Idox plc
2020 Annual Report & Accounts

Software built on insight so you can do more

“We have achieved the objectives we set out for our financial year 2020 and continue to operate within our Four Pillars framework of revenue expansion, margin improvement, simplicity and communication. Our financial performance has further strengthened, as we remained disciplined in managing costs and generating cash across our Group.

I have been pleased with the progress we have made across several fronts including reorganising all our software businesses under a single Idox Software leadership structure, implementing our first Group-wide CRM to underpin our sales team stratification efforts; consolidation of our development methodologies; and more recently, the appointment of our first Head of Professional Services. We continue to improve management information and standardise processes throughout our organisation and I would like to thank all our people for their strong commitment to this change as we have sought to improve our organisation. We remain well placed to deliver value and quality products to our customers and the markets we serve.

The Group remains ambitious to grow its leadership positions in public sector software for the future. Idox strives to be a trusted partner of choice for customers, colleagues and suppliers in addition to our banking partners and shareholders as we continue to grow revenues, margin, and cash.

We look forward to our financial year 2021 with both ambition and energy. We have a full programme of continued organic expansion from the stable platform we have created, and will look to scale our Group further through carefully selected bolt-on acquisitions to bring public sector software businesses into our portfolio.

We are excited and confident in the outlook for the business.”

David Meaden
Chief Executive Officer

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For further investor information:
www.idoxgroup.com/investors/

Financial and operational highlights

Revenue
£68.0m
(2019: £65.5m)

Profit before tax
£2.7m
(2019: 0.03m loss)

Adjusted EBITDA**
£19.6m
(2019: £14.4m)

Adjusted EBITDA margin
29%
(2019: 22%)

Idox plc (AIM: IDOX), a leading supplier of specialist information management software and solutions to the public and asset intensive sectors, is pleased to report its financial results for the year ended 31 October 2020.

Financial highlights

- Revenue increased by 4% to £68.0m (2019: £65.5m).
- Recurring revenue* increased by 5% to £37.4m (2019: £35.7m).
- Order book for contracted software and services up 31% to £15.9m (2019: £12.1m).
- Adjusted EBITDA** increased by 36% to £19.6m (2019: £14.4m). Adjusted EBITDA margin improved to 29% (2019: 22%).
- Cash conversion of Adjusted EBITDA to net cash from operating activities improved to 109% (2019: 86%). Free cashflow*** of £11.2m (2019: £4.4m).
- Adjusted EPS**** for continuing operations increased by 39% to 1.81p (2019: 1.30p).
- Net debt***** at 31 October 2020 down 39% at £16.1m (2019: £26.4m).
- Final dividend of 0.3p per share (2019: £Nil) declared, in line with stated intention to restore dividend payments.

Statutory equivalents

Reconciliations between adjusted and statutory earnings are contained within these financial statements (page 111). The statutory equivalents of the above results are as follows:

- Profit before tax £2.7m (2019: £0.03m loss). Loss before tax on discontinued operations of £Nil (2019: £0.6m).
- Basic EPS of 0.29p (2019: loss 0.26p) for continuing operations. Basic EPS of £Nil (2019: loss 0.14p) on discontinued operations.

Operational highlights

Idox has continued to improve all areas of the business within its Four Pillars framework during FY20, with successful initiatives including:

- Fully integrating our 2019 Tascomi acquisition, recently rebranded as 'Idox Cloud';
- Significant progress in delivering Digital Transformation to clients with several new wins for Idox Cloud and new software developments based upon the Idox Cloud development framework;
- Fully exiting sub-scale operations in Ireland and Malta;
- Consolidating UK statutory entities, and completing a rebrand;
- Establishing the first Group-wide CRM, which is already yielding improved sales performance;
- Fully integrating our operational processes creating a single Idox Software unit; and
- Idox has not utilised any government job support schemes to date.

Current trading and outlook

- Confident that our public sector markets, software solutions and high levels of recurring revenues will continue to be resilient.
- We remain cognisant of the ongoing impact of the Covid-19 pandemic and the recurring national lockdowns.
- Significant improvements in H2 orderbooks compared to H1, including EIM orderbook, carried into FY21 up over 50% on FY20.
- Combination of recurring revenue and growing order book provides good visibility for current year revenue outlook.
- FY21 year-to-date trading in line with expectations.

Alternative Performance Measures
These items are excluded from statutory measures of profit to present a measure of cash earnings from underlying activities on an ongoing basis. This is in line with management information requested and presented to the decision makers in our business; and is consistent with how the business is assessed by our debt and equity providers. The alternative performance measures for 2019 do not include the impact of the adoption of IFRS 16 - Leases which was adopted on a modified retrospective basis in FY20 without restatement of comparative amounts. Details are included within the financial review section of the Strategic Report.

There have been no adjustments to any of our reporting metrics for any impact of the Covid-19 pandemic.

* Recurring revenue is defined as existing, contracted annuity revenues that have a high expectation of renewal for a minimum of twelve months.

** Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, financing costs and share option costs. Share option costs are excluded from Adjusted EBITDA as this is a standard measure in the industry and how management and our shareholders track performance (see page 111 for reconciliation).

*** Free cashflow is defined as net cashflow excluding: acquisitions / disposals, debt repayments & drawdowns, and shareholder placing & dividends (see page 111 for reconciliation).

**** Adjusted profit and adjusted EPS excludes amortisation on acquired intangibles, restructuring, financing, impairment and acquisition costs (see page 111 for reconciliation).

***** Net debt is defined as the aggregation of cash, bank borrowings and long-term bond (see page 111 for reconciliation).

Our company at a glance

Our focus on digital transformation and cloud provision, will underpin our future strategy and growth

Our specialist software solutions, built on insight, power the performance of government and industry, driving productivity and a better experience for everyone.

Built around the user and designed in collaboration with experts who have worked through every detail of every process from end-to-end, our hard-working process engines deliver exceptional functionality and embed workflows that drive efficiency and best practice, giving our customers greater command over their work.

As a plc with a long-term commitment to our markets, our technology roadmap is backed by a comprehensive programme of investment, ensuring our customers benefit from innovation as technology evolves. The scalability of our technology means customers can scale-up as their operations evolve, without any limitations – on–premise, managed services or in the cloud. Our teams invest time getting to know our customers and understanding their processes to develop the right solution and with over 30 years' working in regulated environments, we are experts in providing solutions that accommodate highly complex rules, regulations, adapting to and anticipating legislative changes.

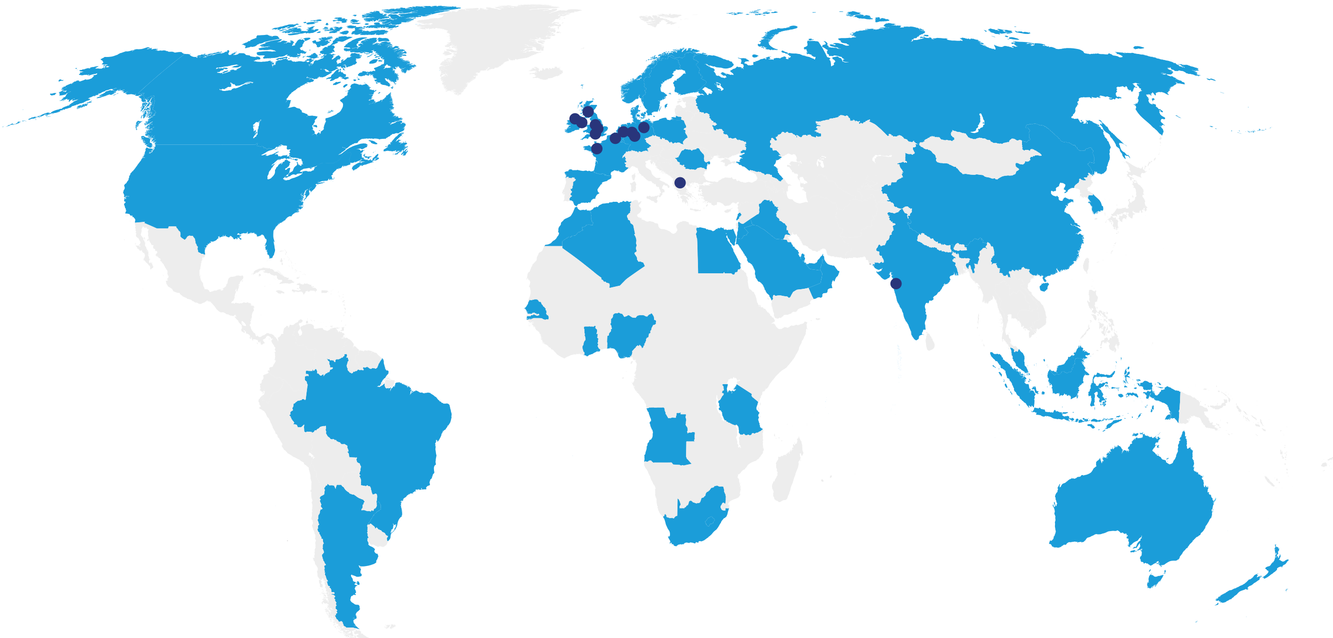
We will facilitate set-up and integration of our solutions and provide training to ensure our customers gain maximum benefit from the full functionality of our software.

Through the automation of tasks, simplification of complex operations, and more effective management of information for a more responsive service to end users, we can help our customers to harness the power of digital, so they can do more.

622
Employees

14
Offices worldwide

> **"We are excited and confident in the outlook for the business."**
>
> **David Meaden**
> Chief Executive Officer



Office locations

United Kingdom
Glasgow, UK
Manchester, UK
Barton-under-Needwood, UK
Theale, UK
Hillsborough, UK
Derry, UK

Europe
Rennes, France
Berlin, Germany
Utrecht, Netherlands
Deventer, Netherlands
Enschede, Netherlands
Brussels, Belgium
Skopje, North Macedonia

Rest of the world
Pune, India

Supporting a proactive approach to the building and management of complex facilities

Doing more for Property

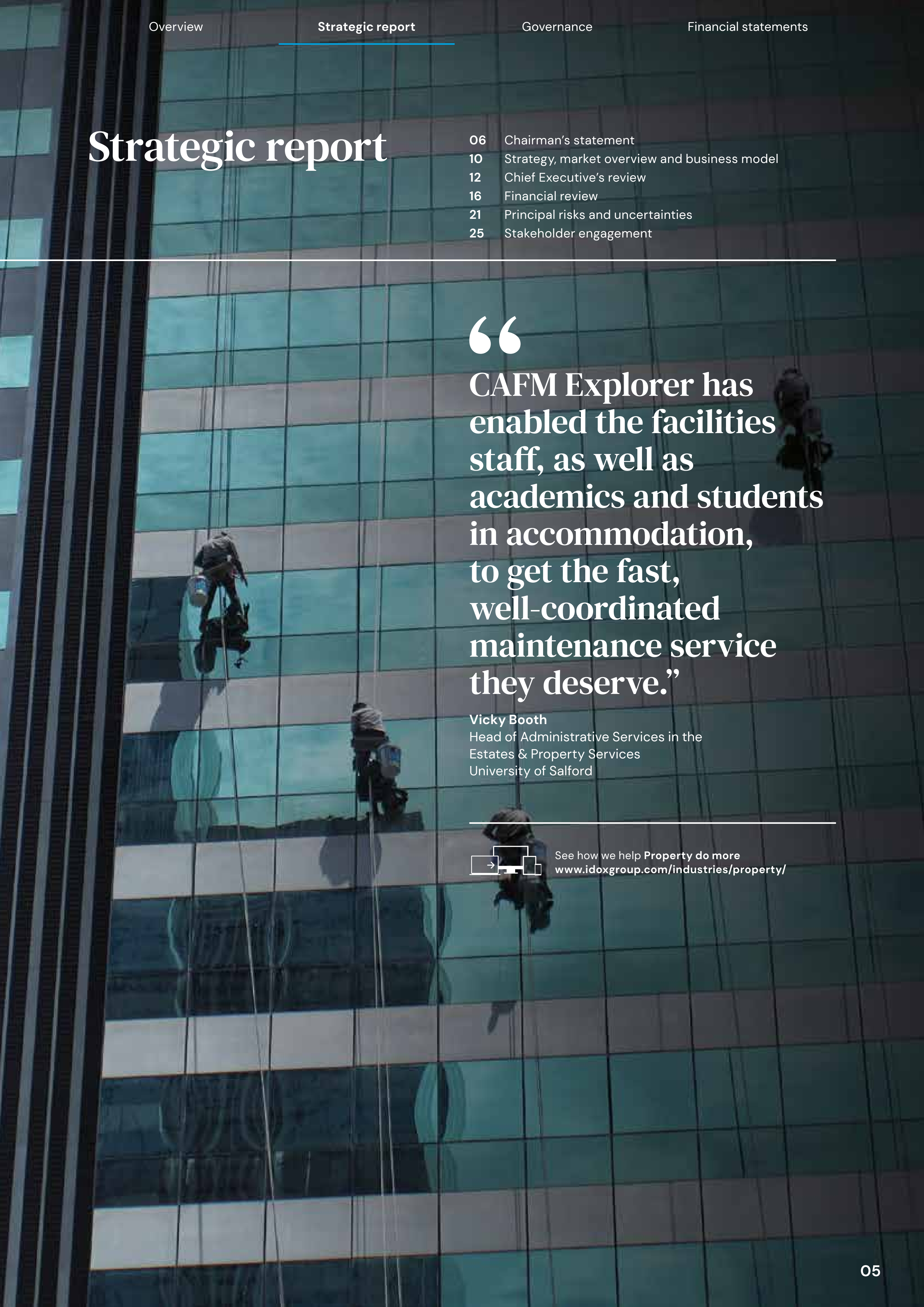
Achieving smoother operations across a vast university estate with CAFM Explorer

Computer Aided Facilities Management

Comprehensive facilities management software featuring an asset register, maintenance management, room and resource booking, property management, stock control and mobile workforce management modules.

Engineering Information Management

Cloud-based Engineering Information Management software designed to facilitate project collaboration and ensure the accuracy and integrity of information on complex capital projects.



Strategic report

"CAFM Explorer has enabled the facilities staff, as well as academics and students in accommodation, to get the fast, well-coordinated maintenance service they deserve."

Vicky Booth
Head of Administrative Services in the Estates & Property Services
University of Salford

See how we help **Property do more**
www.idoxgroup.com/industries/property/

We have established a strong platform for growth

Introduction

My second year as Chairman of Idox has been a very different one from the first. Where the first year was characterised by dealing with a large number of significant legacy issues that were getting in the way of our Group delivering the financial results that we expected, this second year has been focused on delivering the value of which our business is capable. I am very pleased to say that our financial performance is now more in line with what we should expect from a business with strong positions in well-defined niche software markets.

“We operate in very good markets, with excellent market positions and insights.”

Chris Stone
Chairman

Our Chief Executive, David Meaden, has articulated a Walk, Run, Fly vision for the business, and we are now firmly in the Run phase. Over the past twelve months we have consistently delivered performance in line with expectations, and the growth in revenues, profits, and most importantly, cash, has re-established the credibility of the business leading to significant increases in the level of trust shown towards us by all of our stakeholders.

The main driver of this financial improvement has been the improvement in our operational performance. This started with a focus on delivering clear, tangible benefits to our customers in line with their changing needs. The Group has outstanding positions in the markets we serve, and we now have the processes and capabilities in place to make sure that we continue to evolve our offerings to suit our customers evolving requirements. Much of this has come from organic improvements, where we are seeing the benefits of an integrated CRM system that identifies all of our customer needs and helps target opportunities for us to cross-sell services. However, we have also seen the benefits of well targeted and executed acquisitions, with the benefits of the Tascomi acquisition that was completed at the end of the previous financial year starting to come through very clearly. It was apparent that one of the evolving needs of our clients was a requirement to be able to transition to cloud solutions, and whilst we could have spent a long time and a lot of cash in building this capability ourselves, the addition of Tascomi to our solution suite has allowed us to offer this evolution to our customers much more quickly. It also brought some new end user functionality beyond just the cloud infrastructure, adding additional solutions that we can sell to our current customers.

The leaner, simpler organisational model that has been implemented has allowed us to turn a lot more of this revenue growth into profits, delivering a significant improvement in operating profit. As a relatively mature software business we can expect this trend to continue, with a target for our mature operations of over 30% Adjusted EBITDA margin.

Lastly, the investments and improvements that we have made in our Finance operations, both in the team and supporting systems, has driven a much better convergence of these operating profits into cash. This enhancement also underlines the major improvement in the underlying quality of our reported business, in turn the result of the major improvement to governance and standards across the Group.

As we move into the new financial year, we expect these improving trends to continue, but we will also continue to look for inorganic opportunities to improve and grow our business within our current markets. We believe that there are a good number of opportunities for us to continue to make relatively low ticket, low risk additions to our portfolio. We have established a strong platform for growth and integration, and our experience with Tascomi shows that we are ready to make good use of that platform.

Chairman's statement continued

"

We had used previous Idox Software and knew the system would be of high standard and provide everything we needed in order to support community groups."

Jo-Anne Bell
Funding Development Co-ordinator, East Riding of Yorkshire Council

It is impossible for me to review the past year without discussing the impact of the Covid-19 pandemic and the resulting national lockdowns. Idox has been very fortunate compared to many businesses in that underlying demand for our products and services has not really dropped throughout the period, but I have been enormously impressed by the resilience and resourcefulness of our colleagues who have adapted to the new, more remote working patterns so well. Our senior management team has worked hard to make sure that our colleagues are supported through these changes, and in turn that has allowed them to maintain the clear focus on supporting our customers. It would be foolish to believe that there have been no negative impacts from such a wholesale change in such a short period of time, but the evidence is that our business has continued to grow and improve, and I am pleased to say that our employee attrition levels have also improved. We have not had to take advantage of any of the government employment support schemes, other than taking advantage of the VAT deferral opportunity. As always, I am hugely grateful to all of our colleagues who choose to build their careers with Idox. This year has been a real test of the resourcefulness of our colleagues, but also a test of the covenant we have with them. I hope that this experience will strengthen that covenant in both directions.

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 businesses in Europe and Engineering Information Management (EIM) business servicing customers across the world. The key to our success is to ensure we deliver better user results and productivity improvements for customers through focusing on usability, functionality and application of integrated digital and increasingly cloud-based technologies and solutions. As mentioned above, we expect to accelerate the development of this strategy through the integration of further acquisitions where we identify businesses that can enhance our progress.

Board

FY20 has seen a number of changes to the Board of Directors:

- On 14 April 2020, Alice Cummings was appointed as a Non-Executive Director, and Chair of the Audit Committee. Alice has brought strong relevant experience having formerly been Group CFO at the InHealth Group, the healthcare services and solutions business for over seven years.
- On 14 April 2020, Oliver Scott stepped down from the Board. I would like to thank Oliver for his contribution to Idox since November 2018.
- On 28 August 2020, Jeremy Millard stepped down from the Board following the Group's Annual General Meeting (AGM). I would like to thank Jeremy for his contribution to Idox since 2013.

Each member of the Board brings different skills and experience to the Board and the Board Committees and I am pleased with this balance which has supported the effectiveness of the Board throughout FY20.

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

Corporate governance

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

Corporate simplification

As highlighted above, during the financial year the trade and assets of Tascomi Limited and McLaren Software Limited were hived into Idox Software Limited in line with our corporate simplification strategy.

Dividends

The Board has proposed a final dividend of 0.3p to be paid (2019: £Nil) for FY20 bringing the total for the year to 0.3p (2019: £Nil). The restoration of the dividend is in line with the Group's intention as stated in the FY19 results to introduce a final dividend in respect of FY20, taking into consideration the pace of recovery in our business.

Summary

The financial results of the last year reflect the quality of the Idox business. We operate in good markets, with excellent market positions and insights, and we have every confidence that we can continue the excellent progress we have seen in FY20. The changes that we have made to the team, our structure, systems and processes have delivered a step-change improvement in our financial performance. However, these results reflect the work that has been done over a longer period of time than just the last twelve months. I am pleased to have had the opportunity to work with all of my Idox colleagues during a period of such tremendous improvement, and look forward to continuing that work in delivering growing value to all our stakeholders.

Finally, I would like to extend my thanks to the entire workforce of the Group, who have maintained their focus on looking after the most important asset of our business, our customers. Our colleagues' expertise and diligence have continued to deliver the support and value that our customers expect, even with all the challenges of the Covid-19 disruptions, and we are fortunate to have them choose Idox.

Chris Stone
Chairman
1 February 2021

Strategy, market overview and business model

"

A forward thinking organisation which demonstrated a 'can-do' attitude in delivering a product that fulfilled our brief for 'real-time' mobile working, improved customer interface and accurate management information, to deliver improved service delivery and build resilience into an expanding service."

