of the Directors are given on page 15.

The Board considers Chris Stone, Jeremy Millard and Barbara Moorhouse as independent. Richard Kellett-Clarke is not considered independent as he served on the on the Board for over 10 years, including in a previous Executive capacity, and has a significant personal shareholding. 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 and rigorous 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 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. Over the next 12 months the Chairman intends formally review 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.

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, Barbara Moorhouse and Richard Kellett-Clarke. Richard Kellett-Clarke was a member of the Audit Committee until December 2017 when he was appointed as Interim Chief Executive Officer and resumed his role on 1 June 2018. The Report of the Audit Committee can be found on pages 27 to 29.

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

The Remuneration Committee is chaired by Barbara Moorhouse and includes Chris Stone, Oliver Scott, Jeremy Millard and Richard Kellett-Clarke. Richard Kellett-Clarke was a member of the Nomination and Remuneration Committee until December 2017 when he was appointed as Interim Chief Executive Officer and resumed his role on 1 June 2018.

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, Barbara Moorhouse, Jeremy Millard and Richard Kellett-Clarke. Richard Kellett-Clarke was a member of the Nomination and Remuneration Committee until December 2017 when he was appointed as Interim Chief Executive Officer and resumed his role on 1 June 2018.

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 and the Nominations and Remuneration Committee met three times.

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.

Barbara Moorhouse will retire from office at the Group's forthcoming Annual General Meeting and not seek re-appointment. Jeremy Millard will retire by rotation and seek re-election.

The new directors appointed since the last AGM, David Meaden, Rob Grubb, Oliver Scott and Chris Stone will all 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 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;
- financial results are monitored against budgets, forecasts and other performance indicators with action dictated accordingly at each meeting;
- a structured approval process based on assessment of risk and value delivered; and
- sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management.

The Board considers that there have been 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.

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 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 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.

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 Nominated Adviser ("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

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.

The Directors confirm that:

- 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 20 February 2019 and is signed on its behalf by:

David Meaden
Chief Executive Officer

Rob Grubb
Chief Financial Officer

Overview

This report details the activities of the Committee during the financial year ended 31 October 2018. 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 five Non-Executive Directors: Jeremy Millard, Chris Stone, Oliver Scott, Barbara Moorhouse and Richard Kellett-Clarke. Richard Kellett-Clarke was a member of the Audit Committee until December 2017 when he was appointed as Interim Chief Executive Officer and resumed his role on 1 June 2018.

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.

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 period under review, the Audit Committee held four scheduled meetings. The Group's Auditor has a standing invitation to attend meeting 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 internal and external audit;
- the content of the Auditor's transparency report, concerning Auditor independence in providing both audit and non-audit services;
- the scope, performance and effectiveness other internal control functions and the Auditor's assessment thereon; and
- the Group's procedures for responding to any allegations made by whistleblowers.

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

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.

Audit Committee Activities in the Financial Year Ended 2018

The Committee met four times during the financial year ended 31 October 2018. In addition to standing items on the agenda, the Committee:

- Received and considered, as part of the review of interim and annual financial statements, reports from the Auditor in respect of the Auditor's review of the interim results, the audit plan for the year and the results of the annual audit. These reports included the scope of the interim review and 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 audit.
- Considered the review of business reporting segments in line with the guidance from our Auditors in respect of identifiable cash generating units.
- Considered the likely impact of IFRS 15 on the results of the Group.
- Ran the audit tender process.
- Considered the key audit matters from the Extended Audit Report.

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:

- the change in the audit team including a new audit partner in the year ended 31 October 2018;
- 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

The Committee approves all non-audit work commissioned from the external auditors. During the year the fees paid to the Auditor were £190,000 (2017: £399,000) for Group and subsidiary audit services, £67,000 (2017: £33,000) for interim audit services, and £224,000 (2017: £65,000) for non-audit services.

The majority of the other non-audit services provided by the Auditor were in respect of advising on tax and corporate finance arrangements. 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.

Impact of IFRS 15: Revenue from Contracts and 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 will adopt IFRS 15 on 1 November 2018 and will apply the standard on a cumulative effect basis. During the year ended 31 October 2018, 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 will be impacted by IFRS 15 and the most significant impact of implementing the standard is that Software license revenue will now be recognised over the duration of the project implementation period on a percentage completion basis. 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 Combined Code, the requirements of the UK Listing Authority's Listing Rules, Prospectus and Disclosure and Transparency Rules 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
20 February 2019

Report on the audit of the financial statements

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, 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 2018 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 accounts, and the related notes 1 to 15 to the parent company accounts.

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".

Basis for qualified opinion

The audit opinion for the year ended 31 October 2017 was qualified as the previous auditor was unable to obtain sufficient appropriate evidence in respect of: revenue of £7.6m for the year then ended, deferred income of £4.3m as at 31 October 2017 and consolidated net liabilities of £0.2m as at 31 October 2017. These balances were all within the acquired sub-group headed by 6pm Holdings plc.

This qualification arose because the acquired group had a history of poor record keeping until it was fully integrated into the Idox plc Group from July 2017.

Had a review of these records been possible, matters might have come to the previous auditor's attention indicating that adjustments might be necessary to the financial information at 31 October 2017. Any such adjustments would have a consequential impact on the financial information for the period ended 31 October 2018 and therefore our opinion for the period ended 31 October 2018 is also qualified in respect of these matters.

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 qualified opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • the valuation of goodwill and intangibles; • the cut-off of both product and service revenue and the occurrence and accuracy of service revenue.
Materiality	The materiality that we used for the group financial statements was £415,000, which was determined using a blended benchmark being an average of 3% of EBITDA, 0.8% of Revenue and 5% of income before tax.
Scoping	Our audit covered 100% of the Group's total revenue, EBITDA, loss before tax and total assets.

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.

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.

Goodwill and intangible asset valuation	
Key audit matter description	The company has goodwill of £45.9m and intangibles of £32.9m as at 31 October 2018. The intangibles comprise customer relationships (£13.3m), trade names (£4.7m), software (£6m), development costs (£8.8m) and order backlog (£0.1m). Judgement is required by the directors as to whether the goodwill and intangibles balance should be impaired based on the financial position and future prospects of the company. This takes into consideration a wide range of factors such as the trading performance, the expected future cash flows and discount rates. Our key audit matter is focused around the most sensitive and judgemental assumptions, being the forecast cash flows in management's assessment and the discount rate applied. During the year, the following divisions have been impaired as a result of management's impairment review: Public Sector Software (Transport) £6.1m, Digital £6.3m, Engineering Information Management £1.8m and Health £25.4m. Further details are included within the strategic report on pages 1 to 14, the audit committee report on pages 27 to 29, 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	The audit procedures we performed in respect of this matter included: • Assessed the design and implementation of key controls to monitor the budgeting process and the discount rate; • Challenged management's assessment of the cash flow assumptions in determining value in use (including sensitivity analysis and third party evidence where available and comparison to historical forecasts and actual result); • Agreed cash flow forecasts to board approved budgets including net working capital and capex; • Assessed historical forecasting and budgeting accuracy; • Performed sensitivity analysis on key assumptions based on comparison to readily available economic and industry data; and

	• Worked with our valuations specialist to perform a review of the discount rate applied.
Key observations	We considered that management's assumptions were reasonable and that the valuation was appropriate. We did not identify any additional impairment.
Revenue recognition	
Key audit matter description	The company generated £73.6m of revenues from total operations during the period across the following segments: Public Sector Software (£34.3m), Engineering Information Management (£10m), Content (£13.6m), Digital (£6.4m) and Health (£9.3m). Of this revenue £6.2m was from discontinued operations. Within each of these segments revenue is generated from the sale of goods (£17.4m), being software, hardware and consumables, and also the rendering of services (£56.2m). Each stream has its own revenue recognition policies based on the nature of the revenue and underlying contractual arrangements. Management judgement is required around the degree to which revenue has been earned as at the year-end date. Our key audit matter has been pinpointed to the cut-off of product and service revenue and the occurrence and accuracy of service revenue. Given the material nature of product revenue, and the difficulties in ascertaining date of delivery, there is a risk that this revenue could be recorded in the incorrect period leading to a material misstatement. Recognition of service revenue relies upon management judgement of the stage of completion of a project at the period end. There is therefore a risk that revenue does not relate to the current financial period and the valuation of associated amounts on the balance sheet is incorrect. Existence and valuation, and allocation of the deferred and accrued income balances are therefore an associated key audit matter. Following the issues identified through the course of the prior year audit, management performed a detailed review of revenue booked across the business. The review focused on accrued income and debtor balances held post 31 October 2017. As a result of this review management have identified £3m of revenue that was incorrectly recognised in FY17. This comprises revenue that either: • should not have been recognised at all, • was recognised in the incorrect period, or • related to a contract that was subsequently cancelled by the customer. This has been presented as a prior year adjustment within the annual report. Further details are included within the strategic report on pages 1 to 14, the audit committee report on pages 27 to 29, 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	The audit procedures we performed in respect of this matter included: • Assessed the design & implementation and operating effectiveness of key controls to monitor the recognition of service and product revenue; • Reviewed the company's revenue recognition policies with reference to the underlying contract terms and the requirements of IAS 18; • Tested a sample of service revenue by tracing to invoice, customer purchase order and payment. This included a sample of the corresponding accrued income, deferred income and debtor balances; • Tested a cut-off sample for service and product revenue by tracing to invoice and evidence of product or service delivery; and • Reviewed the prior year restatement to assess whether it was complete and accurate.
Key observations	We considered that the recognition policies were appropriate. No material errors were noted from this work.

An overview of the scope of our audit

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, Content, Digital and Health.