Janine Boughton
Managing Director, South Thames Gateway Building Control

Strategy

As highlighted in the Chairman's Statement Idox's core strategy is to develop leadership positions in niche markets within the public sector using our software solutions. In addition, the Group continues to develop its Content and Engineering Information Management businesses which continue to generate strong profits and cash, and support the ongoing activities of the Group.

Market overview

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

We see no change in outlook for our core markets. Our software solutions remain core to our public sector markets and help drive improved processes, cost savings and efficiencies to our customers that are as important as ever with constrained public finances. Demand in both the markets that our EIM and Content businesses operate in remains robust despite the shock from the Covid-19 pandemic, and we are confident the operational improvements we made in FY19 and continue to execute will allow us to capitalise on re-emerging demand.

Our business model

Idox is the leading applications provider to UK local government for core functions relating to land, people and property, including market leading planning systems and election management software. Over 90% of UK local authorities are now customers for one or more of the Group's products. In addition, the Group's public sector products are complemented 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 622 colleagues located in the UK, Europe, North Macedonia, the USA and India.

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

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

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

Key performance indicators

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

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

	2020	2019	Measure
Revenue			
Group Revenue	£68.0m	£65.5m	Revenue received from provision of goods and services.
Recurring Revenue	£37.4m	£35.7m	Recurring revenue that is contracted or considered highly likely to recur for a minimum of twelve months. This is defined as existing, contracted annuity revenues that have a high expectation of renewal.
Profitability ratios			
Adjusted EBITDA	£19.6m	£14.4m	Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, financing costs and share option costs (see page 111 for reconciliation).
Adjusted EBITDA margin	29%	22%	Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, financing costs and share option costs as a percentage of revenue.
Adjusted EPS	1.81p	1.15p	Adjusted EPS excludes amortisation on acquired intangibles, impairment, acquisition costs, restructuring costs, financing costs and share option costs (see page 111 for reconciliation).
Cash indicators			
Free Cash flow	£11.2m	£4.4m	Net cashflow excluding: acquisitions / disposals, debt repayments & drawdowns, and shareholder placing & dividends (see page 111 for reconciliation).
Net Debt	(£16.1m)	(£26.4m)	The aggregation of cash, bank borrowings and long-term bond (see page 111 for reconciliation).

Alternative performance measures

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

- amortisation from acquired intangible assets;
- impairment;
- restructuring costs;
- acquisition and financing costs; and
- share option costs.

These items are excluded from statutory measures of profit to present a measure of cash earnings from underlying activities on an ongoing basis.

The alternative performance measures for 2019 do not include the impact of the adoption of IFRS 16 – Leases which was adopted on a modified retrospective basis in FY20 without restatement of comparative amounts. Details are included within the financial review section of the Strategic Report.

Non-financial indicators

In addition to the financial indicators, the Group has, part-way through the year, established employee-related KPIs recognising our employees are central to the Group's efforts. Measurement of our ability to attract and retain the best talent is important to understand our performance in delivering our strategy and creating value for shareholders and other stakeholders. Given these non-financial indicators have been established part way through the year, they will be presented for the first full year for the year ended 31 October 2021.

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

Composition of the Board

The Board of Directors has one female Director. There is diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Group, however, this balance is subject to ongoing review and further assessment.

Chief Executive's review

Idox is a very resilient business

Overview

It has been a successful year at Idox. The business has performed well and has delivered a strong set of results despite the obvious impacts of the Covid-19 pandemic. I am very grateful to the whole team here at Idox for responding so positively to the uncertainty caused by the pandemic and the subsequent restrictions on our working lives. All of our teams have shown great resilience and adaptability in incorporating the necessary changes to our operational and working practices. It has been a pleasure to see them performing so effectively.

This strong set of results demonstrates the effectiveness of the major reforms that we have undertaken as a Group since I arrived in June 2018. I would like to thank all our teams for the tremendous efforts over the past two years. Having comprehensively addressed the issues that had long beset the Group, we are now focussed completely on the needs of our customers, what they need to get ahead in their changing markets and in leading the way in innovative thinking and problem solving.

Today Idox is well placed in a number of markets where we improve professional and expert processes and support clients in their transition to modern, agile organisations operating digitally and through the cloud. We are leaders and experts in software for the built environment, modern transportation networks, digitisation (for example digital twins), elections and facilities management.

Our financial performance has continued to be strong as we remained disciplined in managing costs and generating cash across our Group."

David Meaden
Chief Executive Officer

We empower those that need extra support in special educational needs and disability and our software also manages the sexual health of the nation.

Managing our business

Across our organisation we focus on our Four Pillars of Revenue, Margin, Simplification and Communication. This approach provides cohesion for the whole Group. The Four Pillars are well-articulated across the organisation and embedded into our onboarding process for people joining the organisation. This focus ensures that everyone in the Group can make a meaningful contribution to our overall success and has provided the basis on which the organisation has discovered and articulated its values.

Revenue

We have established strong business controls such that we do not pursue revenue for the sake of growth, but that we focus upon our products and the certainty of delivering lasting value to customers. We make sure that we fully understand the financial and operational implications for each piece of business that we contract. We focus on improving the amount of recurring revenue in the business and this provides a strong foundation for future growth in both revenues and margins.

During the year we improved revenues by 4% to £68.0m. Order intake across the Group grew significantly, which helped to support the in-year revenue growth and the development of the future orderbook for software and services which grew by over 31%.

Some markets and business units were more impacted by the Covid-19 pandemic than others, but our Idox Software local government, Health and Elections businesses all had particularly strong performances that helped drive the overall Group performance.

Sales orders

FY20 Sales order intake in the local government area was up 30% on a year over year basis, with significant wins and customer extensions to existing contracts. We saw an improved performance in sales to the existing customer base, where expansion of functionality and capabilities in our existing solutions and remote access facilities drove additional sales. Idox Cloud had a successful year winning new customers at Cheshire East Council, 3C Shared Services and Wiltshire Council alongside adoptions at Wirral Council and West Berkshire Council.

Sales orders in the Health Business Unit were up over 60% on a like for like basis with new wins across the entire portfolio of iFit, iAssets and our sexual health product Lilie. Significant contracts included the University Hospitals of North Midlands NHS Trust, Homerton University Hospital NHS Foundation Trust and Chelsea & Westminster Hospital NHS Foundation Trust.

In Elections, sales orders were up year over year by 75%. Order growth included the December 2019 General Election and a significant contract for the Scottish eCount programme, working in conjunction with Fujitsu.

Despite the significant challenges of working from home and the effect of the Covid-19 pandemic on the Dutch market, consultancy revenues were up by 5%, mainly driven by the growth in WBSO (R&D) revenues.

In the business areas more impacted by the conditions created by the pandemic, the CAFM business saw sales orders decline on a year over year basis by ~16%. However, with a new software release incorporating Covid-19 pandemic functionality, H2 saw improvements in order intake as customers looked to utilise the solution to manage return to work policies and processes. H2 FY20 orders versus H2 FY19 saw a 24% improvement on the previous year's performance although this was not enough to recover the year fully.

A number of key EIM markets were also affected by the Covid-19 pandemic and the reduction in oil prices. However, order intake improved H2 on H1 by 39%, with a very strong Q4 performance. EIM sales operations have benefited from a tighter integration with the Idox Software Division, leveraging the new sales desk capabilities and sales leadership. The orderbook in EIM carried into FY21 is up over 50% on FY20. Key deals in the latter part of the year included new contracts with existing customers TAQA, CRNL, Cenovus Energy Inc. & PSEG. In addition, we added several new customers including Iluka which became our first FusionLive deal in the Australia and New Zealand region.

Chief Executive's review continued

"With the increase in reporting requirements for commissioning purposes, Lilie has been the right choice for our services. Not only can we gather the data required and submit our reports and KPIs electronically, it has also reduced time spent on compiling reports. We know who visited us, at which site and that helps us to deliver a safer service to our patients."

Annette Marchment
Admin and Systems Manager, Blackpool Teaching Hospitals NHS Foundation Trust

Compliance sales were showing signs of recovery throughout Q4, including a record month for new orders in October 2020. This was supported by new business activity from Jabil, Smurfit Kappa & Dosch Holdings alongside existing customer contracts from Bureau Veritas, Wittur Holdings & RWE AG.

Margins

We have seen an improvement in Adjusted EBITDA margins from 22% to 29% in the business over the past twelve months and recorded a statutory profit before tax of £2.7m (2019: £0.03m loss). We believe we are well positioned to sustain and improve margins in the business moving forward as we gain share in our respective markets with our IP led solutions. As is now commonplace across the business, we have maintained a sharp focus on cash generation, and I am pleased to report a further reduction in our ongoing net debt position to £16.1m. We have seen net cash generation and a reduction in debt over the last two financial years of £15.7m.

Across the Group we have continued to drive initiatives that we believe will produce improved margins. During the year we fully automated the existing business approvals process and integrated this with the Group's CRM tools. We also implemented a Bid to Win methodology focussed on winning higher value and margin deals whilst ensuring that we qualify out of opportunities where appropriate. Formal tender responses are managed through the Idox Bid Team and we registered a win rate above 60% across the business. The team also managed the process of having 59 of our offerings made available through the new Government G-Cloud 12 framework.

Further improvements in how we engage and deploy skills within our professional services group has resulted in better planned utilisation of resources, leading to improving timescales and completion of projects. Overall, we have seen a 12% improvement in these engagements.

During Q4 we released the new version of the Education, Health and Care Hub (EHC Hub) to clients. This product set is the first of the Idox Software products to be re-platformed on the Idox Cloud (formerly Tascomi) technology framework. FY21 will see the full rollout of this solution across the client base, improving margins through resource pooling and infrastructure efficiencies.

Simplification

During the year we have made great strides in our operations. We have brought the software assets and development activities of all of our previously separate businesses together into a single Idox Software operation. This sits alongside similarly combined professional services and support services groups. The resulting benefits of these changes have been substantive. As well as providing our clients with a consistent support and service experience across product sets, we have enabled our creative talents across the company to work more collaboratively across product domains, improving innovation and the agility of our approach. As a result, we have seen direct improvement in our performance and team satisfaction.

We continue to ensure that we are using our capital investments in the most productive way and during the year we consolidated our elections software onto a single product platform, Eros. This has brought greater focus and more meaningful investment to a single product set and helped improve margins in this part of the operation by over 10%.

I have spoken previously of our efforts to consolidate, simplify and improve the customer service desk operations at Idox. Over the last twelve months through a combination of improved focus on KPIs, better Management Information (MI), collaboration with product development and improved use of resources, we have reduced our ticket backlog by 52% and improved our Service Level Agreement (SLA) performance during this time period.

Within the software sales organisation, we have continued to invest in improving our engagement with customers and improving their experience in dealing with Idox. We have reorganised our customer engagement to create a superior and more efficient customer experience, incorporating marketing tools alongside our CRM implementation to ensure we have end to end visibility of client engagements and the effectiveness of our efforts. We have also analysed and stratified our sales activity, incorporating a sales desk that improves regular and consistent engagement with customers and manages the volume of activities on a day to day basis. Across Idox over 80% of order volume and 20% of order value falls below £25k. By focussing the skills and teams into the relevant activities we have been able to improve the intake of orders above £100k, which were up over 60% in both terms of value and volume.

We have maintained and expanded our commitment to high quality processes by renewing our ISO 9001 (Quality Management), ISO 14001 (Environmental Management), BS OHSAS 18001 (Occupational Health & Safety) and ISO 27001 (Information Security Management) as well as achieving certification for ISO 22301 (Business Continuity).

Communication

Communication across the Group plays a pivotal role in our collective success and this has been particularly true during a year in which our home and work lives have been challenged by the Covid-19 pandemic.

We have embraced more flexibility in our working patterns across the Group and have listened carefully to our teams about what works for them and is practical. Whilst the majority of the teams at Idox worked from home for at least some part of the week prior to the Covid-19 pandemic, we have seen the benefits for the Group and our teams of having greater flexibility in how and where we work, and we will continue to embrace and experiment with further flexible working initiatives as the pandemic subsides. We have also enhanced existing initiatives such as the Idox Workplace Wellbeing program during this period, inviting external speakers to share knowledge with the workforce. This in particular has been welcomed and appreciated by our teams and came from a program initiated by a small collaboration of people across the Group. We all benefit from their engagement and are grateful for the time and care they put into this undertaking.

I mentioned earlier that we have taken time to discover the Group's core values. The values encapsulated in Idox DRIVE were defined by our teams across the Group and set the tone for how we work together and aspire to be better. We have also established Idox Voice, an employee engagement forum where individuals working at Idox can help shape our future and culture.

Supporting our initiatives, we have also invested in a leadership development programme with 15 high potential individuals embarking on an eighteen month leadership course leading to a Level 5 qualification in Operations and Departmental Management. We have a further 35 who will attend a twelve month development course on 'Leading Together' ensuring we are developing our future Idox leaders.

We have also taken the opportunity to bring our corporate branding up to date with the strategic thinking, integrated capabilities and the progress prevalent across the business. This has been appreciated by all our stakeholders and we now have a clear brand and messaging across internal and external channels, including social media that more accurately reflects our integrated approach, values and ethos.

Outlook

The Chairman referred to the Walk, Run, Fly phases that describe and define our progress at Idox. We have been firmly in the Run phase during FY20 with good progress in customer acquisition, improved service and more efficient operations. We have seen positive improvements in revenue, margins, order book, recurring revenue and cash generation. Importantly, we have built the governance, processes and infrastructure that will support continued success and we have the resources at our disposal for accretive and enhancing acquisitions to further improve shareholder value moving forward.

We will continue to invest selectively to grow our capabilities and support our customers. The business has a strong foundation in property and asset-based solutions and this, along with our focus on digital transformation and Cloud provision, will underpin our future strategy and growth. Our FY21 has started well and in line with our plan, and we continue to trade in line with expectations.

David Meaden
Chief Executive Officer
1 February 2021

Financial review

Financial review

The financial year ended 31 October 2020 has built upon the changes that were enacted in FY19, including the acquisition of Tascomi which was rebranded Idox Cloud during the period. A strong focus on sales and commercial governance has enabled us to pursue only earnings-enhancing revenues. This approach has resulted in improving Adjusted EBITDA and improved cash generation compared to prior periods.

During the year ended 31 October 2020, our UK Databases businesses, encompassing our GRANTfinder and RESEARCHconnect products, were transferred from our Idox Content division to Idox Software (Public Sector Software) division as the customers of these products are largely public sector.

The following table sets out the revenues and Adjusted EBITDA for each of the Group's segments from its continuing activities, with our UK Databases reclassified from Idox Content to Idox Software (Public Sector Software) in FY19 to enable appropriate year-on-year comparison:

	FY20	FY19	Variance	
	£000	£000	£000	%
Revenue				
Public Sector Software	48,426	44,925	3,501	8%
Engineering Information Management	8,858	9,170	(312)	(3%)
Idox Software	57,284	54,095	3,189	6%
Idox Content	10,733	11,397	(664)	(6%)
Total	68,017	65,492	2,525	4%
Revenue Split				
Public Sector Software	71%	69%		
Engineering Information Management	13%	14%		
Idox Software	84%	83%		
Idox Content	16%	17%		
Adjusted EBITDA*				
Public Sector Software	16,599	12,391	4,208	34%
Engineering Information Management	1,988	1,410	578	41%
Idox Software	18,587	13,801	4,786	35%
Idox Content	997	560	437	78%
Total	19,584	14,361	5,223	36%
Adjusted EBITDA Margin Split				
Public Sector Software	34%	28%		
Engineering Information Management	22%	15%		
Idox Software	32%	26%		
Idox Content	9%	5%		
Total	29%	22%		

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

Idox Software

During the year we brought together our PSS and EIM divisions to form a new Idox Software division under a single operational management structure and shared technical resources. This Idox Software division, accounting for 84% of Group revenues (2019: 83%), delivered revenues of £57.3m (2019: £54.1m).

	FY20 £000	FY19 £000	Variance £000	Variance %
Idox Software Revenues				
Recurring (PSS)	28,863	27,427	1,436	5%
Recurring (EIM)	6,886	7,100	(214)	(3%)
Non-Recurring (PSS)	19,563	17,498	2,065	12%
Non-Recurring (EIM)	1,972	2,070	(98)	(5%)
	57,284	54,095	3,189	6%
Recurring*	62%	64%		
Non-Recurring**	38%	36%		

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

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

Recurring revenues have increased due to the first full year of revenues from the Idox Cloud business purchased in August 2019, and improved sales governance and strategic focus on recurring and cloud revenues across the remainder of the Idox Software division. The proportion of recurring revenues has decreased slightly due to non-recurring revenues growth slightly outpacing our recurring revenues.

Non-recurring revenues have increased also due to the impact of the improved sales governance resulting in higher recoveries, and the impact of the transformations in the PSS business in the first half of FY19 which had resulted in lower revenues in that period.

Adjusted EBITDA increased by 35% to £18.6m (2019: £13.8m), delivering a significantly improved EBITDA margin of 32% (2019: 26%). Of this increase in adjusted EBITDA, £0.8m was attributable to the adoption of IFRS 16 – Leases which changed the accounting treatment of certain leases from operating expenses to depreciation and interest associated with recognition of property assets and liabilities, thereby directly improving our adjusted EBITDA measure for FY20, without a corresponding change required in FY19.

Excluding the impact of adopting IFRS 16, the balance of the increase of £4.0m in adjusted EBITDA was due to the increased revenues converting strongly to margin, and the full-year benefit of the transformation in FY19 taking effect in FY20.

We continue with our efforts to improve efficiencies through marginal gains across our sales, development, professional services and support activities, and leverage our common resources to drive higher margins through improved economies of scale.

Idox Content

The Content division recorded a revenue reduction of 6% to £10.7m (2019: £11.4m), due to lower revenues in our German and Belgium Compliance business due to the impact of the Covid-19 pandemic which lengthened buying cycles in this part of our business, and the general slow-down in the German economy which preceded it.

	FY20 £000	FY19 £000	Variance £000	Variance %
Idox Content Revenues				
Recurring	1,626	1,209	417	34%
Non-Recurring	9,107	10,188	(1,081)	(11%)
	10,733	11,397	(664)	(6%)
Recurring	15%	11%		
Non-Recurring	85%	89%		

Financial review continued

Adjusted EBITDA increased by 78% to £1.0m (2019: £0.6m), delivering an increased EBITDA margin of 9% (2019: 5%). Of this increase in adjusted EBITDA, £0.6m was attributable to the adoption of IFRS 16 – Leases.

Excluding the impact of adopting IFRS 16 – Leases, the Idox Content division saw a decrease of £0.2m in adjusted EBITDA due to the decreased revenues from our Compliance business for the reasons noted above, offset with cost reductions given the lower levels of activity.

We continue to explore ways to improve EBITDA margin, both through targeting higher-margin revenue activities, and also actively managing cost.

Profit / (Loss) before tax

The following table provides a reconciliation between adjusted EBITDA and statutory profit / (loss) before taxation.

	FY20 £000	FY19 £000	Variance £000	Variance %
Adjusted EBITDA	19,584	14,361	5,223	36%
Depreciation and Amortisation	(11,339)	(9,128)	(2,211)	24%
Restructuring costs	(1,838)	(2,155)	317	(15%)
Acquisition costs	(125)	(174)	49	(28%)
Financing costs	(306)	(368)	62	(17%)
Share option costs	(1,057)	(859)	(198)	23%
Net finance costs	(2,217)	(1,702)	(515)	30%
Profit / (loss) before taxation	2,702	(25)	2,727	109%

The reported profit before tax was £2.7m (2019: £0.03m loss).

Restructuring costs were £1.8m (2019: £2.2m) as the Group continued to restructure business units, office locations and Group processes to improve the Group's current and future financial performance and prospects. Restructuring costs are analysed as follows:

	FY20 £000	FY19 £000	Variance £000	Variance %
Redundancies	327	285	42	15%
Disposal of Malta and Ireland businesses	397	–	397	n/a
Litigation	42	697	(655)	(94%)
Property	1,072	1,173	(101)	(9%)
Total restructuring costs	1,838	2,155	(317)	(15%)

Acquisition costs of £0.1m (2019: £0.2m) relates to the final settlements in relation to the acquisition of Idox Cloud (formerly Tascomi) in August 2019.

There were no impairments in the year (2019: £Nil).

Financing costs of £0.3m (2019: £0.4m) relate to professional fees incurred as part of the refinancing in December 2019, and prior to that in February 2019.

Share option costs of £1.1m (2019: £0.9m) relate to the accounting charge for awards made under the Group's Long-term Incentive Plan.

Net finance costs have increased to £2.2m (2019: £1.7m) as a result of more interest being payable in respect of the Group's enlarged banking facilities which were fully drawn in the second half of the year as part of our Covid-19 pandemic defensive actions; and as a result of increased effective interest rate accounting adjustments and lease liability interest as a consequence of the Group adopting IFRS 16 – Leases in the year.

The Group continues to invest in developing innovative technology solutions across the Idox Software portfolio and has incurred capitalised development costs of £4.7m (2019: £4.4m).

Taxation

The effective tax rate (ETR) for the period was (52.78%) (2019: (190.07%)).

The main factors for the reduction in the volatility in the ETR on the profit before tax position was the significant increase in the profit before tax in the year meaning permanent and other differences giving rise to ETR effects were proportionately lower. These differences included routine non-allowable amounts in addition to international losses not recognised in the period and higher overseas tax rates.

There are 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 £12.6m, split across Malta (£9.1m), the UK (£0.7m), Germany (£1.4m) and France (£1.4m). The Board is hopeful that the Group will benefit from these unrecognised tax losses, with the exception of Malta and Germany, in future and these will be recognised at the point where utilisation becomes more certain.

Earnings per share and dividends

Basic earnings per share for continuing and discontinued operations improved to 0.29p (2019: loss of 0.41p) as a result of the Group reporting a profit after tax compared to a loss in FY19. Diluted earnings per share improved to 0.29p (2019: loss of 0.41p).

Adjusted earnings per share for continuing operations increased to 1.81p (2019: 1.30p) as a result of the Group reporting a profit after tax compared to a loss in FY19, as well as reduced restructuring costs in the year. Adjusted diluted earnings per share increased to 1.78p (2019: 1.29p).

The Board proposes a final dividend of 0.3p per share (2019: £Nil), in line with stated intention to restore dividend payments, which represents a total dividend for the year of 0.3p per share (2019: £Nil), at a total cost of £1.3m.

Balance sheet and cash flows

The Group's net assets have increased to £47.0m compared to £44.6m at 31 October 2019. The constituent movements are detailed in the Group's consolidated Statement of Changes in Equity: which are summarised as follows:

	12 months to 31 October 2020 £000
Total Equity as per FY19 Financial Report	44,611
Transactions with owners (credit to share-based payments reserve)	1,058
Profit for the year	1,276
Disposal of Non-controlling interest	110
Exchange gains on translation of foreign operations	(97)
Total Equity as per FY20 Financial Report	46,958

This movement of £2.4m is reflected in the changes in the Group's assets and liabilities as follows:

	12 months to 31 October 2020 £000
Total Equity as per FY19 Financial Report	44,611
Intangible assets	(4,352)
Trade and other receivables & payables, and Other liabilities	447
Provisions	(1,374)
Corporate taxes, Social security and other taxes payable	(2,982)
Change in net debt items	10,282
Other items	326
Total Equity as per FY20 Financial Report	46,958

Financial review continued

The increase in the Group's net assets is principally due to the profit for the year, with a significant improvement in net debt in the year as the Group targeted cash generative revenues and margins across its business. This is partially offset by the reduction of intangible assets due to in year amortisation, the recognition of provisions in respect of employee holiday pay, obligations we have in respect of our previous London property, and an increased VAT liability due to the deferrals offered by HMRC in light of the Covid-19 pandemic. The Group has deferred VAT of £3.9m as at 31 October 2020 (2019: £Nil), of which it is anticipated £2.8m will be repaid in the year ended 31 October 2021, and £1.1m in the year ended 31 October 2022.

Cash generated from operating activities after tax as a percentage of Adjusted EBITDA was 94% (2019: 86%). This increase was due primarily to the VAT liability deferrals the Group took advantage of as part of its early Covid-19 pandemic defensive actions which will be settled across FY21 and FY22. The Group generally continues to have high levels of adjusted EBITDA to cash conversion.

Free cashflow at 31 October 2020 was £11.2m (2019: £4.4m). Free cashflow has improved in the year due to improvements in underlying profitable trading, working capital management and the VAT liability deferral referred to previously.

	FY20 £000	FY19 £000
Net cashflow	23,683	1,360
Add back:		
Acquisitions / disposals	200	6,394
Debt repayments	25,762	12,039
Drawdowns	(38,575)	(8,000)
Net cost of staff share schemes / (Issue of shares)	118	(7,350)
Free cashflow	11,188	4,443

The Group ended the year with net debt of £16.1m (2019: £26.4m), a significant improvement on the previous year. Net debt comprised cash of £30.8m less bank borrowings of £35.1m and the Maltese listed bond of £11.8m.

The Group's total signed debt facilities at 31 October 2020 consisted of a revolving credit facility of £35m and £10m accordion facility with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc (the "Lenders").

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

Rob Grubb
Chief Financial Officer
1 February 2021

Principal risks and uncertainties

"The savings we've generated as a result of using CAFM Explorer mean that it's already paid for itself. We can reduce risks and replace equipment before they become an issue, without impacting the day-to-day running of the business."

Keith Collins
Building Services Manager, The Hippodrome Casino

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. This year, in light of the organisational changes in response to the Covid-19 pandemic, we have looked at and assessed additional controls to adapt to the changing environment. In addition, the Audit Committee engaged with more stakeholders across the business to ensure continuous improvements in controls, processes and reporting to build on the strong momentum over the preceding years. This will ensure the Group remains best placed to suitably mitigate risks that emerge as the Group's operations evolve.

Risk management processes and internal control procedures are established across all levels of the Group and are managed by the Executive Directors in conjunction with dedicated expert professionals in the business. We embed our Risk Assessment procedures in the Idox Software and Idox Content monthly business reviews. We also analysed and published internally our risk appetite statement, which informs the activity of the business.

Risk management and internal controls provide reasonable but not absolute protection against risk. We acknowledge that risk is present in almost every activity. 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.

Our risk appetite:

- is strategic and is related to the pursuit of organisational objectives;
- forms an integral part of corporate governance;
- guides the allocation of resources;
- guides the organisation's infrastructure, supporting its activities related to recognising, assessing, responding to, and monitoring risks in pursuit of organisational objectives;
- influences the organisation's attitudes towards risk;
- is multi-dimensional, including when applied to the pursuit of value in the short-term and the longer term of the strategic planning cycle; and
- requires effective monitoring of the risk itself and of the organisation's continuing risk appetite.

Embedding the risk culture

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

Principal risks and uncertainties continued

Principal risks and uncertainties

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

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
Covid-19 pandemic	Following the impact of the Covid-19 pandemic in the first half of calendar 2020, most businesses in most economies were faced with unprecedented challenges following the imposition of national restrictions. It has since become clearer which industries and businesses are more impacted by these restrictions and the associated impact on the general economic and trading environment. Idox as a business has proven to be more resilient than most throughout this time, principally because of our existing high levels of staff working from their home, the stability of our high recurring revenues, and the stability of our public-sector customer bases.	The Group established steering committees to regularly meet to consider the impact of the Covid-19 pandemic on both our day to day operations, and short to medium term strategies. The Group imposed a hiring and pay-freeze in the period April to June 2020 although this has since been relaxed as the resiliency of the Group during the Covid-19 pandemic became clear. The Group considered utilising various government job retention schemes in the countries we operate in and concluded it would not be appropriate to take advantage of such taxpayer funded schemes, given the resiliency of our business model and the financial resources available to us. Idox has carefully maintained its cash resources since the early emergence of the Covid-19 pandemic, fully drawing our banking facilities and taking up the option to defer some VAT payments to provide maximum liquidity in what was an uncertain environment. Notwithstanding this we recognised the importance of continuing to pay suppliers on time, especially given the financial vulnerability of some of our smaller suppliers. Now the impacts of the Covid-19 pandemic are becoming clearer, we plan to reduce our drawn banking facilities, and pay the deferred VAT in line with the Government guidance.	The risk has both emerged in a significant way during the period, and had mitigation at a national and local level, in addition to our own mitigation activities. The Group transitioned all its people to working from home effectively, and changed the way we deal with our customers, suppliers, shareholders and banking partners which have become wholly remote, becoming the "new normal" as it has for most businesses. Idox has shown itself to be well-placed against the impacts of the pandemic but continues to assess changes in national and local restrictions andimpacts on our people and our customers as they arise.
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.	A diversified geographic footprint and sector focus reduces the risk of exposure due to adverse country or sector specific conditions. 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 whatever the political environment.	Following the impact of the Covid-19 pandemic, the current Conservative-led Government has committed significant resources to current and future public spending. Our products remain essential to supporting customers to do more with what they have, and we have not identified any of our solutions considered discretionary and therefore potentially subject to funding challenges for our customers. During the period the Government has published their planning reforms proposal which we continue to monitor carefully and contribute to where appropriate.

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
Economic environment (outside of the Covid-19 pandemic)	Our performance is affected by the economic cycles of the markets of the countries in which we operate. The exit of the UK from the Treaty of the European Union has generally increased the uncertainty in the economic, social and environmental markets in which we operate, although we see limited direct impacts on our business.	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. In the main we operate within the UK, with discrete businesses in Germany and the Netherlands which serve largely domestic customers. The Board considers that it is protected from cross border Brexit risks, as businesses largely serve the needs of the country in which they are located.	Our strategy has been to exit non-core operations and to closely integrate our core operations. During the period we have closed our Malta and Republic of Ireland operations as we integrated healthcare delivery in the UK. We continue to have discrete operations in Germany and the Netherlands serving largely domestic clients and so have little exposure to the impact of Brexit beyond any general macro-economic impact that is common to all UK companies. Excluding the impact of the Covid-19 pandemic, we consider the Group to have lower risk due to the simplification measures taken during the year.
Acquisitions	The Group has stated ambition for bolt-on acquisitions as part of its growth strategy. Given the complexity of acquiring and integrating independent businesses into the Group, acquisitions and associated restructuring may not achieve the anticipated returns for the Group.	Focus is placed on ensuring management reporting lines are clear, operational functions of acquired entities are supported, enhanced or consolidated into wider Group functions as appropriate, and the potential for upsell and cross-sell across the Group's portfolio of products is maximised. We have project plans and track restructuring projects to their business case to ensure that actions match anticipated returns.	During the period the integration of our August 2019 acquisition Tascomi was completed. We have been actively scouting for potential bolt-on acquisitions during the period and have identified narrow acquisition criteria that will maximise chances of success for both an acquired business and the wider Idox Group. We have also strengthened our acquisition framework and documentation, setting out clearly the due diligence processes and steps to ensure appropriate assurance is in place before proceeding to completing an acquisition. We consider the Group to have lower risk in respect of acquisitions due to these measures than in previous periods.
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 into our chosen markets. In recent years we have invested significantly in increasing our capability in the delivery of digital and cloud-based solutions.	Our FY19 Tascomi acquisition has been fully integrated and rebranded into our Idox Cloud. During the period we have migrated our EHC product set to this platform, in addition to ongoing improvements in our Plantech offerings. In our wider Group, we have performed product assessments to consider the status of our products and further work required against revenue and market opportunities, and adjusted development plans accordingly. As a result, we consider the Group to have lower risk from Technological development than in previous periods.

Principal risks and uncertainties continued

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
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 products and to recover the costs of associated delivery and support functions, and that this is done in a profitable and cash generative way.	The Group has 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.	The Group implemented its first Group-wide CRM during the period which has further strengthened the control framework in our selling environment. We continue to ensure there is a strong link between market opportunity and our ability to exploit both with product either ready or on our development roadmap, and the strength of our sales infrastructure to realise this. We consider selling to be a "whole-team" activity that is the responsibility of every member of the Group and so continue to strive for further improvements. We consider the Group to have lower risk in respect of selling than in previous periods.
Capital structure	The Group has borrowings in the form of bank debt and a listed Bond following prior period acquisitions. It is key that our capital structure is appropriately managed to ensure we can meet all obligations as they fall due, to ensure we have sufficient headroom to execute our strategy by being able to fund organic and inorganic investments, and ultimately to deliver cash returns for our investors.	We perform regular reviews of short, medium and long-term cash forecasting to ensure our anticipated levels of cash are sufficient to meet both near-term requirements and longer-term strategic objectives. We carefully manage cash receipts and payments with customers and suppliers to ensure cash is delivered in line with agreed obligations.	We retain regular and detailed dialogue with our lenders. During the period we have completed a refinancing of our banking facilities on improved commercial terms. The Group continues to generate good cashflows, reducing leverage and improving headroom against facilities. Given this refinancing, we consider the Group to have lower capital structure risk than in previous periods.
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 operates an ISO 27001 accredited Information Security Management System.	Whilst we are satisfied with our actions in the period to mitigate cyber risk, we remain cognisant that, it is by nature a constantly developing risk and we continue to review our processes and approaches on an ongoing basis. Our assessment of this risk has not changed during the period.

Stakeholder engagement

Introduction

The Directors confirm that during the year, they have conducted themselves in a manner which promotes the long-term success of the Idox Group and of the key stakeholders. The Group considers the interests of these stakeholders when long-term decisions are made as set out in Section 172 of the Companies Act 2006.
The key stakeholders are considered to be; the shareholders, the employees, the customers, the suppliers, local communities and our banking partners.

The methods in which the Group engages with the key stakeholders in order to understand any issues they have are noted in the following table:

Key stakeholder	Method of engagement
Shareholders	• Direct meetings. • Supporting equity research. • Market communications.
Employees	• All staff annual events. • Regular senior broadcasts. • Appraisal cycle. • HR sponsored team leader engagement.
Customers	• Marketing. • Account management. • Technical services and on-going support.
Suppliers	• Account management.
Local communities	• Indirect individual staff interaction via charity work and events.
Banking partners	• Regular direct meetings with existing and prospective providers of finance.

The Group continues to engage with its Key stakeholders, and the Board incorporates the outcomes of these engagements in its principal decision making. The following table details this for the main operational and strategic topics facing the Group:

Topic	Stakeholder engagement	Outcome of engagement	Principal decisions
Long-term strategy of the Group	Shareholders, employees, customers and local communities	A desire for a Corporate strategy that is focused, clear and regularly articulated and re-enforced. This should be supported by a meaningful capital allocation to support strategic goals.	The Board continues to assess the best strategic direction of the Group to build overall value and establish a credible path to continued growth in recurring revenues, EBITDA and cash generation. The Board has concluded in the year our current strategy remains sound and well supported by our business model and the markets we address. In addition, the Board has reviewed the budget in respect of the year ended 31 October 2021 in detail and debated which investment and spending decisions will have the biggest impact on our strategy.
Performance of the Group	Shareholders, employees and banking partners	The Group should continue to set itself stretching but realistic financial targets, and adjust pace and quantum of investment if required to meet these targets.	The performance of the Group is reviewed in detail by the senior management team on a monthly basis and further reviewed by the Board at every Board meeting. These financial and operational reviews typically involve presentation of management report with extensive qualitative and quantitative detail, analysis through to discussion to understand any variances to forecast performance, and agreeing of adaptive actions as the situation dictates.

Stakeholder engagement continued

Topic	Stakeholder engagement	Outcome of engagement	Principal decisions
Financing and capital	Shareholders, employees, customers, suppliers and banking partners	The Group should utilise debt facilities where available to maximise earnings potential, but be cautious where leverage (Net debt / adj. EBITDA) exceed 1.5. Beyond this, either equity financing or reducing investment plans should be considered. Cash generation should remain a priority of the business, and declaration of a dividend is a sign of financial health in addition to providing shareholders a return.	The capital structure is regularly considered as a standing agenda item included in the finance section of the Board's regular meetings. The CEO and CFO regularly meet existing and prospective investors and banking partners to gauge likely sources and costs of funding and associated longer-term trends. The Group's levels of financing, and its capital allocation policy are regularly discussed at the Board's regular meetings. During the year ended 31 October 2020 the Board formally approved new financing facilities for the Group and re-established its dividend policy. This policy is to intend to pay a final dividend of 0.3 pence in respect of the year ended 31 October 2020 and to continue to progress incrementally beyond that depending on cash and earnings affordability.
Employees and culture	Local communities, shareholders and employees	Idox should strive to be an employer of choice to attract and retain the best staff that will help scale the business in a profitable and cash-generative way. Investment in Idox's people should go beyond financial rewards, and the Group should engender a fair, culturally strong and socially-aware ethos that existing and prospective employees will be excited to be part of.	The Senior Management team have initiated a number of employee-support programmes during the year ended 31 October 2020, which the Board has actively discussed and endorsed as part of its wider considerations of the wellbeing of our staff, particularly given the impact of the Covid-19 pandemic. These initiatives have included: • Idox Voice – regular employee communications. • Idox Elevate – gender equality. • Idox Drive – establishing agreed values. • Idox Leads – managers support programme. • Workplace Wellbeing – mental health support for our people. • CEO Broadcasts – ensuring our leadership is regularly visible and communicating to our people. • Leadership Together – leadership programme for our top performers. During the year ended 31 October 2020 the Group recorded an employee engagement net promoter score increase of 33 points on the prior year's results. While the NPS is now at 0, we are confident that as we embed our employee engagement programme we will continue to see this score improve over time. The Board continues to monitor these initiatives, the impact on our people and employee churn metrics more generally.
Risk, governance and internal control environments	Shareholders, employees, customers, suppliers, local communities and banking partners	As a PLC with a public sector customer base and banking partners, Idox should strive for the best risk management and governance framework commensurate with its scale.	The Board actively monitors and discusses the risks facing the Group, risk appetite for such risks, and the measures in place to manage these risks. During the year the Board appointed a new Audit Committee Chair, Alice Cummings. Following this, the Board and Senior Management Team have put in place additional risk management documentation to encapsulate all of the material aspects of the risk management that occurs throughout the Group. This material has been prepared at the specific request of the Board. The Group has considered whether the addition of internal audit would strengthen the Group's processes for risk identification and management and concluded whilst such an appointment for the FY20 is not appropriate, this maybe something the Group embarks on in FY21, particularly if Idox continues to grow and further acquires new operations into the Group.

Local communities

Environmental

Idox Group recognises the importance of environmental protection and is committed to operating its business responsibly and in compliance with all legal requirements. It is the Group's declared policy to operate with and to maintain good relations with all regulatory bodies. In support of this policy, the Group operates an Environmental Management System which is included in the accreditation to BS EN ISO 14001:2015. The Group participates in the Energy Saving Opportunities Scheme (ESOS) and meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations.

It is the Group's objective to carry out all measures reasonably and practicable to meet, exceed or develop all necessary or desirable requirements and to continually improve environmental performance through the implementation of the following:

- Assess and regularly re-assess the environmental effects of the Group's activities.
- Training of employees in environmental issues.
- Minimise the production of waste.
- Minimise material wastage.
- Minimise energy wastage.
- Promote the use of recyclable and renewable materials.
- Reduce and / or limit the production of pollutants to water, land and air.
- Control noise emissions from operations.
- Minimise the risk to the general public and employees from operations and activities undertaken by the Group.

Whilst our business model of software development and deployment is significantly lower-consumption than most other industries which require creation of physical product or require regular transport of either goods or staff; we nonetheless recognise we as a business have our part to play in reducing carbon emissions in all our communities.

Due to the low environmental impact of Idox activities, there is no supplier training, but we prefer to work with suppliers and other parties who have ISO 14001 accreditation which inherently encompasses this.

We pro-actively manage office-based consumption, and seek to minimise the impact on the environment by limiting travel of our people. The limitations arising from the Covid-19 pandemic have accelerated our pace with these changes in the way of working. As a result, we are now considering a more balanced approach to home and office working, and continue to keep our office footprint under review. We also are cognisant that managing our impact on the environment is a collective effort and therefore seek to promote climate change awareness through our management teams and staff body more generally.

Given the low environmental impact of our activities, whilst we do continue to actively monitor our consumption and impact on the environment, these actions do not currently have a material impact on our Group's strategy, business model or risk management processes. We continue to consider this on an ongoing basis.

We recognise there is always more to do and we are considering on an ongoing basis how to improve the effectiveness of our efforts and monitoring of this via reporting as part of our wider ESG improvement efforts.

See further details on Green House Gas reporting on page 35.

Social

As noted above, the Senior Management team have initiated a number of employee-support programmes to improve people development, wellbeing and diversity in our Group.

We encourage our people to get involved in charitable events in their communities, and support their causes by matching financial support with their own fundraising efforts, and communicating individual and team successes throughout our wider Group using our monthly Idox Voice newsletter.

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

David Meaden
Chief Executive Officer
1 February 2021

Simplifying administration and enabling efficient delivery of citizens services

Doing more for Government

Large-scale digital transformation that delivers real results

Built Environment

On-premise and cloud software solutions for the management of planning, building control, land charges and gazetteer management, estates and street numbering.