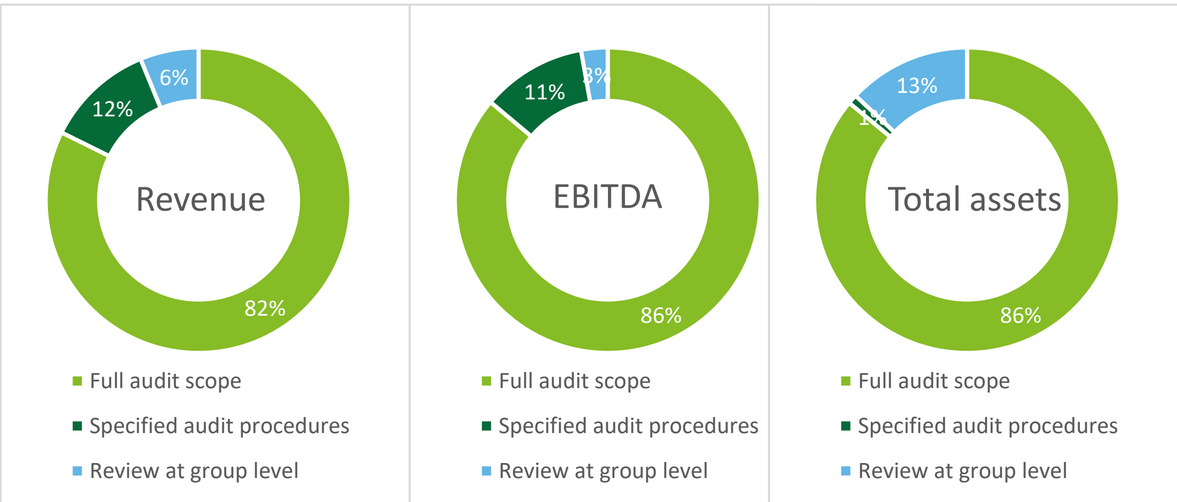
On a legal entity basis, the significant components to the Group are Idox Plc, Idox Software Ltd, McLaren Software Ltd, McLaren Software Inc and 6pm Holdings Ltd.

All significant components were subject to a full scope audit by the group audit team. These components represent 82% of the Group’s revenue, 86% of the Group’s EBITDA and 86% of the Group’s total assets.

All non-significant components were subject to analytical review by the group audit team, with the exception of Idox Germany GmbH, over which specified audit procedures were performed.

Our audit work on components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality.

At the parent entity level, we also tested the consolidation process.



Our application of 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	£415,000	£166,000
Basis for determining materiality	We have determined using a blended benchmark being an average of 3% of EBITDA, 0.8% of Revenue and 5% of income before tax.	3% of net assets, capped at 40% of group materiality.
Rationale for the benchmark applied	We have used this blended benchmark for our determination of materiality as we consider these three metrics to be critical performance measures for the Group based on their relevance to analysts and investors and has substantial prominence in the Annual Report.	As this is the ultimate holding company for the group, the key balances are investments held, external borrowings and intercompany balances.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £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.

Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the annual report (including the strategic report, corporate governance report, directors' report, audit committee report and directors' remuneration report, directors' responsibilities statement), 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.

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.

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 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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, 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.

Except for the effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and of 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

In respect solely of the limitation on our work relating to balances acquired in sub-group headed by 6pm Holdings plc, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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

- 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.

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 this matter.

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
20 February 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 October 2018

	Note	2018 £000	Restated* 2017 £000
Continuing operations			
Revenue	2	67,443	73,751
Cost of sales		(8,794)	(11,169)
Gross profit		**58,649**	**62,582**
Administrative expenses		(86,772)	(58,268)
Operating (loss) / profit		**(28,123)**	**4,314**
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs	2	**14,417**	**16,479**
Depreciation	3	(1,106)	(1,077)
Amortisation	3	(8,213)	(7,665)
Restructuring costs	4	(436)	(377)
Acquisition credit / (costs)	5	856	(8)
Impairment		(33,255)	(2,681)
Corporate finance costs		(336)	(33)
Share option costs	25	(50)	(324)
Finance income	6	449	363
Finance costs	6	(1,788)	(1,887)
(Loss) / profit before taxation		**(29,462)**	**2,790**
Income tax credit / (charge)	8	2,481	(670)
(Loss) / profit for the year from continuing operations		(26,981)	2,120
Discontinued operations			
Loss for the year from discontinued operations	9	(9,067)	(1,752)
(Loss) / profit for the year		(36,048)	368
Non-controlling interest		6	(9)
(Loss) / profit for the period attributable to the owners of the parent		(36,042)	359
Other comprehensive (loss) / income for the year			
Items that will be reclassified subsequently to profit or loss:			
Exchange (losses) / gains on translation of foreign operations		(133)	192
Other comprehensive (loss) / income for the year, net of tax		(133)	192
Total comprehensive (loss) / income for the year attributable to owners of the parent		**(36,175)**	**551**
Earnings per share attributable to owners of the parent during the year			
From continuing operations			
Basic	10	(6.53)p	0.53p
Diluted	10	(6.47)p	0.52p
From continuing and discontinued operations			
Basic	10	(8.72)p	0.09p
Diluted	10	(8.65)p	0.09p

*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 2018

	Note	2018 £000	Restated 2017 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,211	1,743
Intangible assets	12	78,787	122,754
Investment	13	18	18
Deferred tax assets	14	1,107	1,086
Other receivables	16	7,036	8,738
Total non-current assets		88,159	134,339
Current assets			
Stock		115	163
Trade and other receivables	16	26,187	34,005
Current tax		1,084	-
Cash and cash equivalents	17	5,534	3,248
Total current assets		32,920	37,416
Assets classified as held for sale	9	1,114	-
Total assets		122,193	171,755
LIABILITIES			
Current liabilities			
Trade and other payables	18	7,941	10,893
Deferred consideration	19	750	1,600
Other liabilities	19	20,366	25,746
Provisions	20	90	161
Current tax		-	289
Borrowings	22	3,289	3,102
Total current liabilities		32,436	41,791
Liabilities directly associated with assets classified as held for sale		963	-
Non-current liabilities			
Deferred tax liabilities	14	3,724	7,010
Other liabilities	19	1,288	1,616
Bonds in issue	21	11,491	11,238
Borrowings	22	22,505	21,519
Total non-current liabilities		39,008	41,383
Total liabilities		72,407	83,174
Net assets		49,786	88,581
EQUITY			
Called up share capital	24	4,169	4,145
Capital redemption reserve		1,112	1,112
Share premium account		34,188	34,109
Treasury reserve		(621)	(621)
Share option reserve		1,232	1,730
Other reserves		7,528	7,528
ESOP trust		(399)	(349)
Foreign currency translation reserve		116	249
Retained earnings		2,458	40,669
Non-controlling interest		3	9
Total equity		49,786	88,581

The financial statements were approved by the Board of Directors and authorised for issue on 20 February 2019 and are signed on its behalf by:

David Meaden
Chief Executive Officer

The accompanying accounting policies and notes form an integral part of these financial statements.
Company name: Idox plc Company number: 03984070

Consolidated Statement of Changes in Equity

At 31 October 2018

	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
Restated balance at 1 November 2016	**3,640**	**1,112**	**13,480**	**(1,244)**	**2,222**	**1,294**	**(274)**	**57**	**44,487**	**-**	**64,774**
Issue of share capital	505	-	20,629	-	-	6,234	-	-	-	-	**27,368**
Share option costs	-	-	-	-	324	-	-	-	-	-	**324**
Exercise of share options	-	-	-	623	(816)	-	-	-	492	-	**299**
Deferred tax movement on share options	-	-	-	-	-	-	-	-	(452)	-	**(452)**
ESOP trust	-	-	-	-	-	-	(75)	-	-	-	**(75)**
Equity dividends paid	-	-	-	-	-	-	-	-	(4,217)	-	**(4,217)**
Transactions with owners	**505**	**-**	**20,629**	**623**	**(492)**	**6,234**	**(75)**	**-**	**(4,177)**	**-**	**23,247**
Profit for the period	-	-	-	-	-	-	-	-	2,325	-	**2,325**
Prior year adjustment to profit	-	-	-	-	-	-	-	-	(1,966)	-	**(1,966)**
Non-controlling interest	-	-	-	-	-	-	-	-	-	9	**9**
Other comprehensive income											
Exchange gains on translation of foreign operations	-	-	-	-	-	-	-	192	-	-	**192**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**192**	**359**	**9**	**560**
Restated balance at 31 October 2017	**4,145**	**1,112**	**34,109**	**(621)**	**1,730**	**7,528**	**(349)**	**249**	**40,669**	**9**	**88,581**
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 period	-	-	-	-	-	-	-	-	(36,042)	-	**(36,042)**
Non-controlling interest	-	-	-	-	-	-	-	-	-	(6)	**(6)**
Other comprehensive income											
Exchange gains on translation of foreign operations	-	-	-	-	-	-	-	(133)	-	-	**(133)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(133)**	**(36,042)**	**(6)**	**(36,181)**
At 31 October 2018	**4,169**	**1,112**	**34,188**	**(621)**	**1,232**	**7,528**	**(399)**	**116**	**2,458**	**3**	**49,786**

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 2018

	2018 £000	Restated 2017 £000
Cash flows from operating activities		
(Loss) / profit for the period before taxation	(39,205)	788
Adjustments for:		
Depreciation of property, plant and equipment	1,144	1,157
Amortisation of intangible assets	8,615	8,468
Acquisition credits - release of deferred consideration	(684)	(478)
Impairment	39,530	2,681
Finance income	(211)	(141)
Finance costs	1,531	1,513
Debt issue costs amortisation	90	119
Research and development tax credit	(832)	(360)
Share option costs	50	324
Profit on disposal of property plant and equipment	-	(13)
Movement in stock	48	109
Movement in receivables	8,476	(671)
Movement in payables	(8,041)	1,343
Cash generated by operations	10,511	14,839
Tax on profit paid	(760)	(1,785)
Net cash from operating activities	9,751	13,054
Cash flows from investing activities		
Acquisition of subsidiaries	(209)	(18,064)
Acquisition credit	-	550
Purchase of property, plant and equipment	(606)	(1,596)
Proceeds on sale of investment property	-	397
Purchase of intangible assets	(3,868)	(5,688)
Finance income	211	141
Net cash used in investing activities	(4,472)	(24,260)
Cash flows from financing activities		
Interest paid	(1,456)	(1,211)
New loans	6,500	3,500
Loan related costs	42	619
Loan repayments	(5,500)	(9,063)
Equity dividends paid	(2,717)	(4,217)
Sale of own shares	53	21,259
Net cash flows (used in) / from financing activities	(3,078)	10,887
Net movement on cash and cash equivalents	2,201	(319)
Cash and cash equivalents at the beginning of the period	3,248	3,787
Exchange gains / (losses) on cash and cash equivalents	85	(220)
Cash and cash equivalents at the end of the period	5,534	3,248

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 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 set out on page 18 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 and levels of recurring revenue.

It was announced on 29 January 2019 that the Group had extended its existing banking arrangements with the Royal Bank of Scotland plc and Silicon Valley Bank until 25 February 2020. The Group anticipates it will still have a net debt position at the point of expiry of the current facilities and therefore expects to enter negotiations to extend the facility in the coming year. Given the improvements in the business, the Group expects to be in a strong position to secure financing on a longer-term basis that is commensurate with its target capital structure, and has no reason to believe this will not be completed.