Public Protection

Specialist software to support inspection and enforcement of standards, including environmental health, licensing, trading standards and public sector housing.

Social Care & SEND

Provision of online information, advice and guidance, information portals and self-service tools to support delivery of adult social care, children's services, and special educational needs and disabilities (SEND) services.

Funding & Information Services

Delivery of online funding information and advice services, powered by a unique database of funding programmes, grants and loans available from local, regional and national government, charitable trusts and corporate sponsors.

Governance

"We want to empower our officers to do more work in the field."

Sanjay Mistry
Programme Manager
Cheltenham Borough Council

See how we help **Government do more**
www.idoxgroup.com/industries/government/

Computer Aided Facilities Management

Comprehensive facilities management software featuring an asset register, maintenance management, room and resource booking, property management, stock control and mobile workforce management modules.

Transport Network Management

Command and control traffic management systems, real-time passenger information systems and fleet management systems.

Electoral Services

Electoral registration and management systems including postal vote checking, tablet canvassing, election count reporting and boundary management.

Board of Directors

Great Board experience

Chris Stone
Non-Executive Chairman

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

David Meaden
Chief Executive Officer

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

Rob Grubb
Chief Financial Officer

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

Alice Cummings
Non-Executive Director

Alice Cummings is Vice-Chair of Cottsway Housing Association and an Independent Non-Executive Director of South Staffordshire Water plc. She was previously Group CFO for over seven years at the InHealth Group, the healthcare services and solutions business, where she had responsibilities for risk management, digital and IT, people services and commercial teams. During her career, she also spent over 16 years in commercial, operational and financial roles with the AEA Group, a main listed environmental, energy efficiency and data management consultancy, ultimately as Group CFO. She is a qualified FCA, having started her career with PricewaterhouseCoopers. She is the Chair of the Audit Committee.

Phil Kelly
Non-Executive Director

Phil has served as a non-executive director of several listed and private companies in the software and related services sector, and was a non-executive director of Castleton Technology plc between 2014 and 2020. Prior to that he had over 25 years' experience as the Chief Executive of private and publicly quoted software companies supplying the commercial and public sectors in the UK, Europe and the USA. Phil had previously worked for Digital Equipment Corporation and 3i Consultants. He has an Economics degree from the University of Leicester and a Master's Degree in Business Administration from Cranfield University.

Directors' report

For the year ended 31 October 2020

The Directors submit their report and audited financial statements for the year ended 31 October 2020.

Results and dividends

The Group's audited financial statements for the year ended 31 October 2020 are set out on pages 56 to 100. The Group's profit for the year after tax amounted to £1.3m (2019: £1.8m loss). The Directors have not paid a dividend in FY20. The Directors propose a dividend of 0.3p per share to be paid in respect of the year ended 31 October 2020.

Covid-19 pandemic

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

Further details of our assessment of the impact of the Covid-19 pandemic on the Group is included in the Going Concern disclosures in the Directors' Report on pages 34 to 35.

Future developments

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

Research and development activities

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

Engagement with suppliers, customers and others

Further information in relation to engagement with suppliers, customers and others has been disclosed in the Strategic Report as permitted by The Companies Act 2006, S414c(11).

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 2020	1 November 2019
C Stone	936,377	936,377
D Meaden	468,139	468,139
R Grubb	88,885	80,265
P Kelly	105,263	105,263
A Cummings (appointed 14 April 2020)	–	–
O Scott* (resigned 14 April 2020)	not applicable	33,537,916
J Millard (resigned 28 August 2020)	not applicable	–

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

In addition to the shareholdings listed above, certain Directors have been granted options over ordinary shares. Full details of these options are given in the Report on Remuneration on pages 36 to 37.

Since the balance sheet date, R Grubb has purchased an additional 1,742 shares through the employee share scheme. No other movements have taken place.

Details of the Directors' service contracts can be found in the Report on Remuneration on pages 36 to 37.

Insurance for Directors and Officers

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

Substantial shareholdings

As at 31 October 2020, the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of shares	% Holding
Canaccord Genuity Wealth Management	76,906,853	17.28
Kestrel Partners	50,542,201	11.36
Soros Fund Management	50,376,388	11.32
Long Path Partners	46,808,573	10.52
Herald Investment Management	31,909,483	7.17
Richard Griffiths	20,396,669	4.58
Gresham House	17,433,409	3.92

Transaction in own shares

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

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

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

Health, safety and environmental policies

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

Anti-slavery and human trafficking

Pursuant to Section 54 of the Modern Slavery Act 2015, the Group has published a Slavery and Human Trafficking Statement for the year ended 31 October 2020. 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/about-us/corporate-responsibility/.

Disabled employees

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

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

Employee consultation

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

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

Financial risk management objectives and policies

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

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

Directors' report continued

For the year ended 31 October 2020

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, this will be replaced by SONIA upon LIBOR cessation. On an ongoing basis, the Board reviews the LIBOR rate and discuss whether it is considered necessary to set up hedges to protect against interest rate movements.

Going concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group in business for the foreseeable future. In making this assessment, which covers a minimum period of twelve months from approval of these accounts, the Directors have considered the Group's trading budget, cash flow forecasts, available headroom and projected financial covenants on the banking facility, and levels of recurring revenue.

In December 2019 the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc.

The facilities, which comprise a single revolving credit facility of £35,000,000, are committed until December 2022, with an option to extend this commitment for a further two years.

Covid-19 pandemic impact on going concern assessment

Idox along with most companies has been impacted by the Covid-19 pandemic and recurring national lockdowns, however the impact on our Group has in the main been limited to the initial disruption of the early stages of the emerging challenges, including restrictions on physical movement. We have largely seen our operations return to their pre-Covid-19 pandemic levels across our Group.

We remain cautious in respect of the ongoing impact of the Covid-19 pandemic and the recurring national lockdowns. From our experience of the impact of the Covid-19 pandemic since March 2020, we are confident we are fundamentally resilient to the challenges of the Covid-19 pandemic due to the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Group retains significant liquidity with cash and available committed bank facilities, and has significant projected headroom on financial covenants which has improved considerably throughout FY20 and the duration of the Covid-19 pandemic as anticipated.

We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the ongoing impacts.

As part of the preparation of our FY20 results, the Group has carefully assessed if any ongoing impact of the Covid-19 pandemic creates any material uncertainty in our going concern assessment. We have performed detailed financial forecasting, as well as severe stress-testing in our financial modelling, but have not identified any credible scenarios that would cast doubt on our ability to continue as a going concern.

The Group has performed sensitivity analysis to identify what circumstances could lead to liquidity shortfalls. This analysis has demonstrated that the Group would only breach the projected financial covenants in the most severe of circumstances which are not considered reasonably possible. Under this sensitivity analysis, recurring revenues were assumed to be 19% lower than plan and non-recurring revenues lower by 39% for each of FY21 and FY22, with no corresponding action on costs to address these shortfalls. Under this scenario, the Group would be in compliance with all financial covenants for the next twelve months but likely to be in breach of its leverage banking covenants during Q4 of FY22 although the Group would still retain significant liquidity and be able to continue to make debt servicing payments at this point. This scenario is not considered credible given:

- Idox typically starts its financial year with strong visibility of 85% to 90% over revenues for the following year given its high proportion of recurring revenues and its opening orderbook of non-recurring revenues. Specifically, the Group enters FY21 with total outstanding contracted performance obligations of £60.5m, of which 75% of this will be recognised as revenue in FY21, in addition to an expectation of a high rate of renewal of existing revenues;
- in the unlikely event that revenue does begin to deteriorate to this extreme level, we anticipate reducing costs in the Group to avoid a covenant breach that is otherwise anticipated to arise in Q4 of FY22 in this scenario. These actions could include reducing any operations that may have become severely loss-making due to the Covid-19 pandemic, either through further reduction in operational spend, restructuring of business units, or utilising available government financial support with job retention schemes; and

- the Group has, and continues to have, strong liquidity as a result of its committed banking facilities in place. Available liquidity at year end of £30.8m, and available liquidity at the end of January 2021 of £29.2m. If the described extreme scenario does begin to emerge, Idox anticipates having sufficient financial resources and sufficient notice as the situation emerges to take action and reduce costs as described previously to avoid any covenant breach.

Therefore, this supports the going concern assessment for the business.

Greenhouse gas (GHG) emissions reporting

Idox seeks to minimise the impact of our operations on the environment and is committed to reducing its greenhouse gas (GHG) emissions. Key sources of energy, primarily electricity to power our offices, are monitored by the Group to allow us to be continually mindful of our energy consumption. The Group applies a set of global environmental standards to all of our activities and our environmental and energy management systems are certified to ISO 14001 and ISO 50001. These certifications provide a framework against which we have developed comprehensive environmental procedures and monitoring systems. These processes have allowed us to measure our environmental performance and focus our activities on delivering improvements.

The table below shows the total gross GHG emissions in tonnes of CO_2 (tCO_2e) in the year ended 31 October 2020:

Methodology

Scope 1, include direct emissions from the combustion of oil and gas noted in litres and cubic metres respectively, converting these values to tCO_2e using Department of Energy conversion factors. Scope 2, indirect emissions, include consumption of purchased electricity in kWh (220,000 kWh), converting these values to tCO_2e using Department of Energy conversion factors. Scope 3 emissions relates to business travel in rental cars or employee-owned vehicles where Idox is responsible for purchasing the fuel.

Using an operational approach, the Group identified its population to ensure that all activities and facilities are being recorded and reported in line with the mandatory GHG protocol corporate accounting and reporting standard. Relevant data is analysed and used to calculate the GHG for the Group. Emissions are calculated as activity data multiplied by emissions factor (sourced from Government greenhouse gas reporting conversion factors).

The Group uses total turnover to calculate the intensity ratio as this allows emissions to be monitored over time taking into account changes in the size of the Group. This factor provides the greatest degree of accuracy and is the metric best aligned to business growth.

Energy efficiency

The Group monitors the energy efficiency of its operations to ensure continued compliance with ISO 50001:2011 as the basis for its energy management arrangements.

For more detail on how the Board have had regard to the environment in key strategic decisions in the year, see our Stakeholder Engagement report on pages 25 to 27.

Auditor

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

Statement of disclosure to Auditor

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

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

Ruth Paterson
Company Secretary
1 February 2021

Scope 1 – Emissions from combustion of oil and gas	25
Scope 1 – Emissions from combustion of fuel for transport purposes	–
Scope 2 – Emissions from purchased electricity (location-based)	98
Scope 2 – Emissions from purchased electricity (market-based)	–
Scope 3 – Emissions from business travel	186
Total gross emissions (tCO_2e)	**309**
Total revenue (£000)	68,017
Carbon Intensity Ratio (tCO_2e/£000)	**0.0045**

Corporate governance report

For the year ended 31 October 2020

Idox has a Remuneration Committee. Terms of Reference for this Committee are available at https://www.idoxgroup.com/investors/corporate-governance/.

Phil Kelly was appointed as Chair of the Remuneration Committee on his appointment as a Director on 29 March 2019.

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

Remuneration policy

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

The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions and benefits in kind. The benefits include car allowance, private medical cover and life cover. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee. In addition, the Group operates a Long-term Incentive Plan for the Executive Directors.

Directors' remuneration

2020	Basic salary and fees 2020 £000	Bonus 2020 £000	Benefits in kind 2020 £000	Total 2020 £000	Pension 2020 £000
Executive Directors					
David Meaden	331	159	20	**510**	–
Rob Grubb	175	74	9	**258**	10
Non-Executive Directors					
Chris Stone*	100	–	–	**100**	–
Phil Kelly	35	–	–	**35**	–
Alice Cummings (appointed 14 April 2020)	19	–	–	**19**	–
Oliver Scott (resigned 14 April 2020)	19	–	–	**19**	–
Jeremy Millard (resigned 28 August 2020)	29	–	–	**29**	–
	708	**233**	**29**	**970**	**10**

* Chairman

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

* Chairman

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

Non-Executive Directors

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

Service contracts

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

Share options

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

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

Director	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
Chris Stone	585,500	–	–	–	585,500	1p	Mar 2019	Mar 2029
David Meaden	3,512,400	–	–	–	3,512,400	0p	Mar 2020	Mar 2029
Rob Grubb	1,000,000	–	–	–	1,000,000	0p	Mar 2020	Mar 2029
Rob Grubb	–	324,074	–	–	324,074	0p	Jun 2021	Jun 2030
Totals	**5,097,900**	**324,074**	**–**	**–**	**5,421,974**			

The mid-market price of the Company's shares at close of business on 31 October 2020 was 49.60p and the low and high share prices during the year were 24.50p and 55.89p, respectively.

The Company recognised total expenses of £1,057,423 (2019: £859,381) related to equity-settled, share-based payment transactions during the year in respect of all Directors and employees. Of the total recognised, expenses of £1,057,423 (2019: £859,381) related to equity-settled, share-based payment transactions during the year, of which £1,057,423 (2019: £683,731) related to the LTIP share option scheme.

The pre-tax aggregate gain on exercise of share options during the year was £Nil (2019: £Nil). 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 32.

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 systems of internal control.

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

Corporate governance report continued

For the year ended 31 October 2020

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, senior and finance management teams.

Role of Chairman and Chief Executive Officer

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

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

To facilitate this, the CEO regularly meets the Executive Management Team (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 two Non-Executive Directors. Short biographies of the Directors are given on pages 30 to 31.

The Board considers Chris Stone, Alice Cummings and Phil Kelly as independent.

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

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

The Code requires that the Board undertakes a formal annual evaluation of its own performance and that of its Committees and Directors. The Non-Executive Chairman continually works with each Non-Executive Director to assess their individual contribution and to assess that their contribution is relevant and effective, they have sufficient time to commit to the role, and where relevant, they have maintained their independence.

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 Alice Cummings and at present includes Chris Stone and Phil Kelly. The Report of the Audit Committee can be found on pages 42 to 45.

The Remuneration Committee is chaired by Phil Kelly and at present includes Chris Stone and Alice Cummings.

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 includes Chris Stone, Alice Cummings and Phil Kelly as members.

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 five times in the year, the Remuneration Committee met three times in the year, and the Nominations Committee met once in the year.

Re-election

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

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

Internal control

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially of financial control, can only provide reasonable but not absolute assurance against material misstatement or loss. The Board remains committed to a continuous programme to make improvements in controls, processes and reporting to build on the strong progress in the year to ensure the Group remains best placed to suitably mitigate risks that emerge as the Group's operations evolve.

The Audit Committee has maintained a close dialogue with Management and the Group's external Auditors in FY20 and the resulting audit process to ensure the extensive operational reviews performed by the new Management team have been thorough and the resulting accounting has been appropriate. In addition, we have worked closely with the Management team as part of their efforts to upgrade processes and controls throughout the Group, and where appropriate have requested recommendations for future improvements for addressing identified issues.

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

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

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

Corporate governance report continued

For the year ended 31 October 2020

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

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

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

Information and development

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

The Chairman is responsible for ensuring that all the Directors continually update their skills, knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees.

Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by external advisors, the CFO, the Company Secretary and in-house legal advisors.

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

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

Investor relations

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

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

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

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

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

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

AIM rule compliance report

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

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

Directors' responsibilities statement

For the year ended 31 October 2020

Directors' responsibilities statement

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

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

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

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

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

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

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

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

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

Responsibility statement

The Directors confirm that to the best of their knowledge:

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

This responsibility statement was approved by the Board of Directors on 1 February 2021 and is signed on its behalf by:

David Meaden
Chief Executive Officer

Rob Grubb
Chief Financial Officer

Report of the Audit Committee

For the year ended 31 October 2020

"The Committee is satisfied with the effectiveness of the Auditor in performing their audit for the year ended 31 October 2020."

Alice Cummings
Chairman of the Audit Committee

Overview

This report presents the activities of the Committee during the financial year ended 31 October 2020. The report provides insights on the Committee's work and sets out how the Committee has fulfilled its responsibilities in relation to the integrity of the financial reporting and effectiveness of risk management and internal controls.

Membership and meetings

The Audit Committee is a committee of the Board and is comprised of three Non-Executive Directors: Alice Cummings, Chris Stone and Phil Kelly. Details of the director changes in the year can be found on page 8.

The Audit Committee is chaired by Alice Cummings. By virtue of her recent Executive and current Non-Executive responsibilities, the Board considers that Alice Cummings has relevant and recent financial experience to discharge this role, as noted on page 31. The Audit Committee members are considered to have sufficient, recent and relevant financial experience to discharge their duties.

The Company Secretary is also the Secretary of the Audit Committee.

The Committee carries out its activities for Idox plc, its major subsidiary undertakings and the Group as a whole, as appropriate.

During the year under review, the Audit Committee held five scheduled meetings. The Audit Committee invites the Executive Directors, the Group's and listed subsidiary's Auditors and other senior managers to attend its meetings as appropriate. The Group's Auditor has attended all of the five scheduled meetings. The Executive Directors attended all meetings of the Audit Committee in the year.

Roles and responsibilities

The Board reviewed and updated the Terms of Reference for the Audit Committee during the year to enhance the risk management responsibilities of the Committee.

Following adoption of these updated Terms of Reference, 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 the key judgements that they contain;
- the appointment and remuneration of the Group's Auditor and their effectiveness in line with the requirements of the Code;
- the nature and extent of non-audit services provided by the Group's 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;
- risk management processes, including risk management framework, risk appetite statement and the principal strategic and operational risks;
- internal controls, including financial delegations, internal control findings highlighted by management or external audit;
- the content of the Group's and listed subsidiary's Auditors transparency reports, concerning Auditor independence in providing both audit and non-audit services;
- the scope, performance and effectiveness of other internal control functions and the Group Auditor's assessment thereon; and
- the Group's procedures for responding to any allegations or wrongdoing including those made by whistle-blowers.

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

The Audit Committee reports to the Board on the effectiveness of the Auditor and receives information from the Executive team and finance 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 2020

The Committee met five times during the financial year ended 31 October 2020 to consider standing items on its agenda and the prior period adjustments arising in the previous financial year. The Committee's standing items on its agenda are:

- received and considered, as part of the review of interim and annual financial statements, reports from the Auditor in respect of the audit plan for the year and the results of the annual audit including the scope of the annual audit, the approach to be adopted by the Auditor to address and conclude upon key estimates and other key audit areas, the basis on which the materiality is assessed, the terms of engagement for the Auditor and an on-going assessment of the impact of future accounting developments for the Group;
- considered the Annual Report and Accounts in the context of being fair, balanced and understandable;
- considered the effectiveness and independence of the external Auditor;
- considered the level and value of non-audit services;
- considered the key audit matters from the Extended Audit Report;
- considered the risk framework, risk appetite statement, risk register and principal risks to the Group;
- considered the effectiveness of the Group's risk management and internal control systems including resourcing the key internal control processes ensuring that the finance and operational teams are appropriately trained and qualified;
- considered the key accounting and internal control policies;
- considered the policies and reporting for any wrongdoing, fraud and whistleblowing;
- considered management's key judgements papers including the review of business reporting segments in line with guidance in respect of identifiable cash generating units; and
- reviewed the budget process.

Risk management

The Audit Committee has responsibility for assessing and challenging the robustness of the risk management and internal control environment. During the year, the Committee has received reports from and engaged in discussion with senior operational leaders responsible for the development of the risk management framework and for embedding it within the organisation through tracking risks on risk registers, risk mitigation and management strategies. The Committee has noted the ongoing programmes in place to improve processes to reduce risk and increase internal control and operational efficiencies.

Internal audit

During the year, the Committee considered the need for a separate internal audit function and its impact on the external audit. The Committee concluded that given the ongoing transformation and improvement of the business and implementation during the year of a risk management framework, the establishment of a separate internal audit function would not have been effective in the year ended 31 October 2020. The requirement for an internal audit function will be kept under review by the Committee including engagement of external, independent assurance outside of the statutory audit cycle.

Effectiveness of the Auditor

The Committee continues to monitor the work of the Auditors to ensure that they remain effective. This includes liaising directly with the Group's Auditor on significant matters including without the Executive Directors being present. The Committee also discusses the quality and value for money of the audit process with Executive Directors and senior finance staff.

The Committee is satisfied with the effectiveness of the Auditor in performing their audit for the year ended 31 October 2020.

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. The audit for the financial year ended 31 October 2020 will be the third consecutive year end for the current audit partner and audit firm.

Auditor objectivity was safeguarded by the Committee considering several factors:

- an appraisal of the standing and experience of the audit partner;
- changing to a different firm to provide tax compliance services and tax advice in the future periods during the year ended 31 October 2020; 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.

Report of the Audit Committee continued

For the year ended 31 October 2020

Non-audit fees

It is the Audit Committee's policy to engage the Group's Auditor for non-audit services where such level of expertise is not readily available from comparable firms at a commensurate cost, and engaging for such services would not impair the independence of the Group's Auditor. The Committee notes that in future periods the amounts for non-audit services are expected to be considerably lower as the audit firm operationally separates its audit services from other parts of the firm.

Each engagement for non-audit services is carefully reviewed against this policy, and when the Committee is satisfied it approves all non-audit work commissioned from the external auditors. During the year the fees paid to the Auditor were £425,000 (2019: £350,000) for Group and subsidiary audit services, £Nil (2019: £Nil) for interim audit services, and £74,000 (2019: £187,000) for non-audit services relating to tax compliance and advice and refinancing advice.

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

Significant matters in relation to financial statements

Revenue recognition

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

The Audit Committee has reviewed the principles for each type of Group revenue stream and the mechanism used to determine the milestones and performance obligations as part of the Group's Business Approval Form process. As part of this work, the Committee has challenged and reviewed analyses of some specific multi-year contracts prepared by Management to confirm that the appropriate treatment for contract revenue recognition and recoverability of the associated receivables balances has been recorded.

Goodwill and intangible assets valuation

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

Management is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based upon value-in-use and net realisable value calculations. The value-in-use method requires the calculation of future cash flows and the choice of a suitable discount rate to calculate the present value of these cash flows. Pre-tax discount rates have been applied and are based on WACC calculations performed and supplied by independent valuation specialists.

The Audit Committee has considered Management's assessments of value-in-use of Cash Generating Units (CGUs) of intangible assets at the reporting date. This included considering the CGUs reported in the previous year as well as the CGUs for the current year and included a range of sensitivities applied to future cash flows and the discount factors. The Committee has through its work confirmed that no impairment charge is required and that the changes to segmental reporting in the year had no impact on the need for any impairment charge.

New accounting standard – leasing

The Group adopted IFRS 16 – Leases effective from the 1 November 2019 using the modified retrospective method.

The Audit Committee has reviewed the accounting and disclosures prepared by Management in relation to this new standard along with the exceptional charge in the year relating to the previous London property lease and confirmed that this has been appropriately treated.

Covid-19 pandemic impact

The Audit Committee, along with the remainder of the Board, has reviewed the going concern and long-term viability impact assessment undertaken by Management that included scenarios relating to the Covid-19 pandemic impact and the recurring national lockdowns. This considered the actual operational, cash flow and bank covenant performance in FY20 compared to the previous forecast analysis with the severe downside sensitivities. A continuation of these trends was applied to the FY21 budget extended out to FY24 using growth assumptions consistent with the impairment analyses. The financial modelling included extreme stress testing and did not identify any credible scenarios that would cast doubt on the ability of the Group to continue as a going concern.

The Audit Committee are satisfied that these are plausible and reasonable assumptions and that the scenarios tested are the most appropriate and credible. The Committee is therefore assured that the business is expected to have significant liquidity available from cash in hand and from committed facilities and has strong headroom against financial covenants, and therefore, support the going concern assessment for the business.

Other matters

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

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

Reporting responsibilities

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

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

The Audit Committee operates within agreed terms of reference, which were updated during the year; these can be found on the Group's website.

Alice Cummings
Chair of the Audit Committee
1 February 2021

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Financial statements

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James Wilson
Project Information Manager,
Arion Blue

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Independent Auditor's report

to the members of Idox plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Idox plc (the parent Company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 October 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • revenue recognition; • valuation of goodwill and intangible assets; and • the impact of Covid-19 pandemic on going concern. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £355,000, which was determined on the basis of an adjusted income before tax benchmark.
Scoping	Our audit covered 91.3% of the Group's total revenue, 98% of the Group's adjusted PBT and 83% of the Group's net assets.
Significant changes in our approach	Our approach is consistent with previous year with the exception of: • A change in the benchmark used to set materiality, to be 5% of profit before tax adjusted for impact of amortisation from acquisitions. The prior year it was determined using a blended benchmark considering EBITDA, income before tax and adjusted income before tax. • Completeness and valuation of provision for onerous contracts is no longer a key audit matter as the Group has strengthened its processes and controls around identification of onerous contracts. • Presentation and disclosure of adjustments arising from revenue recognition and onerous contracts in relation to previous periods is no longer a key audit matter as no such adjustments have been identified in the current year. • Revenue recognition remains a key audit matter; however, it has been further refined to focus on accounting for new contracts in the year as well as existing contract changes. This is because the main source of management judgement arises from the application of IFRS 15 – for ongoing contracts with no changes arising in the year, these judgements were audited as part of our prior year audit.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

5. Key audit matters

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

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

Independent Auditor's report continued

to the members of Idox plc

5. Key audit matters continued

5.1 Revenue Recognition

Key audit matter description	The Group generated £68.0m of revenue (2019: £65.5m) during the year. Each business segment has its own revenue recognition policies (Refer to note 1 accounting policies) depending on the nature of the revenue and underlying contractual arrangements. Management judgement is required around the timing of when performance obligations are met, as well as for the application of principles set out in IFRS 15 Revenue from contracts with customers with regards to the measurement of revenue recognised. This judgement could be the subject of management bias and so we consider that this represents a fraud risk. Our key audit matter has been pinpointed to the cut-off, accuracy and occurrence of revenue from new contracts that have arisen in the year as well as existing contract changes. As explained above, the key source of management judgement is in the application of IFRS 15 principles and identification of performance obligations. For contracts that were entered into in previous years, these judgements were audited as part of initial adoption of IFRS 15 as well as any subsequent changes in management's position. Further details are provided in note 2 of the financial statements.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: • Obtained an understanding of the relevant controls over the recording of revenue; • Testing of product and service revenue for new contracts during the year by focusing on those generating revenue two months pre year-end and one month post year-end, in order to assess cut-off, agreeing each sampled item to invoice details and evidencing the performance obligations criteria; • Assessing Management's accounting for a sample of new customer contracts in the year against the requirements of IFRS 15 Revenue from contracts with customers; • Testing a sample of invoices raised in the year for accuracy and occurrence to assess whether they were accounted for in line with the Group's revenue recognition policy. Each of these items were traced through to invoice, third party support (e.g. purchase order or signed contract) and payment into the bank; • Testing of accrued income, with each selected item agreed to evidence of the split of the revenue (service/product/recurring), and also to assess whether the criteria for revenue recognition had been met before the year end; and • Detailed testing of deferred income agreeing each item selected to assess the split of the revenue recognised (service/product/recurring), and recalculating the portion of income that should be deferred based on evidence of the duration of the contract.
Key observations	Based on the work performed we are satisfied that the revenue was appropriately recognised in accordance with the requirements of IFRS 15.

5.2 Valuation of goodwill and intangible assets

Key audit matter description	The Group has goodwill of £48.0m (2019: £48.1m) and other intangible assets of £33.5m (2019: £37.9m) as at 31 October 2020. As required by IAS 36 Impairment of assets management performs an impairment review for all goodwill balances on an annual basis, and for other assets whenever an indication of impairment is identified. This has been identified as a key audit matter as a result of the quantitative significance of the balances, and the application of management judgement and estimation in performing impairment reviews. Our significant risk in this area is focussed on the Engineering Information Management ("EIM") Cash-Generating Unit (CGU) due to the historical lower headroom of the CGU. Determination of the recoverable amount incorporates estimation based on assumptions about future operating cash flows for the related businesses, using assumptions around discount rate, growth rates, and cash flow forecasts. Our key audit matter is focused around the most sensitive and judgemental assumptions, being the forecast cash flows in management's assessment of recoverable amount based on value-in-use, and the discount rates applied to the cash flows. Further details are provided in note 12 of 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: • Obtaining an understanding of the relevant controls over the carrying value of goodwill and other intangible assets, in particular the controls over the forecasts that underpin the value in use models, and controls around management's selection of the discount rate; • Challenging management's assessment of the cash flow assumptions in determining value-in-use, including sensitivities, by assessing historical accuracy of forecasting and budgeting accuracy, reviewing the future sales order book and considering third party evidence where available; • Agreeing cash flow forecasts to board approved budgets including net working capital and capital expenditure; • Performing sensitivity analysis on key assumptions based on comparison to readily available economic and industry data; • Engaging our valuations specialist to perform a review of the discount rate applied; and • Assessing management's disclosure of sensitivity within the EIM CGU grouping.
Key observations	Based on the work performed we concluded that the valuation of goodwill and intangible assets was appropriate, and that appropriate disclosure has been made in the financial statements.

5.3 Impact of Covid-19 pandemic on going concern

Key audit matter description	Due to the ongoing uncertainties related to the Covid-19 pandemic and its effect on the operations of the business and the overall economy both in the short and long term, we considered the impact of the pandemic on the going concern assessment. There has been limited impact on the demand for the goods and services of the Group during the year. However, at year-end significant uncertainties remained regarding the ongoing impact of the pandemic on the wider economy. Management performed a detailed financial analysis including assessment of covenant compliance throughout the going concern period, possible cost mitigation actions and reverse stress testing, and concluded that no reasonably possible downside scenario existed where the Group would be unable to continue as going concern. The Directors have concluded that the going concern assumption remains appropriate. Further details are included within the Chairman's statement on page 6, the Chief Executive's review on page 12 the financial review within the strategic report and note 1 going concern on page 61 to the financial statements.
How the scope of our audit responded to the key audit matter	The audit procedures we performed in respect of this matter included: • Obtained an understanding of the processes and controls involved in management's going concern assessment in light of the Covid-19 pandemic; • Tested the integrity of management's going concern model; • Assessed the reasonableness of the financial analysis performed by management, reverse stress testing performed, and key assumptions used by management in determining the impact of the Covid-19 pandemic on going concern; • Assessed management's ability to execute mitigating actions, as required, in light of the Covid-19 pandemic; • Recalculated management's forecast covenant compliance calculations throughout the going concern period; and • Assessed the adequacy of disclosures related to the impact of the Covid-19 pandemic on going concern made in the financial statements.
Key observations	Based on the work performed we concluded that the financial analysis, the reverse stress sensitivities testing performed by Management and key assumptions made in assessing the impact of the Covid-19 pandemic were reasonable and that the conclusions on going concern are appropriate.

Independent Auditor's report continued

to the members of Idox plc

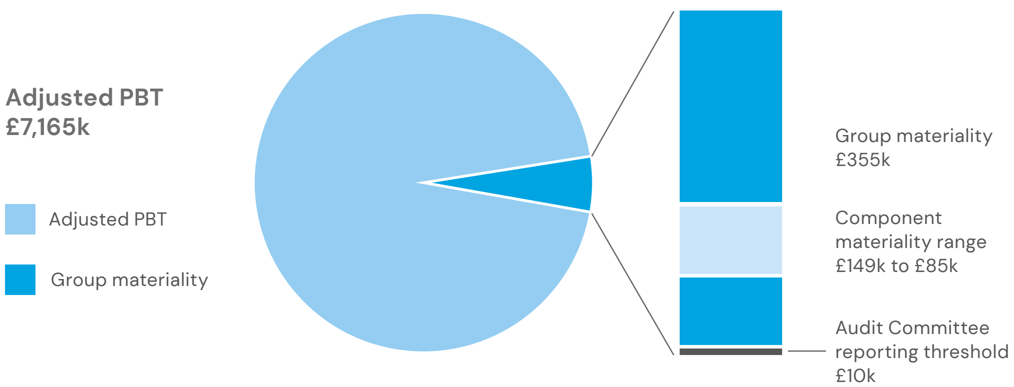
6. Our application of materiality

6.1 Materiality

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

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

	Group financial statements	Parent Company financial statements
Materiality	£355,000 (2019: £300,000)	£85,000 (2019: £120,000)
Basis for determining materiality	5% of adjusted income before tax. The adjusted income before tax benchmark normalises the profit figure for the impact of amortisation from acquisitions. This adjustment is consistent with prior year. In prior year, we determined materiality using a blended benchmark considering EBITDA, income before tax, and adjusted income before tax. The change in basis has arisen from a change in qualitative factors such as the Group's increase in underlying profitability and stated returning to paying dividends which supports adjusted income before tax being the most appropriate basis for determining materiality.	Parent Company materiality equates to 3% (2019: 3%) of net assets, which is capped at 40% (2019: 40%) of Group materiality.
Rationale for the benchmark applied	We have used adjusted income before tax as the benchmark for our determination of materiality having considered the important metrics of the business for different stakeholder groups. As a listed business, the users of financial statements primarily focus on the income before tax. Due to the acquisitive nature of the business, normalising income before tax for the impact of amortisation from acquisitions provides an appropriate benchmark for the performance of the underlying Group.	As this is the ultimate holding Company for the Group, the key balances are investments held, external borrowings and intercompany balances.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of Group materiality for the 2020 audit (2019: 60%). In determining performance materiality, we considered the following factors: our risk assessment, including our assessment of the Group's overall control environment and the fact we did not plan to rely on controls; our past experience of the audit; and the history of prior period adjustments in prior years.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000 (2019: £9,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

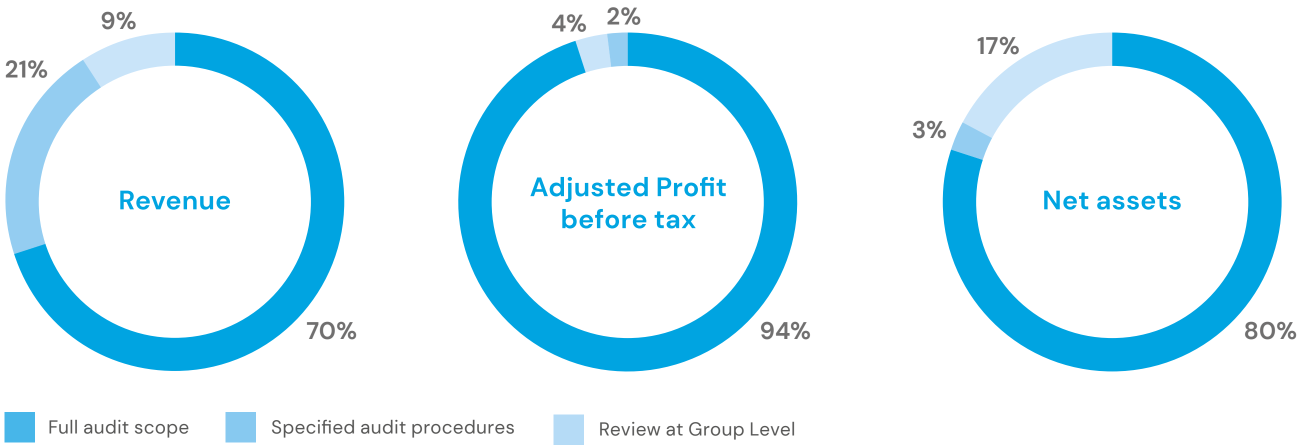
7.1 Identification and scoping of components

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

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

On a legal entity basis, the significant components to the Group are Idox Plc, Idox Software Ltd and Idox Health Limited. These components represent 70% of the Group's revenue, 94% of the Group's adjusted profit before tax and 80% of the Group's total net assets.

Additionally, our audit planning identified the following non-significant components and specific audit procedures have also been performed in relation to material account balances: McLaren Software Inc, Idox Trustees, Idox Germany GmbH and Idox Netherlands. This adds an additional 21% of coverage over revenue, 4% over adjusted profit before tax and 3% over total net assets.



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

Our audit work on components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality. Component materialities fall within the range of £85,000 to £149,000 (2019: £120,000 to £210,000).

7.2 Our consideration of the control environment

During our audit we did not rely on IT controls, nor on controls over business cycles. Following previous year's audit, management and the Board continue in their process of implementing an improved governance process and upgraded processes and controls throughout the Group as set out in Corporate Governance Report. As a result of the timing of implementation of these changes, a control reliance strategy for this year's audit was not deemed to be appropriate.

Independent Auditor’s report continued

to the members of Idox plc

8. Other information

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

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

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

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

We have nothing to report in respect of these matters.

9. Responsibilities of Directors

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

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

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

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

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

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

12.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

12.2 Directors' remuneration

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

We have nothing to report in respect of this matter.

13. Use of our report

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

David Mitchell, CA (Senior statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

1 February 2021

Consolidated statement of comprehensive income

For the year ended 31 October 2020

Continuing operations	Note	2020 £000	2019 £000
Revenue	2	68,017	65,492
Cost of sales		(18,806)	(19,481)
Gross profit		**49,211**	**46,011**
Administrative expenses		(44,292)	(44,334)
Operating profit		**4,919**	**1,677**
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	2	**19,584**	**14,361**
Depreciation	3	(2,057)	(839)
Amortisation	3	(9,282)	(8,289)
Restructuring costs	3	(1,838)	(2,155)
Acquisition costs	5	(125)	(174)
Financing costs		(306)	(368)
Share option costs	25	(1,057)	(859)
Finance income	6	181	172
Finance costs	6	(2,398)	(1,874)
Profit / (loss) before taxation		**2,702**	**(25)**
Income tax charge	8	(1,426)	(1,192)
Profit / (loss) for the year from continuing operations		**1,276**	**(1,217)**
Discontinued operations			
Loss for the year from discontinued operations	9	–	(602)
Profit / (loss) for the year		1,276	(1,819)
Non-controlling interest		–	113
Profit / (loss) for the year attributable to the owners of the parent		1,276	(1,706)
Other comprehensive loss for the year			
Items that will be reclassified subsequently to profit or loss:			
Exchange movements on translation of foreign operations net of tax		(97)	(180)
Other comprehensive loss for the year, net of tax		(97)	(180)
Total comprehensive profit / (loss) for the year		**1,179**	**(1,999)**
Total comprehensive profit / (loss) for the year attributable to owners of the parent		**1,179**	**(1,886)**
Earnings per share attributable to owners of the parent during the year			
From continuing operations			
Basic	10	0.29p	(0.26)p
Diluted	10	0.29p	(0.26)p
From continuing and discontinued operations			
Basic	10	0.29p	(0.41)p
Diluted	10	0.29p	(0.41)p

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

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

Consolidated balance sheet

As at 31 October 2020

	Note	2020 £000	2019 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,183	1,162
Intangible assets	12	81,652	86,004
Right-of-use-assets	26	3,726	–
Investment	13	18	18
Deferred tax assets	14	1,111	1,368
Total non-current assets		87,690	88,552
Current assets			
Stock		–	77
Trade and other receivables	16	18,700	19,972
Current tax receivable		1,117	251
Cash and cash equivalents	17	30,812	7,023
Total current assets		50,629	27,323
Total assets		138,319	115,875
LIABILITIES			
Current liabilities			
Trade and other payables	18	6,084	7,136
Deferred consideration	19	57	381
Other liabilities	19	26,839	23,892
Provisions	20	1,261	384
Lease liabilities	26	1,188	–
Borrowings	22	–	21,809
Total current liabilities		35,429	53,602
Non-current liabilities			
Deferred tax liabilities	14	3,907	4,015
Deferred consideration	19	27	74
Lease liabilities	26	2,695	–
Other liabilities	19	1,791	1,878
Provisions	20	612	111
Bonds in issue	21	11,848	11,584
Borrowings	22	35,052	–
Total non-current liabilities		55,932	17,662
Total liabilities		91,361	71,264
Net assets		46,958	44,611
EQUITY			
Called up share capital	24	4,450	4,446
Capital redemption reserve		1,112	1,112
Share premium account		41,356	41,348
Treasury reserve		(621)	(621)
Share option reserve		2,618	1,837
Other reserves		7,528	7,528
ESOP trust		(373)	(365)
Foreign currency translation reserve		(161)	(64)
Accumulated losses		(8,951)	(10,500)
Issued capital and reserves attributable to the owners of the parent		46,958	44,721
Non-controlling interest		–	(110)
Total equity		46,958	44,611

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

The financial statements were approved by the Board of Directors and authorised for issue on 1 February 2021 and are signed on its behalf by:

David Meaden | **Chief Executive Officer**

Rob Grubb | **Chief Financial Officer**

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

Company name: Idox plc | Company number: 03984070

Consolidated statement of changes in equity

As at 31 Ocotber 2020

	Called up share capital £000	Capital redemption reserve £000	Share premium account £000	Treasury reserve £000
Balance at 1 November 2018	**4,169**	**1,112**	**34,188**	**(621)**
IFRS 15 opening adjustment	–	–	–	–
IFRS 15 deferred tax opening adjustment	–	–	–	–
Issue of share capital	277	–	7,160	–
Share option costs	–	–	–	–
Exercise / lapses of share options	–	–	–	–
ESOP trust	–	–	–	–
Transactions with owners	**277**	**–**	**7,160**	**–**
Loss for the year	–	–	–	–
Non-controlling interest	–	–	–	–
Other comprehensive loss				
Exchange movement on translation of foreign operations	–	–	–	–
Total comprehensive loss for the year	**–**	**–**	**–**	**–**
Balance at 31 October 2019	**4,446**	**1,112**	**41,348**	**(621)**
Issue of share capital	4	–	8	–
Share option costs	–	–	–	–
Exercise / lapses of share options	–	–	–	–
ESOP trust	–	–	-	–
Disposal of investment	–	–	–	–
Transactions with owners and non–controlling interests	**4**	**–**	**8**	**–**
Profit for the year	–	–	–	–
Other comprehensive loss				
Exchange movement on translation of foreign operations	–	–	–	–
Total comprehensive (loss) / profit for the year	**–**	**–**	**–**	**–**
Balance at 31 October 2020	**4,450**	**1,112**	**41,356**	**(621)**

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

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

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

Share option reserve £000	Other reserves £000	ESOP trust £000	Foreign currency translation reserve £000	Retained earnings / (accumulated losses) £000	Non-controlling interest* £000	Total £000
1,232	**7,528**	**(399)**	**116**	**540**	**3**	**47,868**
–	–	–	–	(11,532)	–	**(11,532)**
–	–	–	–	1,944	–	**1,944**
–	–	–	–	–	–	**7,437**
859	–	–	–	–	–	**859**
(254)	–	–	–	254	–	**–**
–	–	34	–	–	–	**34**
605	**–**	**34**	**–**	**254**	**–**	**8,330**
–	–	–	–	(1,706)	–	**(1,706)**
–	–	–	–	–	(113)	**(113)**
–	–	–	(180)	–	–	**(180)**
–	**–**	**–**	**(180)**	**(1,706)**	**(113)**	**(1,999)**
1,837	**7,528**	**(365)**	**(64)**	**(10,500)**	**(110)**	**44,611**
–	–	–	–	–	–	**12**
1,054	–	–	–	–	–	**1,054**
(273)	–	–	–	273	–	**–**
–	–	(8)	–	–	–	**(8)**
–	–	–	–	–	110	**110**
781	**–**	**(8)**	**–**	**273**	**110**	**1,168**
–	–	–	–	1,276	–	**1,276**
–	–	–	(97)	–	–	**(97)**
–	**–**	**–**	**(97)**	**1,276**	**–**	**1,179**
2,618	**7,528**	**(373)**	**(161)**	**(8,951)**	**–**	**46,958**

Consolidated cash flow statement

For the year ended 31 October 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit / (loss) for the year before taxation		2,702	(627)
Adjustments for:			
Depreciation of property, plant and equipment	11	817	839
Depreciation of right-of-use assets	26	1,240	-
Amortisation of intangible assets	12	9,282	8,289
Acquisition credits – release of deferred consideration		–	(750)
Loss on disposal of subsidiary		380	–
Finance income		(5)	(172)
Finance costs		2,210	1,629
Debt issue costs amortisation		189	(54)
Research and development tax credit		(134)	(182)
Share option costs	25	1,057	859
Loss on disposal of leases		36	–
Movement in stock		54	38
Movement in receivables		1,192	4,923
Movement in payables		4,329	(3,595)
Cash generated by operations		23,349	11,197
(Tax on profit paid) / tax on loss refunded		(2,000)	1,185
Net cash from operating activities		21,349	12,382
Cash flows from investing activities			
Acquisition of subsidiaries		–	(6,394)
Disposal of subsidiaries		(200)	–
Net cash arising on disposal of discontinued operations		–	44
Purchase of property, plant and equipment		(931)	(780)
Purchase of intangible assets		(5,998)	(5,871)
Finance income		5	172
Net cash used in investing activities		(7,124)	(12,829)
Cash flows from financing activities			
Interest paid		(1,644)	(1,423)
New loans		38,575	8,000
Loan related costs		(48)	(81)
Loan repayments		(25,762)	(12,039)
Principal lease payments		(1,545)	–
Issue of own shares		(118)	7,350
Net cash flows from financing activities		9,458	1,807
Net movement in cash and cash equivalents		23,683	1,360
Cash and cash equivalents at the beginning of the year		7,023	5,534
Exchange gains on cash and cash equivalents		106	129
Cash and cash equivalents at the end of the year	17	30,812	7,023

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

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

Notes to the accounts

For the year ended 31 October 2020

1 Accounting Policies

General information

Idox plc is a leading supplier of software and services for the management of Local Government and other organisations. The Company is a public limited company, limited by shares, which is listed on the AIM Market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA. The registered number of the Company is 03984070. There is no ultimate controlling party.

The financial statements are prepared in pounds sterling.

Basis of preparation

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

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

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

As set out on pages 34 to 35 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, which covers a minimum period of twelve months from approval of these accounts, the Directors have considered the Group's trading budget, cash flow forecasts, available headroom and projected financial covenants on the banking facility, and levels of recurring revenue.

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

Covid-19 pandemic impact on going concern assessment

Idox along with most companies has been impacted by the Covid-19 pandemic and recurring national lockdowns, however the impact on our Group has in the main been limited to the initial disruption of the early stages of the emerging challenges, including restrictions on physical movement. We have largely seen our operations return to their pre-Covid-19 pandemic levels across our Group.

We remain cautious in respect of the ongoing impact of the Covid-19 pandemic and the recurring national lockdowns. From our experience of the impact of the Covid-19 pandemic since March 2020, we are confident we are fundamentally resilient to the challenges of the Covid-19 pandemic due to the Group's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Group retains significant liquidity with cash and available committed bank facilities, and has significant projected headroom on financial covenants which has improved considerably throughout FY20 and the duration of the Covid-19 pandemic as anticipated.

We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the ongoing impacts.

As part of the preparation of our FY20 results, the Group has carefully assessed if any ongoing impact of the Covid-19 pandemic creates any material uncertainty in our going concern assessment. We have performed detailed financial forecasting, as well as severe stress-testing in our financial modelling, but have not identified any credible scenarios that would cast doubt on our ability to continue as a going concern.

Notes to the accounts continued

For the year ended 31 October 2020

1 Accounting Policies continued

Covid-19 pandemic impact on going concern assessment continued

The Group has performed sensitivity analysis to identify what circumstances could lead to liquidity shortfalls. This analysis has demonstrated that the Group would only breach the projected financial covenants in the most severe of circumstances which are not considered reasonably possible. Under this sensitivity analysis, recurring revenues were assumed to be 19% lower than plan and non-recurring revenues lower by 39% for each of FY21 and FY22, with no corresponding action on costs to address these shortfalls. Under this scenario, the Group would be in compliance with all financial covenants for the next twelve months but likely to be in breach of its leverage banking covenants during Q4 of FY22 although the Group would still retain significant liquidity and be able to continue to make debt servicing payments at this point. This scenario is not considered credible given:

- Idox typically starts its financial year with strong visibility of 85% to 90% over revenues for the following year given its high proportion of recurring revenues and its opening orderbook of non-recurring revenues. Specifically, the Group enters FY21 with total outstanding contracted performance obligations of £60.5m, of which 75% of this will be recognised as revenue in FY21, in addition to an expectation of a high rate of renewal of existing revenues;
- in the unlikely event that revenue does begin to deteriorate to this extreme level, we anticipate reducing costs in the Group to avoid a covenant breach that is otherwise anticipated to arise in Q4 of FY22 in this scenario. These actions could include reducing any operations that may have become severely loss-making due to the Covid-19 pandemic, either through further reduction in operational spend, restructuring of business units, or utilising available government financial support with job retention schemes; and
- the Group has, and continues to have, strong liquidity as a result of its committed banking facilities in place. Available liquidity at year end of £30.8m, and available liquidity at the end of January 2021 of £29.2m. If the described extreme scenario does begin to emerge, Idox anticipates having sufficient financial resources and sufficient notice as the situation emerges to take action and reduce costs as described previously to avoid any covenant breach.

Therefore, this supports the going concern assessment for the business.

International financial reporting standards and interpretations issued but not yet effective

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

- IFRIC 17 Insurance Contracts – effective for periods commencing on or after 1 January 2023.
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current – effective for periods commencing on or after 1 January 2022.
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use – effective for periods commencing on or after 1 January 2022.
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract – effective for periods commencing on or after 1 January 2022.

Adoption of new and revised standards

IFRS 16 – Leases – the standard was adopted for the first time in the year ending 31 October 2020. The Group applied IFRS 16 on a modified retrospective basis from the date of initial application (1 November 2019), without restatement of comparative amounts. See note 26 for further information.

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

Critical judgements and key sources of estimation uncertainty

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

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

Judgements (not involving estimation)

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

Development costs

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

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

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

See note 12 for further information.

Revenue recognition

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

The Group has prepared an underlying technical framework to substantiate current and ongoing judgements on revenue recognition.

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

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

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

Key sources of estimation uncertainty

Management does not consider there to be any items to involve key assumptions and other key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Basis of consolidation

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

All inter-company transactions are eliminated on consolidation.

Notes to the accounts continued

For the year ended 31 October 2020

1 Accounting Policies continued

Basis of consolidation continued

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

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

Revenue

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

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

The Group derives its revenue from the following revenue streams:

Non-recurring: software (initial licence fee)

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

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

Non-recurring: services

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

Non-recurring: hardware

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

Recurring: software (recurring licence fee and support & maintenance)

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

Revenue from Support & Maintenance is recognised evenly across the support and maintenance period, in line with the pattern of how we deliver the services and how they are consumed by the customer.

Recurring: managed services

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

Recurring: hosting

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

Software as a Service (SaaS)

Fees from SaaS arrangements typically combine software licencing, support & maintenance, managed services and hosting into a single subscription payable by the customer for provision of a holistic service rather than delivery of constituent parts. Revenues from SaaS are recognised evenly across the period of contract for provision of the service, in line with the pattern of how we deliver the services and how they are consumed by the customer.

Contract revenue, receivables and liabilities

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

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

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

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

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

Segmental reporting

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

Discontinued operations and held for sale

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

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

Subsidiary audit exemption

Idox Software Limited (02933889), Idox Trustees Limited (04111557), McLaren Software Limited (SC213218), Tascomi Limited (NI057879) and Idox Health Limited (02585086) are exempt from the provisions of Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A.

Goodwill

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

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

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

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

Notes to the accounts continued

For the year ended 31 October 2020

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.

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

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

(ii) Customer relationships

Customer relationships represent the purchase price of customer lists and contractual relationships purchased on the acquisition of subsidiaries. These relationships are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of 20, 10 or 5 years.

(iii) Trade names

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

(iv) Software

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

(v) Database

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

(vi) Order backlog

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

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

- Computer hardware — 25% and 50% straight line
- Fixtures, fittings and equipment — 25% straight line
- Library books and journals — 33.3% straight line

Useful economic lives and residual values are reviewed annually.

Employee benefits

Defined contribution pension plans

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

Share-based payment transactions

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

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

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

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

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

Notes to the accounts continued

For the year ended 31 October 2020

1 Accounting Policies continued

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 / (accumulated losses)" represents retained profits / (losses).
- "Treasury reserve" represents shares repurchased by the Company to be held for redistribution as share options. The cost of treasury shares is debited to the Treasury reserve.
- "Foreign currency translation reserve" represents exchange gains and losses on translation of foreign operations.
- "Non-controlling interest" represents retained profits attributable to Non-controlling interests.

Taxation

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

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

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

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

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

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

Research and development tax credits

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

Leases

In the current year, the Group, has applied IFRS 16 – Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 November 2019.

The Group has applied IFRS 16 using the modified retrospective basis which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings / (accumulated losses) at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact on the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 November 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 November 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases, (except as noted below), the Group:

- recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of twelve months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administration expenses in the statement of comprehensive income.

Notes to the accounts continued

For the year ended 31 October 2020

1 Accounting Policies continued

Leases continued

The Group has used the following practical expedients when applying the modified retrospective basis to leases previously classified as operating leases applying IAS 17:

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within twelve months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 November 2019.

(c) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 November 2019 is 3.73%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 October 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	£000
Operating lease commitments at 31 October 2019	3,497
Short-term leases and leases of low-value assets	(892)
Effect of discounting the above amounts	(466)
Present value of lease payments due in periods not previously included in operating lease commitments	2,686
Lease liabilities recognised at 1 November 2019	4,825

The Group has recognised £4,825,000 of right-of-use assets and £4,825,000 of lease liabilities upon transition to IFRS 16. The difference of £Nil is recognised in retained earnings / (accumulated losses). There has been an reduction of £285,000 to the opening right-of-use asset in relation to release of prepaid and accrued rent free periods and capital contributions which were previously offset against the rental costs.

Dividend distributions

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

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

Foreign currency translation

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

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

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

Financial instruments

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

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

Financial assets

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

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

Bonds in issue

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

Trade and other payables

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

Equity instruments

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

2 Segmental analysis

During the year ended 31 October 2020, the Group was organised into three operating segments, which are detailed below.

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

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

Notes to the accounts continued

For the year ended 31 October 2020

2 Segmental analysis continued

As part of the Group's continued work on corporate simplification, PSS and EIM have been combined into a single business unit named Idox Software during the latter part of the year ended 31 October 2020. As a result of the timing of this combination of PSS and EIM, the individual business units have been shown separately in this segmental analysis with sub-totals showing the combined position.

Also, during the year ended 31 October 2020, our UK Databases businesses, encompassing our GRANTfinder and RESEARCHconnect products, were transferred from our Idox Content division to Idox Software (Public Sector Software) division given as the customers of these products are largely public sector. UK Databases has therefore been reclassified from Idox Content to Idox Software (Public Sector Software) in 2019 in the below disclosures to enable appropriate year-on-year comparison.

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

The segment revenues by geographic location are as follows:

	2020 £000	2019 £000
Revenues from external customers		
United Kingdom	47,900	43,416
USA	6,106	5,448
Europe	12,801	14,948
Australia	408	315
Rest of World	802	1,365
	68,017	65,492

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

The segment revenues by type are as follows:

	2020 £000	2019 £000
Revenues by type		
Recurring revenues – PSS**	28,863	27,427
Recurring revenues – EIM	6,886	7,100
Recurring revenues – Software*	35,749	34,527
Recurring revenues – Content**	1,626	1,209
Recurring revenues	37,375	35,736
Non-recurring revenues – PSS**	19,563	17,498
Non-recurring revenues – EIM	1,972	2,070
Non-recurring revenues – Software*	21,535	19,568
Non-recurring revenues – Content**	9,107	10,188
Non-recurring revenues	30,642	29,756
	68,017	65,492
Revenue from sale of goods	22,302	23,247
Revenue from rendering of services	45,715	42,245
	68,017	65,492

* The Software BU sub-total has been included within the FY19 figures in order to provide a comparison to the FY20 figures. No figures have been restated as a result of this categorisation.

** UK Databases has been reclassified from Idox Content to Idox Software (Public Sector Software) in 2019 to enable appropriate year-on-year comparison.

Recurring revenue is income generated from customers on an annual contractual basis. Recurring revenue amounts to approximately 55% (2019: 55%) of continuing revenue, which is revenue generated annually from sales to existing customers.

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

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

The Group's total outstanding contracted performance obligations at 31 October 2020 was £60,506,000 and it is anticipated that 75% of this will be recognised as revenue in FY21 and 15% in FY22.

The segment results by business unit for the year ended 31 October 2020:

	PSS £000	EIM £000	Software £000	Content £000	Total £000
Revenue	48,426	8,858	**57,284**	10,733	**68,017**
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	16,599	1,988	**18,587**	997	**19,584**
Depreciation	(708)	(83)	**(791)**	(26)	**(817)**
Depreciation – right-of-use assets	(617)	(89)	**(706)**	(534)	**(1,240)**
Amortisation – software licences, customer lists, order backlog and R&D	(3,803)	(753)	**(4,556)**	(269)	**(4,825)**
Amortisation – acquired intangibles	(3,570)	(440)	**(4,010)**	(447)	**(4,457)**
Restructuring costs	(1,652)	(96)	**(1,748)**	(90)	**(1,838)**
Acquisition costs	(125)	–	**(125)**	–	**(125)**
Share option costs	(1,004)	–	**(1,004)**	(53)	**(1,057)**
Adjusted segment operating profit / (loss)	5,120	527	**5,647**	(422)	**5,225**
Financing costs					**(306)**
Finance income					**181**
Finance costs					**(2,398)**
Profit before taxation					**2,702**

The corporate recharge to the business unit EBITDA is allocated on a head count basis.

Notes to the accounts continued
For the year ended 31 October 2020

2 Segmental analysis continued
The segment results by business unit for the year ended 31 October 2019:

	PSS** £000	EIM £000	Software* £000	Content** £000	Continuing Operations Total £000	Discontinued Operations Digital £000	Total £000
Revenue	44,925	9,170	**54,095**	11,397	**65,492**	–	**65,492**
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	12,391	1,410	**13,801**	560	**14,361**	–	**14,361**
Depreciation	(720)	(93)	**(813)**	(26)	**(839)**	–	**(839)**
Amortisation – software licences, customer lists, order backlog and R&D	(2,991)	(772)	**(3,763)**	(340)	**(4,103)**	–	**(4,103)**
Amortisation – acquired intangibles	(3,270)	(440)	**(3,710)**	(476)	**(4,186)**	–	**(4,186)**
Restructuring costs	(1,613)	(30)	**(1,643)**	(512)	**(2,155)**	–	**(2,155)**
Acquisition costs	(174)	–	**(174)**	–	**(174)**	–	**(174)**
Share option costs	(850)	–	**(850)**	(9)	**(859)**	–	**(859)**
Adjusted segment operating profit	2,773	75	**2,848**	(803)	**2,045**	–	**2,045**
Financing costs					**(368)**	–	**(368)**
Loss from the sale of discontinued operations					**–**	(602)	**(602)**
Finance income					**172**	–	**172**
Finance costs					**(1,874)**	–	**(1,874)**
Loss before taxation					**(25)**	(602)	**(627)**

* The Software BU sub-total has been included within the FY19 figures in order to provide a comparison to the FY20 figures. No figures have been restated as a result of this categorisation.

** UK Databases has been reclassified from Idox Content to Idox Software (Public Sector Software) in 2019 to enable appropriate year-on-year comparison.

3 Operating profit for the year

Operating profit for the year has been arrived at after charging:

	2020 £000	2019 £000
Auditor's remuneration:		
Fees payable to the Company Auditor for the audit of the parent company and consolidated annual accounts	21	18
The audit of the Company's subsidiaries, pursuant to legislation	404	332
Audit related services	–	–
Non–audit services	74	75
	499	425
Tax services – compliance	36	36
Tax services – advisory	–	76
Operating lease rentals – buildings & equipment	–	1,564
Depreciation – owned	817	839
Depreciation – right–of–use assets	1,240	–
Amortisation:		
Software licences	943	743
Research & development	3,755	3,172
Backlog Orders	19	29
Customer Contracts	108	160
Acquired intangibles – customer relationships	1,685	1,663
Acquired intangibles – trade names	675	697
Acquired intangibles – software	2,055	1,769
Acquired intangibles – order backlog	42	56
Equity–settled share–based payments	1,057	859

Restructuring costs

Restructuring costs were £1.8m (2019: £2.2m) as the new Management team assessed in detail all operations of the Group in the year; restructuring business units and Group processes to improve the Group's current and future financial performance and prospects. The balance is broken down as follows:

	2020 £000	2019 £000
Redundancies	327	285
Disposal of subsidiaries	397	–
Litigation	42	697
Property	1,072	1,173
	1,838	2,155

Notes to the accounts continued

For the year ended 31 October 2020

4 Directors and employees

Staff costs during the year were as follows:

	2020 £000	2019 £000
Wages and salaries	31,608	27,938
Social security costs	3,179	3,232
Pension costs	1,328	1,324
	36,115	32,494

In addition, during the year share based payment charges of £1,057,000 (2019: £859,000) were incurred.

During the year, the Group incurred redundancy costs to former employees of £327,000 (2019: £285,000).

The average number of employees of the Group during the year was 637 (2019: 671) and was made up as follows:

	2020 No.	2019 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	44	60
Sales	41	44
Development	116	130
Operations	436	437
	637	671

The average number of Directors of the Group during the year was 6 (2019: 7).

Remuneration in respect of Directors was as follows:

	2020 £000	2019 £000
Emoluments	970	1,049
Pension contributions	10	10
Share option exercise gain	–	–
	980	1,059

The pension contributions above are in respect of one Director and are in relation to the Group's defined contribution scheme.

In addition to the remuneration stated above, the Group incurred social security costs in respect of Directors of £122,000 (2019: £139,000).