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:

- IFRS 9 'Financial instruments' – effective for periods commencing on or after 1 January 2018
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions – effective for periods commencing on or after 1 January 2018
- Annual Improvements to IFRSs 2014-2016 Cycle – effective for periods commencing on or after 1 January 2018
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations – effective for periods commencing on or after 1 January 2018
- 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 9 'Financial instruments' – the standard will be adopted for the first time in the year ending 31 October 2019. The full impact of adoption will depend on a number of factors including the financial instruments within the group, macroeconomic conditions and judgements over credit risk and expected credit losses. Overall, adoption of IFRS 9 is not expected to have a material impact on the Group.

- IFRS 15 'Revenue from Contracts with Customers - the standard will be adopted for the first time in the year ending 31 October 2019. The Group will apply 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 will not alter the total contract value, the timing of cash flows or the Group's ability to pay dividends.

1 ACCOUNTING POLICIES (CONTINUED)

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 will be impacted by IFRS 15 and the most significant impact of implementing the standard is as follows:

- Software licence revenue: Under current accounting policies revenue from software licences is 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 will result 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 will result in a delay in revenue previously recognised and an increase in deferred income going forward. There will be no change to the net contract values.

- Hardware revenue: Under current accounting policies revenue from hardware is mainly recognised as the hardware is issued to the customers. For bundled contracts this results 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 will result 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 will result in a delay in revenue previously recognised and an increase in deferred income going forward. There will be no change to the net contract values.

- Contract obtaining assets: Under current accounting policies sales commissions associated with individual contracts are recognised when contracts are signed or invoiced. Under IFRS 15, because they are instrumental to obtaining the contract and are expected to be recovered, these costs will be capitalised and amortised over the life of the contract, but only where the duration of the contract on which the commissions is based lasts for more than one year.

- Quantitative impact: The Company estimates that the quantitative impact of adoption of IFRS 15 on our financial statements for the year ended 31 October 2018 would be to defer £3.2m of revenue to future periods. The net impact is to reduce retained earnings by £2.6m, increase deferred liabilities by £3.2m and increase deferred taxation asset by £0.6m. The development of these estimates has been performed outside of the Group's underlying financial systems. There will be no impact on recurring revenue streams. The Directors will continue to monitor industry practice and experience of implementation and update its assessment of the impact for the Group as appropriate.

- IFRS 16 'Leases' – effective for periods commencing on or after 1 January 2019. 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 but is yet to be endorsed by the EU. The Directors have not yet assessed the impact that this standard will have on the Group's net asset position and are therefore not in a position to make a reliable estimate of the impact this revised standard will have on the Group's accounting policies. The standard is expected to be applicable to the Group for the period beginning 1 November 2019. Please refer to note 27 for the Group's current operating lease commitments, which will be disclosed as a balance sheet liability under IFRS 16 when this becomes effective.

Adoption of new and revised standards

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

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unreleased Losses
- Annual Improvements to IFRSs 2012-2014 Cycle

Restatement of comparative figures

Following on from the revenue issues mentioned in the annual accounts for the year ended October 2017, the finance team have conducted a comprehensive review of revenue, accrued income and debtors, and identified a number of prior period errors.

1 ACCOUNTING POLICIES (CONTINUED)

Restatement of comparative figures (continued)

The following tables summarise the impact of the prior period errors in the financial statements of the Group.

Consolidated Statement of Comprehensive Income	31 October 2017 £000
Profit before tax as originally presented	3,481
Restatement of:	
Revenue	(2,975)
Cost of sales	173
Administrative expenses	(35)
Finance costs	145
Profit before tax as restated (includes discontinued operations)	789

Consolidated Balance Sheet	31 October 2017 £000
Net assets as originally presented	91,309
Restatement of:	
Property, plant and equipment	(64)
Stock	(3)
Trade and other receivables	(3,429)
Cash and cash equivalents	(12)
Trade and other payables	125
Other liabilities	75
Current tax	423
Deferred tax liabilities	1
Bonds in issue	156
Net assets as restated	88,581

Earnings per share	31 October 2017
Basic EPS as originally presented	0.66p
Impact on profit for the period (£000)	(2,269)
Basic EPS as restated	0.09p
Diluted EPS as originally presented	0.64p
Impact on profit for the period (£000)	(2,269)
Diluted EPS as restated	0.09p

Judgements and estimates

Management assess critical judgements and estimates in line with the Financial Reporting Council's ("FRC") guidance.

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

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 be a significant risk but are not expected to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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 half yearly. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each bi-annual review. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors.

Capitalised development is reviewed on an individual project basis and management will select the most appropriate rate of amortisation for each asset. Amortisation is within the range of 1 to 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 commercial substance of transactions to determine the appropriate revenue recognition treatment. This review could involve internal chartered accountants, internal legal staff, operational staff and external professional advice where appropriate.

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

- whether there are ongoing obligations relating to software licences which would require the revenue to be recognised over time rather than at a point in time;
- whether performance obligations are separable or bundled; and
- whether it is appropriate to recognise revenue on certain contracts, such as service agreements, prior to an invoice being raised, where work has been completed and there is a high degree of certainty of the contract being completed, the invoice raised and cash received.

See paragraph headed 'Revenue' below for more detail on how the Group accounts for revenue.

Contingent deferred consideration
The contingent deferred consideration is the maximum undiscounted amount, which will be paid and represents fair value. Management consider this to be a critical judgement because it involves a view as to whether obligations arise from uncertain matters. This can be judgemental because any sum due to be paid must meet specific criteria, is complex, relates to past events and has a variety of potential outcomes. To estimate the fair value, a judgement is made on the amount of contingent deferred consideration that is likely to be paid having regard to the criteria on which any sum due will be calculated.

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. See note 12 for further commentary.

Estimates
Management considers the following items to involve key assumptions concerning the future, or other key sources of estimation uncertainty, in the reporting period that are deemed to be a significant risk but are not expected to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Intangible assets
The Group recognises intangible assets acquired as part of business combinations, goodwill, customer relationships, Trade names, Software, Development costs, Database and Order backlog, 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.

1 ACCOUNTING POLICIES (CONTINUED)

In determining the useful economic life of the intangible software assets, management has given consideration to the length of time that its own software is typically used within its market. Competitor products are also reviewed in conjunction with the length of time they have also been in use. These reviews are conducted with assistance from an independent intellectual property consulting firm, which has a wealth of experience in valuing intangible assets generated from acquisitions.

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

In addition, management reviews the carrying values of intangible assets at interim and year end. During the year ended 31 October 2018, (£12,000) and £61,000 of fair value adjustments were charged relating to Software and Goodwill respectively. In the prior year there was (£275,000) of fair value adjustments to both Trade names and Software. Management has considered historical and forecast profitability relating to each intangible asset as at 31 October 2018 and deem that no further fair value adjustments are required.

Deferred tax

The Group has tax losses available to offset further taxable profits. Management estimates the amount of deferred tax to be recognised based on the future profitability of each business unit and projected corporation tax rates published by HMRC.

Basis of consolidation

The Group accounts consolidate the accounts 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.

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 and intangible assets to align accounting policies with the Group.

Revenue

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

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

Software licence revenue is recognised when the licence is dispatched to the customer and there are no ongoing obligations associated with the licence once dispatched. Where the licence is bespoke, revenue is recognised when the licence is delivered and the customer has accepted the licence as fully functional.

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

Revenue relating to digital services, including search engine optimisation, ecommerce and digital advertising, is recognised at the time of service delivery.

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

1 ACCOUNTING POLICIES (CONTINUED)

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

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

Revenue from software-as-a-service ("SaaS") contracts, or revenue where there are ongoing obligations associated with a software licence, is recognised evenly over the life of the agreement.

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

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

Revenue relating to hardware is recognised when the hardware is dispatched to the customer.

Contract revenue

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

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

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the steering committee, which for the year ended 31 October 2018 comprised 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.

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.

1 ACCOUNTING POLICIES (CONTINUED)

Other intangible assets

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

(i) Research and development

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

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

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

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

Amortisation is calculated using the straight-line method over a period of 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 and 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 UNI-form, ACOLAID, Enterprise Engineer, CAFM Explorer, electoral and licensing software purchased on the acquisition of CAPS Solutions Limited, Plantech Limited, McLaren Software Limited, Strand Electoral Management Services Limited, Lalpac Limited, Interactive Dialogues NV, Opt 2 Vote Limited, Currency Connect Holding BV, FMx Limited, Artesys International SA, CTSpace Group, Digital Spirit GmbH, Cloud Amber Limited, Open Objects Software Limited, Rippleffect Studios Limited, 6PM Holdings plc and Halarose Holdings Limited. The software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of between 3 and 10 years. Software also includes software licences purchased which are amortised using the straight-line method over a period of between 3 to 5 years.

(v) Database

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

(vi) Order backlog

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

1 ACCOUNTING POLICIES (CONTINUED)

Order backlog includes two managed services contracts acquired from Miria Systems Inc. Amortisation on the managed service deferred revenue is calculated using the straight-line method over a period of 5 years.

Upon the acquisition of Halarose Holding Limited, the Group acquired deferred revenue which is being amortised using the straight-line method over a period of 3 years.

Impairment

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

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

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

Property, plant and equipment

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

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

Computer hardware	25%, 50% and 100% 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.

Investment property

The investment property was acquired upon the purchase of 6PM Holdings plc and was recorded initially at cost and then using the fair value method. The investment property was revalued annually with resulting gains and losses recognised in the income statement, and the property was included in the balance sheet at its fair value.

Employee benefits

Defined contribution pension plans

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

Share-based payment transactions

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

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

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

1 ACCOUNTING POLICIES (CONTINUED)

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

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to reserves. In some circumstances upon exercise of share options, the right to shares are waived and the proceeds are settled in cash.

Reserves

Equity comprises the following:

- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Capital redemption reserve” represents when the entire deferred ordinary share capital was bought in exchange for one ordinary 1p share.
- “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.
- “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.

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.

1 ACCOUNTING POLICIES (CONTINUED)

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.

The tax credit is treated as a reconciling item within the taxation line of the income statement.

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.

Financial instruments

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

Financial assets

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on deposit 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.

1 ACCOUNTING POLICIES (CONTINUED)

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.

Bond

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 2018, the Group was organised into five 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.
- Digital (DIG) – delivering digital consultancy services to public, private and third sector customers.
- Health (HLT) – delivering a broad range of innovative solutions to the healthcare market.