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

	2020 £000	2019 £000
Aggregate emoluments	510	511
Pension contributions	–	–
	510	511

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

During the year, the Group incurred social security costs in respect of the highest paid Director of £68,000 (2019: £78,000).

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 36 to 37 but does not form part of the audited accounts.

5 Acquisition costs

All acquisition related costs are expensed in the period incurred rather than added to the cost of investment. Acquisition costs in the current and previous years relate to the acquisition of Tascomi Limited in August 2019, with the current year costs relating to finalisation of the completion accounts that were not known of in FY19.

Acquisition costs

	2020 £000	2019 £000
Acquisition costs	(125)	(174)
	(125)	(174)

6 Finance income and costs

	2020 £000	2019 £000
Interest receivable	5	3
Other income	176	169
Finance income	181	172
Bank interest payable	(1,000)	(850)
Bond interest payable	(611)	(539)
Effective interest rate adjustment	(270)	(33)
Non-utilisation fees	(38)	(85)
Amortisation of employee equity scheme shares	(123)	(122)
Amortisation of bank fees	(189)	(164)
Lease liability interest	(167)	–
Foreign exchange differences	–	(81)
Finance costs	(2,398)	(1,874)

7 Dividends

The Directors have proposed the payment of a final dividend of 0.3p per share, which would amount to £1,335,122 (2019: £Nil).

Notes to the accounts continued

For the year ended 31 October 2020

8 Income tax

The tax charge is made up as follows:

	2020 £000	2019 £000
Current tax		
UK corporation tax on profit / loss for the year	1,065	44
Foreign tax on overseas companies	(16)	300
Under / (over) provision in respect of prior periods	235	(195)
Total current tax	1,284	149
Deferred tax		
Origination and reversal of temporary differences	774	897
Adjustment for rate change	(169)	(170)
Adjustments in respect of prior periods	(473)	316
Other	10	–
Total deferred tax	142	1,043
Total tax charge	1,426	1,192

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:

	2020 £000	% ETR movement	2019 £000	% ETR movement
Profit / (loss) before taxation on total operations	2,702		(627)	
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	513	19.00	(119)	19.00
Effects of:				
Share option deduction	(206)	(7.63)	197	(31.39)
Tax losses utilised in year	–	–	–	–
International losses derecognised / (recognised)	362	13.40	507	(80.96)
Accelerated capital allowances	–	–	(6)	0.96
Other timing differences	172	6.36	(7)	1.05
Expenses not deductible for tax purposes	732	27.09	386	(61.52)
Prior year over-provision	(238)	(8.81)	193	(30.74)
Non-taxable income	(34)	(1.26)	25	(3.93)
Adjustment for tax rate differences	66	2.44	(49)	7.76
R&D enhanced relief	24	0.89	62	(9.89)
Foreign tax suffered	(16)	(0.59)	3	(0.41)
Tax rate change	51	1.89	–	–
	1,426	52.78	1,192	(190.07)

The main factors for the reduction in the volatility in the ETR on the profit before tax position was the significant increase in the profit before tax in the year meaning permanent and other differences giving rise to ETR effects were proportionately lower. These differences included routine non-allowable amounts in addition to international losses not recognised in the period and higher overseas tax rates.

Movement on trading losses during 2020 are as follows:

	UK unrelieved trading losses £000	Foreign unrelieved trading losses £000	Total unrelieved trading losses £000	Tax effect £000
Recognised trading losses				
As at 1 November 2019	1,729	379	**2,108**	382
Utilised during the year	(1,729)	(29)	**(1,758)**	(278)
	–	350	**350**	104
Unrecognised trading losses				
Losses not recognised	(641)	(11,966)	**(12,607)**	(4,208)
	(641)	(11,966)	**(12,607)**	(4,208)

For comparative purposes, movement on trading losses during 2019 were as follows:

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

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 utilised during the year were in the US and the Netherlands. The closing unrecognised losses of £12,607,000 relate to Malta, the UK, France and Germany. The decision was made to maintain derecognition of these assets until there is more certainty over their future utilisation, with the exception of Malta and Germany. Across the year the total deferred tax asset in respect of unrelieved trading losses reduced from £382,000 to £104,000. There is no expiry dates for any of the unrelieved trading losses carried forward.

Notes to the accounts continued

For the year ended 31 October 2020

9 Discontinued operations

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

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

	2020 £000	2019 £000
Revenue	–	–
Expenses	–	–
Loss on Disposal	–	(602)
Loss before tax	–	(602)
Attributable tax credit	–	–
Net loss attributable to discontinued operations	–	(602)

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

	2020 £000	2019 £000
Profit / (loss) for the year	1,276	(1,104)
Basic earnings per share		
Weighted average number of shares in issue	439,245,132	420,788,528
Basic earnings per share	0.29p	(0.26)p
Weighted average number of shares in issue	439,245,132	420,788,528
Add back:		
Dilutive share options	7,279,721	2,215,726
ESOP shares	–	1,316,142
Weighted average allotted, called up and fully paid share capital	446,524,853	424,320,396
Diluted earnings per share		
Diluted earnings per share	0.29p	(0.26)p

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

Adjusted earnings per share

	2020 £000	2019 £000
Profit / (loss) for the year	1,276	(1,104)
Add back:		
Amortisation on acquired intangibles	4,457	4,215
Acquisition costs	125	174
Restructuring costs	1,838	2,155
Financing costs	306	368
Share option costs	1,057	859
Tax effect	(1,122)	(1,210)
Adjusted profit for year	7,937	5,457
Weighted average number of shares in issue – basic	439,245,132	420,788,528
Weighted average number of shares in issue – diluted	446,524,853	424,320,396
Adjusted earnings per share	1.81p	1.30p
Adjusted diluted earnings per share	1.78p	1.29p

Discontinued operations

	2020 £000	2019 £000
Loss for the year	–	(602)
Basic earnings per share		
Weighted average number of shares in issue	439,245,132	420,788,528
Basic earnings per share	–	(0.14)p
Weighted average number of shares in issue	439,245,132	420,788,528
Add back:		
Dilutive share options	7,279,721	2,215,726
ESOP shares	–	1,316,142
Weighted average allotted, called up and fully paid share capital	446,524,853	424,320,396
Diluted earnings per share		
Diluted earnings per share	–	(0.14)p

Notes to the accounts continued

For the year ended 31 October 2020

10 Earnings per share continued

Total operations

	2020 £000	2019 £000
Profit / (loss) for the year	1,276	(1,706)
Basic earnings per share		
Weighted average number of shares in issue	439,245,132	420,788,528
Basic earnings per share	0.29p	(0.41)p
Weighted average number of shares in issue	439,245,132	420,788,528
Add back:		
Dilutive share options	7,279,721	2,215,726
ESOP shares	–	1,316,142
Weighted average allotted, called up and fully paid share capital	446,524,853	424,320,396
Diluted earnings per share		
Diluted earnings per share	0.29p	(0.41)p

Adjusted earnings per share

	2020 £000	2019 £000
Profit / (loss) for the year	1,276	(1,706)
Add back:		
Amortisation on acquired intangibles	4,457	4,215
Acquisition costs	125	174
Restructuring costs	1,838	2,155
Financing costs	306	368
Share option costs	1,057	859
Tax effect	(1,122)	(1,210)
Adjusted profit for year	7,937	4,855
Weighted average number of shares in issue – basic	439,245,132	420,788,528
Weighted average number of shares in issue – diluted	446,524,853	424,320,396
Adjusted earnings per share	1.81p	1.15p
Adjusted diluted earnings per share	1.78p	1.14p

11 Property, plant and equipment

	Computer hardware £000	Fixtures, fittings and equipment £000	Library books and journals £000	Total £000
Cost				
At 1 November 2018	3,038	1,281	11	**4,330**
Foreign exchange	(16)	76	–	**60**
Additions	674	73	11	**758**
Additions on acquisition	35	15	–	**50**
Disposals	–	(39)	–	**(39)**
At 31 October 2019	3,731	1,406	22	**5,159**
Foreign exchange	(21)	20	–	**(1)**
Additions	890	42	1	**933**
Disposals	(5)	(345)	–	**(350)**
At 31 October 2020	4,595	1,123	23	**5,741**
Depreciation				
At 1 November 2018	1,991	1,119	9	**3,119**
Foreign exchange	6	72	–	**78**
Provided in the year	754	80	5	**839**
Disposals	–	(39)	–	**(39)**
At 31 October 2019	2,751	1,232	14	**3,997**
Foreign exchange	(11)	17	–	**6**
Provided in the year	767	46	4	**817**
Disposals	(5)	(257)	–	**(262)**
At 31 October 2020	3,502	1,038	18	**4,558**
Net book amount at 31 October 2020	**1,093**	**85**	**5**	**1,183**
Net book amount at 31 October 2019	980	174	8	**1,162**

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

Notes to the accounts continued

For the year ended 31 October 2020

12 Intangible assets

	Goodwill £000	Customer relationships £000	Trade names £000	Software £000	Development costs £000	Order backlog £000	Customer lists £000	Total £000
Cost								
At 1 November 2018	77,564	30,807	12,593	16,038	14,116	311	–	**151,429**
Foreign exchange	–	–	–	–	22	9	–	**31**
Additions	8	–	–	2,206	4,351	–	273	**6,838**
Additions on acquisition	2,269	1,151	–	4,448	799	–	–	**8,667**
Disposals	–	–	–	(5)	–	–	–	**(5)**
At 31 October 2019	79,841	31,958	12,593	22,687	19,288	320	273	**166,960**
Foreign exchange	–	–	–	(9)	27	(8)	5	**15**
Additions	–	–	–	380	4,672	–	–	**5,052**
Fair Value	(113)	–	–	–	–	–	–	**(113)**
At 31 October 2020	79,728	31,958	12,593	23,058	23,987	312	278	**171,914**
Amortisation								
At 1 November 2018	31,709	17,477	7,868	10,053	5,369	166	–	**72,642**
Foreign exchange	–	2	–	–	17	7	(1)	**25**
Amortisation for the year	–	1,663	697	2,512	3,172	85	160	**8,289**
At 31 October 2019	31,709	19,142	8,565	12,565	8,558	258	159	**80,956**
Foreign exchange	–	–	–	(9)	29	(7)	11	**24**
Amortisation for the year	–	1,685	675	2,998	3,755	61	108	**9,282**
At 31 October 2020	31,709	20,827	9,240	15,554	12,342	312	278	**90,262**
Carrying amount at 31 October 2020	**48,019**	**11,131**	**3,353**	**7,504**	**11,645**	**–**	**–**	**81,652**
Carrying amount at 31 October 2019	48,132	12,816	4,028	10,122	10,730	62	114	**86,004**
Average remaining amortisation period (years)								
31 October 2020	**n/a**	**6.6**	**5.0**	**2.5**	**3.1**	**–**	**–**	
31 October 2019	n/a	7.7	5.8	4.0	3.4	0.7	0.7	

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, 'Impairment of Assets'. An impairment charge of £Nil (2019: £Nil) was processed in the year.

Fair value adjustments are in relation to the finalisation of acquisition accounting in respect of Tascomi Limited. Further information on these fair value adjustments is provided in note 27.

Impairment test for goodwill

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

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

Cash Generating Units	2020 £000	2019 £000
– Public Sector	30,624	30,737
– Engineering Information Management	9,974	9,974
Idox Software	40,598	40,711
Idox Content	7,421	7,421
	48,019	48,132

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 2021 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 2020, 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 2019.

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 Units	Discount rate Current year	Compound Annual Growth Rate	Long term growth rate Current year	Discount rate Prior year	Growth rate Prior year
Idox Software (excluding EIM)	11.8%	10.9%	1.5%	12.4%	1.5%
Idox Software (EIM only)	12.7%	21.2%	1.5%	13.1%	1.5%
Idox Content	12.7%	6.3%	1.5%	11.8%	1.5%

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

Management considered the level of intangible assets within the Group in comparison to the future budgets and have processed an impairment charge of £Nil within the year (2019: £Nil).

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

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

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

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

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

Notes to the accounts continued

For the year ended 31 October 2020

13 Investments

The investment is measured at fair value and relates to an investment acquired as part of the acquisition of the 6PM Group in February 2017.

14 Deferred tax

Deferred tax assets and liabilities are summarised as follows:

	2020 £000	2019 £000
Deferred tax assets	1,111	1,368
Deferred tax liabilities (non-current)	(3,907)	(4,015)
	(2,796)	(2,647)

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

	2020 £000	2019 £000
At 1 November	(2,647)	(2,617)
Opening adjustment re IFRS 15	–	1,944
Credit to income for the year	(594)	(952)
Adjustment for changes in rate	(11)	144
Adjustment to prior year provision	473	(235)
Other movements	(17)	10
Arising on acquisition	–	(941)
At 31 October	(2,796)	(2,647)

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

	Share-based payments £000	Other temporary differences £000	Losses carried forward £000	Accelerated tax depreciation £000	IFRS 15 £000	Total deferred tax asset £000
At 1 November 2018	106	42	347	612	–	**1,107**
Opening adjustment re IFRS 15	–	–	–	–	2,025	**2,025**
Charge to income	40	4	35	(499)	(1,344)	**(1,764)**
At 31 October 2019	146	46	382	113	681	**1,368**
At 1 November 2019	146	46	382	113	681	**1,368**
Charge to income	308	44	(382)	(14)	(213)	**(257)**
At 31 October 2020	454	90	–	99	468	**1,111**

	Acquired intangibles £000	Associated deferred tax asset recognised £000	Total deferred tax liability £000
At 1 November 2018	(4,653)	929	**(3,724)**
Charge to income	821	(171)	**650**
Deferred tax recognised on acquisition	(941)	–	**(941)**
At 31 October 2019	(4,773)	758	**(4,015)**
At 1 November 2019	(4,773)	758	**(4,015)**
Charge to income	762	(654)	**108**
At 31 October 2020	(4,011)	104	**(3,907)**

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

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	2020 £000	2019 £000
Financial assets measured at amortised cost:			
Non-current:			
Investment	13	18	18
		18	18
Current:			
Trade receivables, net	16	8,158	8,822
Other receivables	16	2,565	1,684
Contract receivables	16	5,498	7,164
Cash and cash equivalents	17	30,812	7,023
		47,033	24,693

Notes to the accounts continued

For the year ended 31 October 2020

15 Financial assets and liabilities continued

Categories of financial assets and liabilities continued

Financial liabilities	Note	2020 £000	2019 £000
Financial liabilities measured at amortised cost:			
Non-current:			
Provisions	20	612	111
Bonds in issue	21	11,848	11,584
Bank borrowings	22	35,052	–
		47,512	11,695
Current:			
Bank borrowings	22	–	21,809
Trade and other payables	18	6,084	7,136
Other liabilities	19	1,756	2,862
Provisions	20	1,261	384
		9,101	32,191
Financial liabilities measured at fair value through profit or loss:			
Non-current:			
Other liabilities*	19	27	74
		27	74
Current:			
Other liabilities*	19	57	381
		57	381

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

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 2020 £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	84	3	Based on future revenue and probability that vendor will meet obligations under sale and purchase agreement	Management estimate on probability and timescale of vendors meeting revenue targets specified in sale and purchase agreement	–

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

16 Trade and other receivables

	2020 £000	2019 £000
Trade receivables, gross	8,306	8,891
Allowance for credit losses	(148)	(69)
Trade receivables, net	8,158	8,822
Other receivables	2,565	1,684
Contract receivables	5,498	7,164
Financial assets	16,221	17,670
Prepayments	2,479	2,302
Non-financial assets	2,479	2,302
Trade and other receivables due within one year	18,700	19,972

Total trade receivables (net of allowances) held by the Group at 31 October 2020 amounted to £8,158,000 (2019: £8,822,000).

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

The following table sets out expected credit losses of gross trade receivables at 31 October. In addition to the expected credit losses below, an additional £106,000 of specific bad debts have been included within the expected credit losses balance that the Group has deemed prudent to provide for.

	Not past due	1–30 days past due	31–60 days past due	61–90 days past due	>90 days past due	Total
2020						
Expected credit loss rate	0.3%	0.6%	0.9%	2.9%	4.6%	
Expected total gross carrying amount at default (£000)	4,931	1,089	212	59	376	
Lifetime ECL at 31 October 2020	14	7	2	2	17	42
2019						
Expected credit loss rate	0.4%	0.7%	2.8%	3.6%	9.6%	
Expected total gross carrying amount at default (£000)	5,227	1,044	70	190	308	
Lifetime ECL 31 October 2019	23	7	2	7	30	69

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

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

Contract receivables represent work completed and delivered to the customer but due to the contractual payment terms have not yet been invoiced. £4,619,000 (2019: £5,866,000) of the balance is in relation to deferred payment deals on local authority contracts, which typically have three to five year payment terms. The reduction in these Local Authority balances is due to the continued focus on aligning billing with performance obligations.

Notes to the accounts continued

For the year ended 31 October 2020

16 Trade and other receivables continued

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

	2020	2019
Euros	€4,324,278	€4,051,914
Australian Dollars	AUD14,023	AUD144,574
US Dollars	$1,648,269	$1,824,897
Canadian Dollars	CAD1,175,978	CAD42,056
Norwegian Krone	–	NOK660,300

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:

	2020 £000	2019 £000
Local authorities and other public bodies	2,122	4,109
Private companies	6,184	4,782
	8,306	8,891

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

	Gross 2020 £000	Impairment 2020 £000	Gross 2019 £000	Impairment 2019 £000
Not past due	5,949	–	6,436	–
Past due 0 to 30 days	1,384	–	1,459	–
Past due 31 to 60 days	276	–	52	–
More than 60 days	697	148	944	69
	8,306	148	8,891	69

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

	2020 £000	2019 £000
At 1 November	69	204
Charge for the year	213	197
Utilised	(134)	(332)
At 31 October	148	69

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

	2020 £000	2019 £000
Cash at bank and in hand	30,812	7,023
Cash and cash equivalents per cash flow statements	30,812	7,023

The credit quality of the holders of the cash at bank is BBB+ and BBB rated.

18 Trade and other payables

	2020 £000	2019 £000
Trade payables	2,261	2,366
Accruals	3,823	4,770
	6,084	7,136

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

	2020 £000	2019 £000
Social security and other taxes	5,217	2,583
Other payables – deferred consideration	57	381
Other payables	1,756	2,862
Contract liabilities	19,866	18,447
Other Liabilities payable within one year	26,896	24,273
Social security and other taxes	1,074	–
Other payables – deferred consideration	27	74
Contract liabilities	717	1,878
Other Liabilities payable after one year	1,818	1,952

The Group has deferred VAT of £3.9m as at 31 October 2020 (2019: £Nil), of which it is anticipated £2.8m will be repaid in the year ended 31 October 2021, and £1.1m in the year ended 31 October 2022.

Contract liabilities represents software revenue, where billing milestones have been reached but the appropriate proportion of work has not been completed, and maintenance, managed service and subscription revenues that are spread over the period, typically one year, for which the service is supplied. Of the £20,325,000 contract liabilities present at 31 October 2019, £18,447,000 has been recognised as revenue in FY20.

20 Provisions

	2020 £000	2019 £000
At 1 November	495	734
Provision made during the year	1,762	67
Provision utilised during the year	(384)	(306)
At 31 October	1,873	495

Notes to the accounts continued

For the year ended 31 October 2020

20 Provisions continued

The constituent parts of the provision at 31 October is as follows:

	2019 £000	Provisions made in year £000	Provisions utilised in year £000	2020 £000
Dilapidations in respect of previous exited offices	75	–	(75)	–
Holidays earned but not yet taken by employees	–	411	–	411
Onerous legacy Transport contract	378	–	(267)	111
Costs associated with previous London property	–	1,351	–	1,351
Royalties due under software partner framework	42	–	(42)	–
	495	1,762	(384)	1,873

Of the full provision, £1,261,000 is expected to be payable during the year ending 31 October 2021 and £612,000 is expected to be payable in the year ended 31 October 2022. The £612,000 payable in year ended 31 October 2022 is in relation to the costs associated with the previous London property.

21 Bonds in issue

Bonds in issue are measured at amortised cost.

	2020 £000	2019 £000
130,000 bonds at €100 each	11,848	11,584
	11,848	11,584

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

The bonds are listed on the Official Companies List of the Malta Stock Exchange. At 31 October 2020 the bond was trading at 101% which equates to a fair value of £11,964,000.