Atlas Adviesgroep Twente B.V., acquired in January 2018, is included in the Content segment. On the 1st May 2018 following an internal reorganisation the Knowledge Exchange sub division was transferred to the Content segment.

On 2nd November 2018 the Digital segment was sold. As Digital was a separately identifiable division the results for the period ended 31 October 2018 and comparative period have been classified as a discontinued operation. The allocation of corporate overheads to the Digital segment have remained as continuing as these cost are not clearly identifiable costs of the segment. These cost relate to central overheads which are allocated to segments on a revenue percentage basis.

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.

2 SEGMENTAL ANALYSIS (CONTINUED)

The segment revenues by geographic location are as follows:

2018	Continued 2018 £000	Discontinued 2018 £000	Total Group 2018 £000
Revenues from external customers			
United Kingdom	45,778	5,995	51,773
USA	5,194	-	5,194
Europe	15,632	205	15,837
Australia	475	-	475
Rest of World	364	21	385
	67,443	6,221	73,664

2017	Continued 2017 £000	Discontinued 2017 £000	Total Group 2017 £000
Revenues from external customers			
United Kingdom	51,479	11,442	62,921
USA	6,989	5	6,994
Europe	14,419	658	15,077
Australia	312	-	312
Rest of World	552	28	580
	73,751	12,133	85,884

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

2018	Continued 2018 £000	Discontinued 2018 £000	Total Group 2018 £000
Revenues by type			
Recurring revenues	31,489	3,276	34,765
Non-recurring revenues	35,954	2,945	38,899
	67,443	6,221	73,664
Revenue from sale of goods	17,335	61	17,396
Revenue from rendering of services	50,108	6,160	56,268
	67,443	6,221	73,664

2017	Continued 2017 £000	Discontinued 2017 £000	Group Restated 2017 £000
Revenues by type			
Recurring revenues	30,520	5,502	36,022
Non-recurring revenues	43,231	6,631	49,862
	73,751	12,133	85,884
Revenue from sale of goods	19,665	31	19,696
Revenue from rendering of services	54,086	12,102	66,188
	73,751	12,133	85,884

Recurring revenue is income generated from customers on a contractual basis. Repeat and recurring revenue amount to approximately 47% of continuing revenue, which is revenue generated from sales to existing customers.

2 SEGMENTAL ANALYSIS (CONTINUED)

The 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	34,287	10,003	13,604	268	9,281	**67,443**	6,221	**73,664**
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs	9,717	1,361	2,295	(486)	1,530	**14,417**	(2,834)	**11,583**
Depreciation	(779)	(196)	(14)	-	(117)	**(1,106)**	(38)	**(1,144)**
Amortisation – software licences and R&D	(2,355)	(651)	(176)	-	(536)	**(3,718)**	(28)	**(3,746)**
Amortisation – acquired intangibles and order backlog	(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	(848)	(1,993)	1,576	(494)	(26,028)	**(27,787)**	(9,743)	**(37,530)**
Corporate finance costs						**(336)**	-	**(336)**
Finance income						**449**	-	**449**
Finance costs						**(1,788)**	-	**(1,788)**
Loss before Taxation						**(29,462)**	(9,743)	**(39,205)**

*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.

2 SEGMENTAL ANALYSIS (CONTINUED)

The restated segment results by business unit for the year ended 31 October 2017:

	PSS £000	EIM £000	CONTENT £000	DIGITAL* £000	HEALTH £000	Continuing Operations Total £000	Discontinued Operations Digital £000	Total £000
Revenue	40,782	12,901	12,421	564	7,083	**73,751**	12,133	**85,884**
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs	14,963	2,146	1,648	(1,265)	(1,013)	**16,479**	(791)	**15,688**
Depreciation	(672)	(190)	(18)	-	(197)	**(1,077)**	(80)	**(1,157)**
Amortisation – software licences and R&D	(2,198)	(492)	(159)	-	(372)	**(3,221)**	-	**(3,221)**
Amortisation – acquired intangibles and order backlog	(2,302)	(468)	(493)	-	(1,181)	**(4,444)**	(803)	**(5,247)**
Restructuring costs	(169)	(69)	(87)	-	(52)	**(377)**	(327)	**(704)**
Acquisition costs	144	-	-	-	(152)	**(8)**	-	**(8)**
Impairment	-	-	-	-	(2,681)	**(2,681)**	-	**(2,681)**
Share option costs	(281)	-	(43)	-	-	**(324)**	-	**(324)**
Adjusted segment operating profit / (loss)	9,485	927	848	(1,265)	(5,648)	**4,347**	(2,001)	**2,346**
Corporate finance costs						**(33)**	-	**(33)**
Finance income						**363**	-	**363**
Finance costs						**(1,887)**	-	**(1,887)**
Profit / (loss) before Taxation						**2,790**	(2,001)	**789**

*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 FOR THE YEAR

Operating profit for the year has been arrived at after charging:	2018 £000	Restated 2017 £000
Auditor's remuneration:		
Fees payable to the Company Auditor for the audit of the parent company and consolidated annual accounts	10	57
The audit of the Company's subsidiaries, pursuant to legislation	180	342
Audit related services	67	33
Non-audit services	119	31
	376	463
Tax services – compliance	42	25
Tax services – advisory	63	9
Operating lease rentals – buildings & equipment	2,664	2,659
Depreciation – owned *	1,106	1,077
Amortisation:		
Software licences	934	916
Research & development	2,784	2,305
Backlog Orders	84	46
Acquired intangibles **	4,411	4,398
Equity-settled share-based payments	50	324
Research & development costs	4,164	3,933

*Depreciation excludes £38,000 (2017: £80,000) in relation to the discontinued Digital division. The total depreciation charge of the year including discontinued operations is £1,144,000 (2017: £1,157,000) as disclosed in note 11.

**Amortisation on acquired intangibles excludes £402,000 (2017: £803,000) in relation to the discontinued Digital division. The total amortisation charge for the year including discontinued operations of £4,800,000 (2017: £5,200,000), as disclosed in note 12.

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	Continuing Operations 2018 £000	Discontinued Operations 2018 £000	Total 2018 £000
Wages and salaries	30,156	4,317	34,473
Social security costs	3,269	398	3,667
Pension costs	1,282	138	1,420
	34,707	4,853	39,560

Staff costs during the year were as follows:	Continuing Operations 2017 £000	Discontinued Operations 2017 £000	Total 2017 £000
Wages and salaries	29,837	6,722	36,559
Social security costs	3,807	609	4,416
Pension costs	1,160	168	1,328
	34,804	7,499	42,303

In addition, during the year share based payment charges of £50,000 (2017: £324,000) were incurred.

During the year, the Group incurred restructuring costs in respect of continuing operations of £436,000 (2017: £377,000) and £194,000 (2017: £327,000) in respect of discontinued operations. Restructuring costs represent redundancy payments to former staff.

4 DIRECTORS AND EMPLOYEES (CONTINUED)

The average number of employees of the Group during the year was 804 (2017: 842) and was made up as follows:

	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
	721	83	804

	Continuing Operations 2017 No.	Discontinued Operations 2017 No.	Total 2017 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	47	3	50
Sales	56	5	61
Development	115	19	134
Operations	492	105	597
	710	132	842

Remuneration in respect of Directors was as follows:	2018 £000	2017 £000
Emoluments	880	1,064
Pension contributions	13	21
Share option exercise gain	629	3,201
	1,522	4,286

In addition to the remuneration stated above, the Group incurred social security costs in respect of Directors of £181,000 (2017: £562,000).

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

	2018 £000	2017 £000
Aggregate emoluments	202	377
Pension contributions	1	6
	203	383

During the year the highest paid director did not exercise share options. In the prior year the highest paid director exercised share options resulting in a taxable gain of £1,128,000.

During the year, the Group incurred social security costs in respect of the highest paid director of £23,000 (2017: £184,000).

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 19 to 21 but does not form part of the audited accounts.

5 ACQUISITION COSTS

Following the implementation of IFRS 3, all acquisition related costs are expensed in the period incurred rather than added to the cost of investment. Acquisition costs relating to individual acquisitions are disclosed in note 26.

Acquisition costs	**2018 £000**	**2017 £000**
Acquisition costs	(3)	(236)
Release of contingent consideration	859	228
	856	(8)

During the year, the contingent consideration on Open Objects Limited was reduced from £1,600,000 to £741,010. The reduction was a result of missing the revenue target as set out in the Share Purchase Agreement.

The adjusted contingent consideration was paid on 14 December 2018.

The contingent consideration on Atlas Adviesgroep was reduced by £9,000 as a result of not meeting a performance target as set out in the Share Purchase Agreement. All contingent consideration has now been paid.

6 FINANCE INCOME AND COSTS

	2018 £000	**2017 £000**
Interest receivable	2	6
Dividends receivable	18	24
Foreign exchange differences	22	222
Other income	407	111
Finance income	449	363
Bank loans interest payable	(790)	(757)
Bond interest payable	(708)	(692)
Bank charges and loan facility fees	(290)	(335)
Loss on discounting of amounts recoverable from customers	-	(103)
Finance costs	(1,788)	(1,887)

7 DIVIDENDS

	2018 £000	**2017 £000**
Final dividend paid in respect of the year ended 31 October 2017 and 31 October 2016	2,717	2,627
Pence per ordinary share	0.655p	0.650p
Interim dividend paid in respect of the year ended 31 October 2018 and 31 October 2017	-	1,590
Pence per ordinary share	-	0.385p

The Directors have proposed the payment of a final dividend of £Nil per share, which would amount to £Nil (2017: 0.655p).

8 INCOME TAX

The tax charge is made up as follows:	Continuing Operations 2018 £000	Continuing Operations 2017 £000
Current tax		
UK corporation tax on profits for the period	424	1,144
Foreign tax on overseas companies	274	302
Over provision in respect of prior periods	(567)	(362)
Total current tax	131	1,084
Deferred tax		
Origination and reversal of temporary differences	(3,020)	(426)
Adjustment for rate change	407	(8)
Adjustments in respect of prior periods	1	20
Total deferred tax	(2,612)	(414)
Total tax (credit) / charge	(2,481)	670

The below current tax movements on discontinued activities arise in respect of prior year R&D tax claims belonging to the Digital division.

The below deferred tax current year movement on discontinued activities relates to impairment of acquired intangibles, with rate differentials arising on account of the difference between the deferred tax rate of recognition and the reconciling tax rate.

The tax charge is made up as follows:	Discontinued Operations 2018 £000	Discontinued Operations 2017 £000
Current tax		
UK corporation tax on profits for the period	-	-
Foreign tax on overseas companies	-	-
Under / (over) provision in respect of prior periods	11	(261)
Total current tax	11	(261)
Deferred tax		
Origination and reversal of temporary differences	(731)	-
Adjustment for rate change	44	11
Adjustments in respect of prior periods	-	-
Total deferred tax	(687)	11
Total tax credit	(676)	(250)

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:

	2018 £000	% ETR movement	Restated 2017 £000	% ETR movement
Profit before taxation on continuing operations	(39,205)		788	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19%)	(7,449)	19.00	150	19.00
Effects of:				
Share option deduction	(52)	0.13	(100)	(12.69)
Tax losses utilised in year	-	-	25	3.17
International losses not recognised	(1,163)	2.97	425	53.93
Accelerated capital allowances	(29)	0.07	(152)	(19.29)
Other timing differences	-	-	(98)	(12.44)
Expenses not deductible for tax purposes	5,941	(15.15)	714	90.61
Prior year over-provision	(555)	1.40	(656)	(83.24)
Non-taxable income	(246)	0.63	(52)	(6.59)
Adjustment for tax rate differences	471	(1.18)	193	24.49
R&D enhanced relief	(77)	0.19	(30)	(3.81)
Foreign tax suffered	2	(0.01)	1	0.13
	(3,157)	8.05	420	53.27

The effective tax rate (ETR) for the period was 8.05% (2017: 53.27%). The main factor for the lower ETR on the net loss before tax position was the impairment processed during FY18, which is not deductible for tax purposes. Furthermore, non-recognition of losses in Malta, owing to uncertainty over their future utilisation, decreased ETR further.

These downward pressures on ETR were mitigated by adjustments to prior periods and recognition of losses not previously recognised, the latter being primarily on account of permitted recognition against outstanding deferred tax liabilities of the same entity.

Movement on trading losses during 2018 are as follows:

Recognised trading losses	**UK unrelieved trading losses £000**	**Foreign unrelieved trading losses £000**	**Total unrelieved trading losses £000**	**Tax effect £000**
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)

8 INCOME TAX (CONTINUED)

For comparative purposes, movement on trading losses during 2017 were as follows:

Recognised trading losses	**UK unrelieved trading losses £000**	**Foreign unrelieved trading losses £000**	**Total unrelieved trading losses £000**	**Tax effect £000**
As at 1 November 2016	-	2,398	**2,398**	432
Impact of deferred tax recognition at local rate	-	-	**-**	384
Recognised during the year	327	-	**327**	59
Utilised during the year	-	(1,579)	**(1,579)**	(537)
	327	819	**1,146**	338
Unrecognised trading losses				
Losses not recognised	(2,137)	(9,983)	**(12,120)**	(3,268)
	(2,137)	(9,983)	**(12,120)**	(3,268)

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 recognised during the year were in France and are expected to be utilised in future. The foreign losses utilised during the year were in the US and Germany. The closing unrecognised losses of £10,391,000 relate to Malta, the UK 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 £338,000 to £347,000.

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 income statement, were as follows:

	2018 £000	**Restated 2017 £000**
Revenue	6,221	12,133
Expenses	(15,964)	(14,135)
Loss before tax	(9,743)	(2,002)
Attributable tax expense	676	250
Net loss attributable to discontinued operations	(9,067)	(1,752)

During the year, Digital contributed (£1,856k) (2017: (£522k)) to the Group's net operating cash flows, paid £Nil (2017: £Nil) in respect of investing and financing activities.

On 12th September 2018 the board resolved to dispose of the digital consultancy business and negotiations with several interested parties subsequently took place. The sale was completed on 2nd November 2018. These operations have been 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 has been 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:

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

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	**2018 £'000**	**Restated 2017 £'000**
(Loss) / profit for the year	(26,975)	2,111
Basic earnings per share		
Weighted average number of shares in issue	413,116,107	397,125,960
Basic earnings per share	(6.53)p	0.53p
Weighted average number of shares in issue	413,116,107	397,125,960
Add back:		
Treasury shares	1,491,219	2,366,219
ESOP shares	1,214,256	985,589
Weighted average allotted, called up and fully paid share capital	415,821,582	400,477,768
Diluted earnings per share		
Weighted average number of shares in issue used in basic earnings per share calculation	413,116,107	397,125,960
Dilutive share options	3,613,752	11,664,111
Weighted average number of shares in issue used in dilutive earnings per share calculation	416,729,859	408,790,071
Diluted earnings per share	(6.47)p	0.52p

10 EARNINGS PER SHARE (CONTINUED)

Adjusted earnings per share	2018 £000	2017 £000
(Loss) / profit for the year	(26,975)	2,111
Add back:		
Amortisation on acquired intangibles	4,495	4,444
Impairment	33,255	2,681
Acquisition costs	(856)	8
Restructuring costs	435	377
Tax effect	(937)	(964)
Adjusted profit for year	9,417	8,657
Weighted average number of shares in issue - basic	413,116,107	397,125,960
Weighted average number of shares in issue - diluted	416,729,859	408,790,071
Adjusted earnings per share	2.28p	2.18p
Adjusted diluted earnings per share	2.26p	2.12p

Discontinued Operations	2018 £'000	Restated 2017 £'000
Loss for the year	(9,067)	(1,752)
Basic earnings per share		
Weighted average number of shares in issue	413,116,107	397,125,960
Basic earnings per share	(2.19)p	(0.44)p
Weighted average number of shares in issue	413,116,107	397,125,960
Add back:		
Treasury shares	1,491,219	2,366,219
ESOP shares	1,214,256	985,589
Weighted average allotted, called up and fully paid share capital	415,821,582	400,477,768
Diluted earnings per share		
Weighted average number of shares in issue used in basic earnings per share calculation	413,116,107	397,125,960
Dilutive share options	3,613,752	11,664,111
Weighted average number of shares in issue used in dilutive earnings per share calculation	416,729,859	408,790,071
Diluted earnings per share	(2.18)p	(0.43)p

10 EARNINGS PER SHARE (CONTINUED)

Total Operations	2018 £'000	Restated 2017 £'000
(Loss) / profit for the year	(36,042)	359
Basic earnings per share		
Weighted average number of shares in issue	413,116,107	397,125,960
Basic earnings per share	(8.72)p	0.09p
Weighted average number of shares in issue	413,116,107	397,125,960
Add back:		
Treasury shares	1,491,219	2,366,219
ESOP shares	1,214,256	985,589
Weighted average allotted, called up and fully paid share capital	415,821,582	400,477,768
Diluted earnings per share		
Weighted average number of shares in issue used in basic earnings per share calculation	413,116,107	397,125,960
Dilutive share options	3,613,752	11,664,111
Weighted average number of shares in issue used in dilutive earnings per share calculation	416,729,859	408,790,071
Diluted earnings per share	(8.65)p	0.09p

Adjusted earnings per share	2018 £000	2017 £000
(Loss) / profit for the year	(36,042)	359
Add back:		
Amortisation on acquired intangibles	4,897	5,247
Impairment	39,530	2,681
Acquisition costs	(856)	8
Restructuring costs	630	704
Tax effect	(1,050)	(1,190)
Adjusted profit for year	7,109	7,809
Weighted average number of shares in issue - basic	413,116,107	397,125,960
Weighted average number of shares in issue - diluted	416,729,859	408,790,071
Adjusted earnings per share	1.72p	1.97p
Adjusted diluted earnings per share	1.71p	1.91p

11 PROPERTY, PLANT AND EQUIPMENT

	Computer hardware £000	Fixtures, fittings and equipment £000	Library books and journals £000	Investment property £000	Total £000
Cost					
At 1 November 2016	1,257	483	245	-	**1,985**
FX on opening balances	-	9	-	-	**9**
Additions	1,449	38	3	-	**1,490**
Additions on acquisition	99	212	-	384	**695**
Internal reallocation to asset category	135	(137)	-	-	**(2)**
Disposals	(806)	(102)	(233)	(384)	**(1,525)**
At 31 October 2017 restated	2,134	503	15	-	**2,652**
FX on opening balances	21	21	-	-	**42**
Additions	595	10	1	-	**606**
Additions on acquisition	1	-	-	-	**1**
Assets fully written down but still in use	1,375	1,611	1	-	**2,987**
Disposals	(1,094)	(858)	(6)	-	**(1,958)**
Internal reallocation of asset category	6	(6)	-	-	**-**
At 31 October 2018	3,038	1,281	11	-	**4,330**
Depreciation					
At 1 November 2016	452	195	223	-	**870**
Provided in the year	887	251	19	-	**1,157**
Eliminated on disposal	(731)	(138)	(233)	-	**(1,102)**
Internal reallocation of asset category	69	(85)	-	-	**(16)**
At 31 October 2017 restated	677	223	9	-	**909**
FX on opening balances	51	78	-	-	**129**
Provided in the year	994	146	4	-	**1,144**
Assets fully written down but still in use	1,276	1,535	2	-	**2,813**
Eliminated on disposal	(1,012)	(858)	(6)	-	**(1,876)**
Internal reallocation of asset category	5	(5)	-	-	**-**
At 31 October 2018	1,991	1,119	9	-	**3,119**
Net book amount at 31 October 2018	**1,047**	**162**	**2**	**-**	**1,211**
Net book amount at 31 October 2017	1,457	280	6	-	**1,743**

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	Database £000	Order backlog £000	Total £000
Cost								
At 1 November 2016	52,646	22,005	11,537	17,074	10,236	569	4,341	**118,408**
Revaluation of opening balance	-	-	-		95	-	(4)	**91**
Additions	-	-	-	921	4,767	-	-	**5,688**
Additions on acquisition	24,516	12,312	2,714	5,362	1,545	-	170	**46,619**
Disposals	-	(3,510)	(1,383)	(7,080)	(3,972)	(569)	(4,200)	**(20,714)**
Fair value adjustment	101	-	(275)	(275)	-	-	-	**(449)**
At 31 October 2017	77,263	30,807	12,593	16,002	12,671	-	307	**149,643**
Revaluation of opening balance	-	-	-	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**
Amortisation								
At 1 November 2016	647	11,239	4,747	9,188	5,263	569	4,236	**35,889**
Revaluation of opening balance	-	-	-	-	13	-	(3)	**10**
Amortisation for the year	-	2,085	928	3,104	2,305	-	46	**8,468**
Impairment	3,231	-	-	-	-	-	-	**3,231**
Disposals	-	(3,510)	(1,383)	(7,075)	(3,972)	(569)	(4,200)	**(20,709)**
At 31 October 2017	3,878	9,814	4,292	5,217	3,609	-	79	**26,889**
Revaluation of opening balance	-	-	-	-	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**
Carrying amount at 31 October 2018	**45,855**	**13,330**	**4,725**	**5,985**	**8,747**	**-**	**145**	**78,787**
Carrying amount at 31 October 2017	73,385	20,993	8,301	10,785	9,062	-	228	**122,754**

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, ‘Impairment of Assets’. An impairment charge of £25,375,931 (2017: £2,681,000) was processed in the period in relation to the Health division, £6,079,471 (2017: Nil) in relation to the PSS division, £6,274,696 (2017: Nil) in relation to the Digital division and £1,800,000 (2017: Nil) in relation to the EIM division. An impairment charge of £550,000 was processed in the prior year period in relation to a cash refund relating to the historical acquisition price of Rippleffect Limited.

Fair value adjustments are in relation to the 6PM Group, Halarose Limited and Atlas Adviesgroep Twente B.V. Further information on these fair value adjustments is provided in note 26.

12 INTANGIBLE ASSETS (CONTINUED)

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

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

Cash Generating Units (CGU)	2018 £000	2017 £000
Public Sector Software: Local Authority	21,803	21,792
Public Sector Software: Transport	-	3,559
Public Sector Software: Social Care	2,443	2,443
Public Sector Software: Computer Aided Facilities Management	4,222	4,222
Engineering Information Management	9,974	11,773
Content	7,413	7,154
Digital	-	2,431
Health	-	20,011
	45,855	73,385

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 2019 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 2018, 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 2017.

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:

Cash Generating Unit (CGU)	Discount rate Current year	Growth rate Current year	Discount rate Prior year	Growth rate Prior year
Public Sector Software	11.7%	1.5%	11.19%	2%
Engineering Information Management	13.9%	1.5%	10.55%	2%
Content	12.2%	1.5%	12.04%	2%
Digital	N/A	1.5%	11.05%	2%
Health	11.7%	1.5%	10.55%	2%

At April 2018, management conducted a detailed review of the weighted average cost of capital inputs which were used as the basis of the discount rate calculation. This lead to an increase in the discount rates which have been applied, as shown above.

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

Management considered the level of intangible assets within the Group in comparison to the future budgets and have processed an impairment charge of £39,530,000 within the year (2017: £2,681,000). This is broken down on a divisional level as; PSS Transport £6,079,000, Health £25,376,000 (2017: £2,681,000), 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 of 1% would not lead to the carrying amount of each CGU exceeding the recoverable amount.

12 INTANGIBLE ASSETS (CONTINUED)

Sensitivities have also been run on cash flow forecasts for all CGUs reducing the growth rate from 0% to -2%. Management are satisfied that this change would not lead to the carrying amount of each CGU exceeding the recoverable amount.

13 INVESTMENTS

The investment relates to a 22.5% (2017: 22.5%) shareholding Javaili LLC a company incorporated in USA. This investment was acquired as part of the acquisition of the 6PM Group in February 2017.

14 DEFERRED INCOME TAX

Deferred tax assets and liabilities are summarised as follows:	**2018 £000**	**Restated 2017 £000**
Deferred tax assets	1,107	1,086
Deferred tax liabilities (non-current)	(3,724)	(7,010)
	(2,617)	(5,924)

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

	2018 £000	**2017 £000**
At 1 November	(5,924)	(2,237)
Credit to income for the year	1,035	429
Adjustment for changes in rate	(452)	(3)
Prior year adjustment	(1)	(20)
Other movements	8	56
Charged to goodwill for the year	2,717	(3,697)
Transferred to equity	-	(452)
At 31 October	(2,617)	(5,924)

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

	Share-based payments £000	**Other temporary differences £000**	**Tax losses carried forward £000**	**Accelerated tax depreciation £000**	**Total deferred tax asset £000**	**Total deferred tax liability £000**
At 1 November 2016	1,162	84	431	437	**2,114**	(4,351)
Charge to income	(515)	(51)	(152)	77	**(641)**	1,038
Charge to equity	(452)	-	-	-	**(452)**	-
Changes in rate	-	-	(5)	-	**(5)**	-
Deferred tax recognised on acquisition	-	8	62	-	**70**	(3,697)
At 31 October 2017	195	41	336	514	**1,086**	(7,010)
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)**

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	Note	**2018 £000**	**Restated 2017 £000**
Financial assets measured at amortised cost:			
Current:			
Trade and other receivables	16	10,704	18,567
Cash and cash equivalents	17	5,534	3,248
		16,238	21,815
Loans and receivables:			
Non-current:			
Amounts recoverable on contracts	16	7,036	8,738
		7,036	8,738
Current:			
Amounts recoverable on contracts	16	12,117	11,864
		12,117	11,864

Financial liabilities	Note	**2018 £000**	**Restated 2017 £000**
Financial liabilities measured at amortised cost:			
Non-current:			
Bonds in issue	21	11,491	11,238
Bank borrowings	22	22,505	21,519
		33,996	32,757
Current:			
Bank borrowings	22	3,289	3,102
Trade and other payables	18	7,941	10,893
Other liabilities	19	1,898	2,714
		13,128	16,709
Financial liabilities measured at fair value through profit or loss:			
Current:			
Other liabilities*		750	1,600
		750	1,600

*Hierarchy 3 being inputs for the asset or liability which are not based on observable market data. The current year and prior year liabilities 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 2018 £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	750	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	£684

There have been no changes to valuation techniques or any amounts recognised through 'Other Comprehensive Income'. The adjustment of £684k is included in 'Acquisition credits' in the Consolidated Statement of Comprehensive Income.

16 TRADE AND OTHER RECEIVABLES

	2018 £000	Restated 2017 £000
Trade receivables, gross	10,908	19,131
Allowance for credit losses	(204)	(564)
Trade receivables, net	10,704	18,567
Other receivables	952	984
Amounts recoverable on contracts	12,117	11,864
Financial assets	23,773	31,415
Prepayments	2,414	2,590
Non-financial assets	2,414	2,590
Trade and other receivables due within one year	26,187	34,005

	2018 £000	2017 £000
Amounts recoverable on contracts	7,036	8,738
Trade and other receivables due after one year	7,036	8,738

Total trade receivables (net of allowances) held by the Group at 31 October 2018 amounted to £11,648k (2017: £18,567k), comprising the amount presented above of £10,704k (2017: £18,567k) and trade receivables classified as held for sale of £944k (2017: £Nil).

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic performances feeding into impairment provision calculations.

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.

Amounts recoverable on contracts represent work completed and delivered to the customer but due to the contractual payment terms have not yet been invoiced. £15.3m (2017: £16.6m) of the balance is in relation to deferred payment deals on local authority contracts, which typically have three to five year payment terms. Amounts recoverable due after one year have been discounted to amortised cost.

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2018	2017
Euros	€4,509,840	€4,768,000
Australian Dollars	AUD79,000	AUD35,000
US Dollars	$1,646,950	$3,091,000
Canadian Dollars	CAD322,000	-
Swiss Franc	-	SWF12,000
Norwegian Krone	-	NOK386,000
New Zealand Dollars	-	NZD16,000
Polish Zloty	PLZ1,000	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:

	2018 £000	Restated 2017 £000
Local authorities and other public bodies	5,231	10,357
Private companies	5,677	8,774
	10,908	19,131

The Idox Group is required to adopt IFRS 9 for the year ending 31 October 2019. The Group is currently designing a new report within the ERP system which will collate the relevant information for the purposes of complying with the standards. The full impact of adoption will depend on a number of factors including the financial instruments within the group, macroeconomic conditions and judgements over credit risk and expected credit losses. Overall, adoption of IFRS 9 is not expected to have a material impact on the Group.

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

	Gross 2018 £000	Impairment 2018 £000	Restated Gross 2017 £000	Restated Impairment 2017 £000
Not past due	7,954	-	11,509	-
Past due 0 to 30 days	780	-	2,425	-
Past due 31 to 60 days	343	-	1,155	-
More than 60 days	1,831	204	4,042	564
	10,908	204	19,131	564

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

	2018 £000	Restated 2017 £000
At 1 November	564	437
Charge for the year	403	760
Utilised	(763)	(633)
At 31 October	204	564

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

	2018 £000	2017 £000
Cash at bank and in hand	5,534	3,248
Cash and cash equivalents per cash flow statements	5,534	3,248

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

18 TRADE AND OTHER PAYABLES

	2018 £000	Restated 2017 £000
Trade payables	3,721	6,194
Accruals	4,220	4,699
	7,941	10,893

Total trade payables (net of allowances) held by the Group at 31 October 2018 amounted to £3,874k (2017: £6,194k), comprising the amount presented above of £3,721k (2017: £6,194k) and trade payables classified as held for sale of £153k (2017: £Nil).

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

	2018 £000	Restated 2017 £000
Current:		
Social security and other taxes	2,732	4,884
Other payables – deferred consideration	750	1,600
Other payables	1,898	2,714
Deferred income	15,736	18,148
Other Liabilities payable within one year	21,116	27,346
Deferred income	1,288	1,616
Other Liabilities payable after one year	1,288	1,616

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

20 PROVISIONS

	2018 £000	2017 £000
At 1 November	161	39
Provision made during the year	8	161
Provision utilised during the year	(79)	(39)
At 31 October	90	161

The opening and closing provisions relate to estimated dilapidation costs expected to arise on exit of leased properties. The full provision of £90k is expected to be payable during the year ending 31 October 2019.

21 BONDS IN ISSUE

Bonds in issue are measured at amortised cost.

	2018 £000	Restated 2017 £000
130,000 bonds at €100 each	11,491	11,238
	11,491	11,238

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.

22 BORROWINGS

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

	2018 £000	Restated 2017 £000
Current:		
Bank borrowings	3,289	3,102
Non-current:		
Bank borrowings	22,505	21,519
Total borrowings	25,794	24,621

Reconciliation of liabilities arising from financing activities:

	Year ended 31 October 2018			**Year ended 31 October 2017**		
	Long-term borrowings £000	**Short-term borrowings £000**	**Total £000**	**Long-term borrowings £000**	**Short-term borrowings £000**	**Total £000**
As at 1 November 2017	**21,519**	**3,102**	**24,621**	**26,410**	**2,425**	**28,835**
Cash movements:						
Repayment of borrowings	(5,500)	-	**(5,500)**	(9,063)	-	**(9,063)**
New loans	6,500	97	**6,597**	3,500	692	**4,192**
Loans on acquisition	-	-	**-**	538	-	**538**
Non-cash movements:						
Movement in amortisation	-	90	**90**	100	-	**100**
Movement in EIR Adjustment	(14)	-	**(14)**	34	(15)	**19**
As at 31 October 2018	**22,505**	**3,289**	**25,794**	**21,519**	**3,102**	**24,621**

The Group has 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 £7m (2017: £9.5m) and a revolving credit facility of £23m (2017: £23m). The facility is available until February 2020.

At the Balance Sheet date, the term loan had an outstanding balance of £7m (2017: £9.5m) and during the period the loan was held, the average interest rate was 2.98% (2017: 2.81%).

At the Balance Sheet date, the revolving credit facility had an outstanding balance of £18m (2017: £14.5m) and during the period the loan was held, the average interest rate was 3.05% (2017: 2.58%).

There are unamortised loan fees of £Nil (2017: £90,000) at the balance sheet date.

22 BORROWINGS (CONTINUED)

An accounting adjustment of £5,000 (2017: £19,000) 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.

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 long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2018 and 2017, all the Group's borrowings at variable rates were denominated in UK Sterling. The average interest rate during the year ended 31 October 2018 was 2.98% (2017: 2.81%) for the term loan and 3.05% (2017: 2.58%) for the revolving credit facility. Interest payable in the year was £775,000 (2017: £709,000). If the average interest rate during the year had been 1% different, this would have had an impact of £256,000 (2017: £266,000) on the interest payable during the period.

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

Classes of financial assets – carrying amounts	**2018 £000**	**Restated 2017 £000**
Cash and cash equivalents	5,534	3,248
Trade receivables	10,704	18,567
Amounts recoverable on contracts	19,153	20,602
Other receivables	952	984
Financial assets	36,343	43,401

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.

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 two banks with high credit-ratings assigned by international credit-rating agencies. Management does not expect any losses from non-performance of these counterparties.

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

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 2018, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current			Non-current	
	Within 1 month £000	**1 - 3 months £000**	**3 - 12 months £000**	**1 - 5 years £000**	**Later than 5 years £000**
Bonds in issue	-	-	440	2,356	12,670
Bank borrowings	838	1,436	1,744	22,795	-
Trade and other payables	7,697	158	66	180	223

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

	Current			Non-current	
	Within 1 month £000	**1 - 3 months £000**	**3 - 12 months £000**	**1 - 5 years £000**	**Later than 5 years £000**
Bonds in issue	-	-	437	2,341	13,222
Bank borrowings	724	1,389	1,622	21,773	-
Trade and other payables	10,208	216	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:	**2018 £000**	**Restated 2017 £000**
Total equity	49,740	88,983
Less unrestricted cash and cash equivalents (note 17)	(5,534)	(3,248)
	44,206	85,735
Total equity	49,740	88,983
Bonds in issue (note 21)	11,491	11,238
Borrowings (note 22)	25,794	24,621
	87,025	124,842
Capital-to-overall-financing ratio	0.51	0.69

24 SHARE CAPITAL

	2018 £000	**2017 £000**
Authorised:		
650,000,000 ordinary shares of 1p each	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	4,145	3,640
Issued and allotted during the year	24	505
416,908,167 ordinary shares of 1p each (2017: 414,464,265)	4,169	4,145

Movement in issued share capital in the year

During the year to 31 October 2018, three employees exercised share options across four separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 2,443,902 new ordinary shares of 1p each.

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

At 31 October 2018, there were 3,190,648 (2017: 2,479,532) shares in issue under ESOP. During the year, the average issue share price was 35p (2017: 67p).

At 31 October 2018, there were 1,491,219 (2017: 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
1,609,756	-	243,902	-	1,365,854	10.25p	Mar 2010	Mar 2020
2,250,000	-	250,000	-	2,000,000	20.00p	Mar 2011	Mar 2021
390,000	-	50,000	-	340,000	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	-	-	-	446,668	39.00p	Jul 2014	Jun 2024
800,000	-	-	-	800,000	38.38p	Feb 2015	Feb 2025
2,395,000	-	-	-	2,395,000	50.00p	Apr 2016	Apr 2026
700,000	-	-	-	700,000	50.00p	Apr 2016	Apr 2026
8,971,424	-	543,902	-	8,427,522			

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

	2018 No.	2018 WAEP Pence	2017 No.	2017 WAEP Pence
Outstanding at the beginning of the year	8,971,424	31.75	17,135,395	25.95
Granted during the year	-		-	-
Exercised during the year	(543,902)	15.44	(8,163,971)	19.57
Lapsed during the year	-		-	-
Outstanding at the end of the year	8,427,522	32.80	8,971,424	31.75
Exercisable at the end of the year	8,427,522	32.80	8,796,424	31.39

The share options outstanding at the end of the year have a weighted average remaining contractual life of 5 years. The share options exercised during the year had a weighted average exercise price of 15.44p and a weighted average market price of 34.73p.

No share options were granted during the year ended 31 October 2018.

The Group recognised a total charge of £6,000 (2017: £146,000) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. The charge of £6,000 (2017: £146,000) related to share options granted and £Nil (2017: £Nil) related to share options exercised.

25 SHARE OPTIONS (CONTINUED)

Long-Term Incentive Plan (LTIP)

During the year, no further options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £44,000 (2017: £178,000) 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:

	2018 No.	2017 No.
Outstanding at the beginning of the year	3,600,000	3,600,000
Granted	-	-
Forfeited	(1,700,000)	-
Vested	(1,900,000)	-
Outstanding at the end of the year	-	3,600,000
Exercisable at the end of the year	-	-

Richard Kellett-Clarke stepped down as CEO on 9 November 2016. The Nomination & Remuneration Committee of the Idox Board agreed that Richard's outstanding LTIP award of 1,900,000 shares would become unconditional. The vesting date was 14 March 2018.

As part of the conditions of the LTIP under a Lock In deed, Richard is restricted from selling any or all of them, unless required to settle the tax liability, for a further two years from that date. Sufficient shares were sold on 27 March 2018 at a price of 29p to cover the resulting tax liability.

Andrew Riley's LTIP entitlement, consisting of 1,700,000 shares at an exercise price of 1p, was forfeited during the year on account of the failure to meet all specified criteria for vestment.

26 ACQUISITIONS

Atlas Adviesgroep Twente B.V.

On 1 January 2018, the Group acquired the entire share capital of Atlas Adviesgroep Twente B.V. ("Atlas") for a total consideration of €270,000 (£240,000) in cash. Atlas is a small grants consultancy business based in the Netherlands, working predominantly with local and regional government bodies, and will complement the Group's existing grants business in the Netherlands.

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

	Book and fair value £000
Property, plant and equipment	10
Trade receivables	60
Other receivables	1
Deferred tax asset	27
Cash at bank	30
Total Assets	128
Trade payables	(51)
Other liabilities	(23)
Deferred income	(1)
Social security and other taxes	(53)
Total Liabilities	(128)
Net Assets	-
Purchased goodwill capitalised	240
Total consideration	240
Satisfied by:	
Cash to vendor	222
Earn out consideration	18
Total consideration	240

The revenue included in the consolidated statement of comprehensive income since 1 January 2018 contributed by Atlas was £396,000. Atlas also made a profit after tax of £85,000 for the same period. If Atlas had been included from 1 November 2017, it would have contributed £475,000 to Group revenue and a profit after tax of £102,000.

Acquisition costs of £3,000 have been written off in the consolidated statement of comprehensive income.

During the period there have been fair value adjustments in respect of the acquisition of Atlas Adviesgroep Twente B.V. The adjustments totalled £19,000. These adjustments were processed to ensure pre-acquisition related costs were recognised in the correct period.

6PM Holdings plc

During the period there have been further fair value adjustments in respect of the acquisition of 6PM Holdings plc. The adjustments totalled £31,000.

A number of adjustments were processed to ensure pre-acquisition related costs were recognised in the correct period. This resulted in an adjustment of £31,000 in respect of accrued expenses.

26 ACQUISITIONS (CONTINUED)

Halarose Holdings Limited

During the period there have been further fair value adjustments in respect of the acquisition of Halarose Holdings Limited. The adjustments totalled £12,000. These adjustments were processed to align company policies with Idox Group policies, specifically in relation to Fixtures, Fittings and Intangible Assets.

Acquisition cash flows

Acquisition cash flows in the year are as follows:

Subsidiaries acquired during the year:	**Net cash outflow £000**
Atlas Adviesgrope Twente B.V.	209
	209

27 OPERATING LEASE COMMITMENTS

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

Amounts due:	**2018 £000**	**2017 £000**
Within one year	2,162	2,640
Between one and five years	5,422	6,138
After five years	2,756	3,643
	10,340	12,421

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

28 CAPITAL COMMITMENTS

The Group had no capital commitments at 31 October 2018 or 31 October 2017.

29 CONTINGENT LIABILITIES

There were no material Group contingent liabilities at 31 October 2018 or 31 October 2017.

30 RELATED PARTY TRANSACTIONS

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

	2018 £000	2017 £000
Salaries and other short-term employee benefits including NIC	2,160	2,705
Post-employment benefits	68	55
Share-based payments	44	178
	2,272	2,938

During the year ended 31 October 2018, two directors and no members of the executive management team exercised share options resulting in a taxable gain of £628,623. Three directors and one member of the Executive Management Team exercised share options resulting in a taxable gain of £3,318,000 in the year ended 31 October 2017.

Barbara Moorhouse, non-executive director of Idox plc, also acts as a non-executive director of Balfour Beatty plc. During the year ended 31 October 2018, Idox Software Limited generated revenue of £11,533 (2017: £19,000) to subsidiaries of Balfour Beatty plc and at the year end there was an outstanding trade receivables balance of £26,325 (2017: £25,000). McLaren Software Limited generated revenue of £Nil (2017: £18,000) to a subsidiary of Balfour Beatty plc and at the year end there was an outstanding trade receivables balance of £Nil (2017: £21,000).

31 POST BALANCE SHEET EVENTS

On 5 November 2018, the Group sold its Digital division to Fat Media Limited, a digital marketing solution provider, for a nominal cash consideration of £1.00. This disposal allows for additional focus on the Group's core operations and further improvements in its operating model.

It was announced on 19 November 2018 that Laurence Vaughan had stepped down from his role as Chairman. Christopher Stone was appointed as the new Chairman on 22 November 2018.

It was announced on 7 January 2019 that Barbara Moorhouse will step down from the Board at the Group’s next Annual General Meeting.

It was announced on 29 January 2019 that the Group had extended its existing banking arrangements with the Royal Bank of Scotland plc and Silicon Valley Bank until 25 February 2020.

Company Balance Sheet

At 31 October 2018

	Note	2018 £000	2017 £000
Non-current assets			
Investments	6	91,924	121,096
Debtors: falling due after one year	7	-	56
		91,924	121,152
Current assets			
Debtors: falling due within one year	7	58	128
Creditors: amounts falling due within one year	8	(16,766)	(14,086)
Net current liabilities		(16,708)	(13,958)
Total assets less current liabilities		75,216	107,194
Creditors: amounts falling due after more than one year	9	(22,505)	(21,519)
Net assets		52,711	85,675
Capital and reserves			
Called up share capital	10	4,169	4,145
Capital redemption reserve		1,112	1,112
Share premium account		34,188	34,109
Other reserve		6,234	6,234
Treasury reserve		(621)	(621)
Share option reserve		1,228	1,726
Retained earnings		6,401	38,970
Shareholders' funds		52,711	85,675

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 £30,400,000 (2017: £1,209,000).

The financial statements were approved by the Board of Directors and authorised for issue on 20 February 2019 and are signed on its behalf by:

David Meaden
Chief Executive Officer
20 February 2019

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

Company name: Idox plc Company number: 03984070

Company Statement of Changes in Equity

For the year ended 31 October 2018

	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 2016	3,640	1,112	13,480	-	(1,244)	2,218	42,442	**61,648**
Issue of share capital	505	-	20,629	6,234	-	-	-	**27,368**
Share options reserve movement	-	-	-	-	-	(492)	-	**(492)**
Exercise of options catch-up	-	-	-	-	-	-	2,278	**2,278**
Exercise of options from treasury reserve	-	-	-	-	623	-	(324)	**299**
Dividends paid	-	-	-	-	-	-	(4,217)	**(4,217)**
Transactions with owners	505	-	20,629	6,234	623	(492)	(2,263)	**25,236**
Loss for the year	-	-	-	-	-	-	(1,209)	**(1,209)**
Total comprehensive income for the year	-	-	-	-	-	-	(1,209)	**(1,209)**
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 income 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**

1 COMPANY INFORMATION

Idox plc is a company which 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.

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 on a historical cost basis as modified by the revaluation of certain financial assets and liabilities, being, derivatives at fair value through profit or loss.

The financial statements are presented in Sterling (£).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS101. Therefore, these financial statements do not include:

- A statement of cash flows and related notes.
- Disclosure of key management personnel compensation.
- Certain disclosure 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. Management do not deem there to be any critical adjustments and/or estimates to be present within the individual Company's financial statements.

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.

2 ACCOUNTING POLICIES (CONTINUED)

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 19 to 21 but which do not form part of the audited accounts.

4 DIVIDENDS

	2018 £000	2017 £000
Final dividend paid in respect of the year ended 31 October 2017 and 31 October 2016	2,717	2,627
Pence per ordinary share	0.655p	0.650p
Interim dividend paid in respect of the year ended 31 October 2018 and 31 October 2017	-	1,590
Pence per ordinary share	-	0.385p

The Directors have proposed the payment of a final dividend of £Nil per share, which would amount to £Nil (2017: 0.655p).

5 PROFIT FOR THE FINANCIAL YEAR

The parent company’s loss for the year was £30,566,000 (2017: loss £1,209,000). 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 profit for the year ended 31 October 2018 (2017 £Nil).

6 INVESTMENTS

	Investment in Group undertakings £000
Cost or market value	
At 1 November 2017	124,153
Additions	1,854
Reversal of disposals	-
At 31 October 2018	126,007
Impairment	
At 1 November 2017	3,057
Provided in the year	31,026
At 31 October 2018	34,083
Net book amount	
At 31 October 2018	**91,924**
At 31 October 2017	121,096

At 31 October 2018 the Company held investments in the following companies:

	Country of registration	**Class of share held**	**Proportion held**	**Nature of business**
Idox Trustees Limited	England	Ordinary	100%	Corporate trustee of Employee share ownership trust
Idox Software Limited	England	Ordinary	100%	Software services
Cloud Amber Limited	England	Ordinary	100%	Dormant Company
Open Objects Software Limited	England	Ordinary	100%	Dormant Company
Reading Room Limited	England	Ordinary	100%	Dormant Company
Rippleffect Studio Limited	England	Ordinary	100%	Dormant Company
Idox Belgium NV	Belgium	Ordinary	100%	Information services
Idox Netherlands BV	Netherlands	Ordinary	100%	Information services
Idox Germany GmbH	Germany	Ordinary	100%	Software services
McLaren Software Limited	Scotland	Ordinary	100%	Software services
McLaren Software Inc	USA	Ordinary	100%	Software services
Idox France SARL	France	Ordinary	100%	Software services
Idox India Private Limited	India	Ordinary	100%	Software services
McLaren Software Group Limited	Scotland	Ordinary	100%	Holding Company
McLaren Software GmbH	Germany	Ordinary	100%	Dormant Company
McLaren Consulting BV	Holland	Ordinary	100%	Dormant Company
McLaren Software SARL	Switzerland	Ordinary	100%	Dormant Company
Buildonline Global Limited	England	Ordinary	100%	Dormant Company
CT Space Inc	USA	Ordinary	100%	Dormant Company
Citadon Inc	USA	Ordinary	100%	Dormant Company
6PM Holdings plc	Malta	Ordinary	100%	Software services
Halarose Holdings Limited	England	Ordinary	100%	Dormant Company
Atlas Adviesgroep Twente B.V.	Netherlands	Ordinary	100%	Software services

7 DEBTORS

	2018 £000	2017 £000
Falling due within one year:		
Other debtors	-	128
Amounts owed by Group undertakings	58	-
	58	128
Falling due after one year:		
Amounts owed by Group undertakings	-	56

Included in the above for the Company is £Nil (2017: £56,000) owed by Group undertakings which is due after more than one year. The Directors consider this loan to be recoverable.

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Bank loan	2,500	2,500
Amounts owed to Group undertakings	13,006	9,246
Other creditors	854	2,206
Accruals and deferred income	406	134
	16,766	14,086

Amounts owed to Group undertakings are interest bearing and are repayable on demand.

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £000	2017 £000
Bank loan	22,505	21,519

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 £7m (2017: 9.5m) and a revolving credit facility of £18m (2017: £23m).

At the balance sheet date, the term loan had an outstanding balance of £7m (2017: £9.5m) and during the period the loan was held, the average interest rate was 2.98% (2017: 2.81%).

At the balance sheet date, the revolving credit facility had an outstanding balance of £18m (2017: £14.5m) and during the period the loan was held, the average interest rate was 3.05% (2017: 2.58%).

There are unamortised loan fees of £Nil (2017: £90,000) at the balance sheet date.

An accounting adjustment of £5k (2017: £19k) 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.

10 SHARE CAPITAL

	2018 £000	2017 £000
Authorised:		
650,000,000 ordinary shares of 1p each	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	4,145	3,640
Issued and allotted during the year	24	505
416,908,167 ordinary shares of 1p each (2017: 414,464,265)	4,169	4,145

Movement in issued share capital in the year

During the year to 31 October 2018, three employees exercised share options across four separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 2,443,902 new ordinary shares of 1p each.

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

At 31 October 2018, there were 3,190,648 (2017: 2,479,532) shares in issue under ESOP. During the year, the average issue share price was 35p (2017: 67p).

At 31 October 2018, there were 1,491,219 (2017: 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 quarterly from the date of grant. Per the contractual agreements, the options are settled in equity once exercised.

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

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
1,609,756	-	243,902	-	1,365,854	10.25p	Mar 2010	Mar 2020
2,250,000	-	250,000	-	2,000,000	20.00p	Mar 2011	Mar 2021
390,000	-	50,000	-	340,000	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	-	-	-	446,668	39.00p	Jul 2014	Jun 2024
800,000	-	-	-	800,000	38.38p	Feb 2015	Feb 2025
2,395,000	-	-	-	2,395,000	50.00p	Apr 2016	Apr 2026
700,000	-	-	-	700,000	50.00p	Apr 2016	Apr 2026
8,971,424	-	543,902	-	8,427,522			

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:

11 SHARE OPTIONS (CONTINUED)

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

	2018		2017	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	8,971,424	31.75	17,135,395	25.95
Granted during the year	-	-	-	-
Exercised during the year	(543,902)	15.44	(8,163,971)	19.57
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	8,427,522	32.80	8,971,424	31.75
Exercisable at the end of the year	8,427,522	32.80	8,796,424	31.39

The share options outstanding at the end of the year have a weighted average remaining contractual life of 5 years. The share options exercised during the year had a weighted average exercise price of 15.44p and a weighted average market price of 34.73p.

No share options were granted during the year ended 31 October 2018.

The Group recognised a total charge of £6,000 (2017: £146,000) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. The charge of £6,000 (2017: £146,000) related to share options granted and £Nil (2017: £Nil) related to share options exercised.

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

Long-Term Incentive Plan (LTIP)

During the year, no further options were granted under the LTIP.

The Group recognised a total charge of £44,000 (2017: £178,000) 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:

	2018	2017
	No.	No.
Outstanding at the beginning of the year	3,600,000	3,600,000
Granted	-	-
Forfeited	(1,700,000)	-
Vested	(1,900,000)	-
Outstanding at the end of the year	-	3,600,000
Exercisable at the end of the year	-	-

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

Richard Kellett-Clarke stepped down as CEO on 9 November 2016. The Nomination & Remuneration Committee of the Idox Board agreed that Richard's outstanding LTIP award of 1,900,000 shares would become unconditional. The vesting date was 14 March 2018.

As part of the conditions of the LTIP under a Lock In deed, Richard is restricted from selling any or all of them, unless required to settle tax liability, for a further two years from that date. Sufficient shares were sold on 27 March 2018 at a price of 29p to cover the resulting liability.

Andrew Riley's LTIP entitlement, consisting of 1,700,000 shares at an exercise price of 1p, was forfeited during the year on account of the failure to meet all specified criteria for vestment.

12 RELATED PARTY DISCLOSURES

As permitted by FRS 101, related party transactions with wholly owned members of the Group have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management of the Company have been disclosed in note 30 of the Group financial statements.

13 CAPITAL COMMITMENTS

The Company had no capital commitments at 31 October 2018 or 31 October 2017.

14 CONTINGENT LIABILITIES

There were no material Company contingent liabilities at 31 October 2018 or 31 October 2017.

15 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.