22 Borrowings

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

	2020 £000	2019 £000
Current:		
Bank borrowings	–	21,809
Non–current:		
Bank borrowings	35,052	–
Total borrowings	35,052	21,809

Reconciliation of liabilities arising from financing activities:

	Lease liability	Bonds in issue £000	Long-term borrowings £000	Short-term borrowings £000	Total £000
As at 1 November 2018	–	11,491	22,505	3,289	37,285
Cash movements:					
Repayment of borrowings	–	–	(12,039)	–	(12,039)
New loans	–	–	–	8,000	8,000
Non-cash movements:					
Movement in ageing	–	–	(10,466)	10,466	–
Movement in amortisation	–	–	–	(54)	(54)
Movement in foreign exchange rate	–	69	–	–	69
Movement in EIR Adjustment	–	24	–	108	132
As at 31 October 2019	–	11,584	–	21,809	33,393
Cash movements:					
Payments on lease liability	(1,545)	–	–	–	(1,545)
Repayment of borrowings	–	–	(12)	(25,750)	(25,762)
New loans	–	–	35,012	4,000	39,012
Non-cash movements:					
Opening IFRS 16 adjustment	4,825	–	–	–	4,825
Lease liability additions	461	–	–	–	461
Movement in lease interest	167	–	–	–	167
Lease liability disposal	(25)	–	–	–	(25)
Movement in amortisation	–	–	(304)	54	(250)
Movement in foreign exchange rate	–	237	–	–	237
Movement in EIR Adjustment	–	27	356	(113)	270
As at 31 October 2020	3,883	11,848	35,052	–	50,783

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. At the balance sheet date, the facilities consist of a revolving credit facility of £35m and £10m accordion facility (2019: £23m).

During the period the loan was held, the average interest rate was 3.50% (2019: 3.67%).

There are unamortised loan fees of £304,000 (2019: £54,000) at the balance sheet date.

An accounting adjustment of £243,000 (2019: £108,000) 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 plc, Silicon Valley Bank and Santander UK plc 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.

Notes to the accounts continued

For the year ended 31 October 2020

23 Risk management objectives and policies

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

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

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

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

Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

The Group's main interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2020 and 2019, all the Group's borrowings at variable rates were denominated in UK Sterling. The average interest rate during the year ended 31 October 2020 was 3.50% (2019: 3.67%). Interest payable in the year was £1,000,000 (2019: £850,000). If the average interest rate during the year had been 1% different, this would have had an impact of £318,000 (2019: £230,000) on the interest payable during the year.

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	2020 £000	2019 £000
Cash and cash equivalents	30,812	7,023
Trade receivables	8,158	8,822
Contract receivables	5,498	7,164
Other receivables	2,565	1,684
Financial assets	47,033	24,693

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

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

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

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

Liquidity risk

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

The Board receives regular debt management forecasts, which estimate the cash inflows and outflows over the next twelve months, so that management can ensure that sufficient financing is in place as it is required.

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

As at 31 October 2020, 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	–	–	452	14,266	–
Bank borrowings	80	166	35,753	–	–
Trade and other payables	2,986	3,098	–	–	–

This compares to the maturity of the Group's financial liabilities in the previous 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	–	–	444	2,370	12,229
Bank borrowings	64	22,057	–	–	–
Trade and other payables	3,978	2,970	39	130	19

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

Notes to the accounts continued

For the year ended 31 October 2020

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:

	2020 £000	2019 £000
Total equity	46,958	44,611
Less unrestricted cash and cash equivalents (note 17)	(30,812)	(7,023)
	16,146	37,588
Total equity	46,958	44,611
Bonds in issue (note 21)	11,848	11,584
Borrowings (note 22)	35,052	21,809
	93,858	78,004
Capital-to-overall-financing ratio	0.17	0.48

24 Share capital

	2020 £000	2019 £000
Authorised:		
650,000,000 ordinary shares of 1p each	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	4,446	4,169
Issued and allotted during the year	4	277
445,040,609 ordinary shares of 1p each (2019: 444,631,006)	4,450	4,446

Movement in issued share capital in the year

During the year to 31 October 2020, five employees exercised share options across five separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 409,603 new ordinary shares of 1p each.

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

At 31 October 2020, there were 3,448,878 (2019: 3,018,545) shares in issue under ESOP. During the year, the average issue share price was 42p (2019: 33p).

At 31 October 2020, there were 1,491,219 (2019: 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
682,927	–	–	(682,927)	–	10.25p	Mar 2010	Mar 2020
1,000,000	–	–	(1,000,000)	–	20.00p	Mar 2011	Mar 2021
115,000	–	(50,000)	–	65,000	18.00p	Mar 2011	Mar 2021
200,000	–	–	–	200,000	35.75p	Jul 2013	Jul 2023
150,000	–	–	–	150,000	39.00p	Jul 2014	Jun 2024
525,000	–	–	–	525,000	50.00p	Apr 2016	Apr 2026
400,000	–	–	–	400,000	50.00p	Apr 2016	Apr 2026
585,500	–	–	–	585,500	1.00p	Mar 2019	Mar 2029
3,658,427	–	(50,000)	(1,682,927)	1,925,500			

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

	2020		2019	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	3,658,427	24.30	8,427,522	32.80
Granted during the year	–	–	585,500	1.00
Exercised during the year	(50,000)	18.00	(1,757,927)	16.13
Lapsed during the year	(1,682,927)	16.04	(3,596,668)	44.42
Outstanding at the end of the year	1,925,500	31.68	3,658,427	24.30
Exercisable at the end of the year	1,925,500	31.68	3,658,427	24.30

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6 years. The share options exercised during the year had a weighted average exercise price of 18.00p and a weighted average market price of 49.80p.

The Group recognised a total charge of £Nil (2019: £175,650) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. The charge of £Nil (2019: £175,650) related to share options granted and £Nil (2019: £Nil) related to share options exercised.

Long-Term Incentive Plan (LTIP)

During the year, 4,366,064 options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £1,057,423 (2019: £683,731) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to outstanding share options and share options granted in the year. The weighted average exercise price of options exercised in the year was £Nil (2019: £Nil).

Notes to the accounts continued

For the year ended 31 October 2020

25 Share options continued

Long-Term Incentive Plan (LTIP) continued

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

	2020 No.	2019 No.
Outstanding at the beginning of the year	8,429,410	–
Granted	4,366,064	9,157,982
Forfeited	–	(728,572)
Exercised	(359,603)	–
Outstanding at the end of the year	12,435,871	8,429,410
Exercisable at the end of the year	2,450,196	–

The fair values were calculated using the modified Black-Scholes option pricing method and the following information:

Date of issue	Number granted No.	Weighted average share price Pence	Weighted average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Weighted average fair value at grant date £
Nov 19	1,069,446	35.5	–	40	5	0.48	0.311
Mar 20	675,925	30	–	40	5	0.54	0.206
Apr 20	178,378	37.8	–	40	5	0.14	0.310
Jun 20	324,074	44.9	–	40	5	0.10	0.413
Jun 20	159,574	46.5	–	40	5	0.10	0.430
Aug 20	1,006,667	47.5	–	40	5	0.10	0.421
Oct 20	952,000	49.6	–	40	5	0.10	0.447
	4,366,064						

26 Leases

Right-of-use-assets	Buildings £000	Cars £000	Equipment £000	Total £000
Cost				
At 1 November 2019	3,530	578	432	**4,540**
Additions	366	80	15	**461**
Disposals	(61)	–		**(61)**
At 31 October 2020	3,835	658	447	**4,940**
Accumulated depreciation				
At 1 November 2019	–	–	–	**–**
Charge for the year	873	219	148	**1,240**
Disposals	(48)	–	–	**(48)**
Foreign exchange	12	8	2	**22**
At 31 October 2020	837	227	150	**1,214**
Carrying amount				
At 31 October 2020	**2,998**	**431**	**297**	**3,726**

The Group leases several assets including; buildings, cars and IT equipment. The average lease term is 2 years. There has been a reduction of £285,000 to the initial opening right-of-use asset balance of £4,825,000 in relation to release of prepaid and accrued rent free periods and capital contributions which were previously offset against the rental costs.

Less than 1% of the leases for property, cars and equipment expired in the current financial year. Of the expired contracts only the property leases were replaced by new leases for identical underlying assets. This resulted in £92,000 of the £461,000 additions to right-of-use-assets in FY20.

The maturity analysis of lease liabilities is presented below.

	2020 £000
Amounts recognised in profit and loss	
Depreciation expense on right-of-use-assets	1,240
Interest expense on lease liabilities	167
	1,407

Lease liabilities

	2020 £000
Analysed as:	
Non-current	2,695
Current	1,188
	3,883

	2020 £000
Maturity analysis	
Year 1	1,296
Year 2	1,128
Year 3	880
Year 4	458
Year 5	252
Onwards	323
	4,337
Impact of discounting	(454)
Carrying value	3,883

The Group does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

As at 31 October 2019 the Group had operating lease commitments as disclosed under IAS 17 of £3,497,000, with £1,236,000 being due within one year, £2,239,000 being due within one to five years and £22,000 being due after five years.

Notes to the accounts continued

For the year ended 31 October 2020

27 Acquisitions

Tascomi Limited

During the period there has been a further fair value adjustment in respect of the acquisition of Tascomi Limited. The adjustment totalled £113,000.

An adjustment was processed to ensure pre-acquisition related costs were recognised in the correct period. This resulted in an adjustment of £113,000 in respect of other debtors.

28 Capital commitments

There were no material Group capital commitments at 31 October 2020 (2019: £950,000).

29 Contingent liabilities

There were no material Group contingent liabilities at 31 October 2020 or 31 October 2019.

30 Related Party transactions

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

	2020 £000	2019 £000
Salaries and other short-term employee benefits including NIC	3,108	2,513
Post-employment benefits	79	63
Share-based payments	830	684
	4,017	3,260

During the year ended 31 October 2020, no Directors and two member of the Executive Management Team exercised share options resulting in a taxable gain of £93,795. No Directors and one member of the Executive Management Team exercised share options resulting in a taxable gain of £251,707 in the year ended 31 October 2019.

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 36 to 37 but does not form part of the audited accounts.

31 Post balance sheet events

The finalisation of the trade deal between the UK and the EU in December 2020 and the national lockdowns in January 2021 as a result of the Covid-19 pandemic, have had no material impact on the Group.

Company balance sheet

As at 31 October 2020

	Note	2020 £000	2019 £000
ASSETS			
Non-current assets			
Investments	6	102,344	98,290
Total non-current assets		102,344	98,290
Current assets			
Debtors: falling due within one year	7	62	292
Cash at bank and in hand		9	–
Total current assets		71	292
Total assets		102,415	98,582
LIABILITIES			
Creditors: amounts falling due within one year	8	(4,616)	(41,818)
Net current liabilities		(4,545)	(41,526)
Total assets less current liabilities		97,799	56,764
Creditors amounts falling due after more than one year	9	(35,052)	–
Total liabilities		(39,668)	(41,818)
Net assets		62,747	56,764
Capital and reserves			
Called up share capital	10	4,450	4,446
Capital redemption reserve		1,112	1,112
Share premium account		41,356	41,348
Other reserve		6,234	6,234
Treasury reserve		(621)	(621)
Share option reserve		2,615	1,834
Retained earnings		7,601	2,411
Total shareholders' funds		62,747	56,764

The comparative figures for FY19 have not been restated.

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 profit for the year was £4,917,000 (2019: £4,244,000 loss).

The financial statements were approved by the Board of Directors and authorised for issue on 1 February 2021 and are signed on its behalf by:

David Meaden
Chief Executive Officer
1 February 2021

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

Company name: Idox plc Company number: 03984070

Company statement of changes in equity

As at 31 October 2020

	Called-up share capital £000	Capital redemption reserve £000	Share premium account £000	Other reserve £000	Treasury reserve £000	Share option reserve £000	Retained earnings £000	Total £000
Balance at 1 November 2018	4,169	1,112	34,188	6,234	(621)	1,228	6,401	**52,711**
Issue of share capital	277	–	7,160	–	–	–	–	**7,437**
Share options reserve movement	–	–	–	–	–	606	–	**606**
Exercise of options	–	–	–	–	–	–	146	**146**
Lapse of options	–	–	–	–		–	108	**108**
Transactions with owners	**277**	**–**	**7,160**	**–**	**–**	**606**	**254**	**8,297**
Loss for the year	–	–	–	–	–	–	(4,244)	**(4,244)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,244)**	**(4,244)**
Balance at 31 October 2019	4,446	1,112	41,348	6,234	(621)	1,834	2,411	**56,764**
Issue of share capital	4	–	8	–	–	–	–	**12**
Share options reserve movement	–	–	–	–	–	1,054	–	**1,054**
Exercise of options	–	–	–	–	–	(98)	98	**–**
Lapse of options	–	–	–	–	–	(175)	175	**–**
Transactions with owners	**4**	**–**	**8**	**–**	**–**	**781**	**273**	**1,066**
Profit for the year	–	–	–	–	–	–	4,917	**4,917**
Total comprehensive profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**4,917**	**4,917**
Balance at 31 October 2020	**4,450**	**1,112**	**41,356**	**6,234**	**(621)**	**2,615**	**7,601**	**62,747**

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

Notes to the company financial statements

1 Company information

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

2 Accounting policies

Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

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

The financial statements are prepared in pounds sterling.

Disclosure exemptions adopted

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

- A statement of cash flows and related notes.
- Disclosure of key management personnel compensation.
- Certain disclosures in relation to share based payments.
- Disclosures in relation to impairment of assets.
- The effect of future accounting standards not adopted.
- The requirements of IFRS 7 Financial Instruments: Disclosures.
- The requirements of paragraphs 91–99 of IFRS 13 Fair Value Measurement.
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements.

Judgements and estimates

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

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

Key sources of estimation uncertainty

Management does not consider there to be any items to involve key assumptions and other key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the company financial statements continued

For the year ended 31 October 2020

2 Accounting policies continued

Share based payment

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

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

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

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

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

Investments

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

Financial instruments

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

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

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

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

Reserves

Equity comprises the following:

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

3 Directors and employees

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

The Company has no employees and Directors are remunerated by other Group companies. Details of the remuneration for each Director are included in the Report on Remuneration which can be found on pages 36 to 37 but which do not form part of the audited accounts.

4 Dividends

The Directors have proposed the payment of a final dividend of 0.3p per share, which would amount to £1,335,122 (2019: £Nil).

5 Profit for the financial year

The parent company's profit for the year was £4,917,000 (2019: £4,244,000 loss).

6 Investments

	Investment in Group undertakings £000
Cost or market value	
At 1 November 2019	132,373
Additions	4,054
Disposals	–
At 31 October 2020	136,427
Impairment	
At 1 November 2019	34,083
Provided in the year	–
At 31 October 2020	34,083
Net book amount	
At 31 October 2020	102,344
At 31 October 2019	98,290

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

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

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

Any comparable movement in sensitivity which resulted in an impairment of intangibles would result in a similar impairment to investments. However, at present there is no significant risk of an impairment to the investment values.

Notes to the company financial statements continued

For the year ended 31 October 2020

6 Investments continued

At 31 October 2020 the Company held investments in the following companies (* indirect holdings):

	Country of registration	Registered office	Class of share held	Proportion held	Nature of business
Idox Trustees Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Corporate trustee of Employee share ownership trust
Idox Software Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Software services
Idox Belgium NV	Belgium	1831 Machelen (Brab.), Pegasuslaan 5, Belgium	Ordinary	100%	Information services
Idox Netherlands BV	Netherlands	Hengelosestraat 581-583, 7521 AG Enschede, Netherlands	Ordinary	100%	Information services
Idox Germany GmbH	Germany	Hauptstrasse 65, 12159 Berlin, Germany	Ordinary	100%	Software services
McLaren Software Limited	Scotland	72 Gordon Street, Glasgow, Scotland, G1 3RS	Ordinary	100%	Software services
McLaren Software Inc	USA	818 West Seventh St, 2nd Floor, LA, CA 90017	Ordinary	100%	Software services
Idox France SARL	France	75, Avenue Parmentier, 75544 Paris cedex 11, France	Ordinary	100%	Software services
Idox India Private Limited	India	Kapil Towers Sixth Floor C Wing Dr. Ambedkar Road Pune MH 411001 India	Ordinary	100%	Software services
McLaren Software Group Limited	Scotland	72 Gordon Street, Glasgow, Scotland, G1 3RS	Ordinary	100%	Holding Company
McLaren Software GmbH*	Germany	Hauptstrasse 65, 12159 Berlin, Germany	Ordinary	100%	Dormant Company
McLaren Consulting BV*	Netherlands	Europalaan 400 3526 KS Utrecht, Netherlands	Ordinary	100%	Dormant Company
CT Space Inc	USA	1209 Orange Street, Corporation Trust Center, Wilmington, DE 19801	Ordinary	100%	Dormant Company
Citadon Inc	USA	919 North Market St, Suite 950, Wilmington, DE 19801	Ordinary	100%	Dormant Company
6PM Holdings plc	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Holding Company
Tascomi Limited	Northern Ireland	3 Ballynahinch Street, Hillsborough, Northern Ireland BY26 6AW	Ordinary	100%	Software services
6PM Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
Tascomi Limited	Northern Ireland	3 Ballynahinch Street, Hillsborough, Northern Ireland BY26 6AW	Ordinary	100%	Software services
6PM Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services

	Country of registration	Registered office	Class of share held	Proportion held	Nature of business
6PM Infrastructure Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
emCare360 Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
emCare Group Malta Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Software services
6PM Agencies Limited*	Malta	GVZH Advocates, 192 Old Bakery Street, Valletta, VLT 1455, Malta	Ordinary	100%	Dormant Company
Idox DOOEL*	North Macedonia	5,Vasil Gjorgov Street 1000 Skopje, North Macedonia	Ordinary	100%	Software services
Idox Health Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Software services

* Indirect holding

7 Debtors

	2020 £000	2019 £000
Falling due within one year:		
Other debtors	–	232
Amounts owed by Group undertakings	62	60
	62	292

8 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank loan	–	21,809
Amounts owed to Group undertakings	4,487	19,391
Other creditors	73	438
Accruals	56	180
	4,616	41,818

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

Notes to the company financial statements continued

For the year ended 31 October 2020

9 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Bank loan	35,052	–

It was announced on 19 December 2019 that the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. At the balance sheet date, the facilities consist of a revolving credit facility of £35m and £10m accordion facility (2019: £23m).

During the period the loan was held, the average interest rate was 3.50% (2019: 3.67%).

There are unamortised loan fees of £304,000 (2019: £54,000) at the balance sheet date.

An accounting adjustment of £243,000 (2019: £108,000) 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 plc, Silicon Valley Bank and Santander UK plc 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

	2020 £000	2019 £000
Authorised:		
650,000,000 ordinary shares of 1p each	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	4,446	4,169
Issued and allotted during the year	4	277
445,040,609 ordinary shares of 1p each (2019: 444,631,006)	4,450	4,446

Movement in issued share capital in the year

During the year to 31 October 2020, five employees exercised share options across five separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 409,603 new ordinary shares of 1p each.

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

At 31 October 2020, there were 3,448,878 (2019: 3,018,545) shares in issue under ESOP. During the year, the average issue share price was 42p (2019: 33p).

At 31 October 2020, there were 1,491,219 (2019: 1,491,219) shares held in treasury.

11 Share options

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

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

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

At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price	Exercise date from	Exercise date to
682,927	–	–	(682,927)	–	10.25p	Mar 2010	Mar 2020
1,000,000	–	–	(1,000,000)	–	20.00p	Mar 2011	Mar 2021
115,000	–	(50,000)	–	65,000	18.00p	Mar 2011	Mar 2021
200,000	–	–	–	200,000	35.75p	Jul 2013	Jul 2023
150,000	–	–	–	150,000	39.00p	Jul 2014	Jun 2024
525,000	–	–	–	525,000	50.00p	Apr 2016	Apr 2026
400,000	–	–	–	400,000	50.00p	Apr 2016	Apr 2026
585,500	–	–	–	585,500	1.00p	Mar 2019	Mar 2029
3,658,427	–	(50,000)	(1,682,927)	1,925,500			

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

	2020		2019	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	3,658,427	24.30	8,427,522	32.80
Granted during the year	–	–	585,500	1.00
Exercised during the year	(50,000)	18.00	(1,757,927)	16.13
Lapsed during the year	(1,682,927)	16.04	(3,596,668)	44.42
Outstanding at the end of the year	1,925,500	31.68	3,658,427	24.30
Exercisable at the end of the year	1,925,500	31.68	3,658,427	24.30

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6 years. The share options exercised during the year had a weighted average exercise price of 18.00p and a weighted average market price of 49.80p.

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

Notes to the company financial statements continued

For the year ended 31 October 2020

11 Share options continued

Long-Term Incentive Plan (LTIP)

During the year, 4,366,064 options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £1,057,423 (2019: £683,731) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to outstanding share options and share options granted in the year. The weighted average exercise price of options exercised in the year was £Nil (2019: £Nil).

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

	2020 No.	2019 No.
Outstanding at the beginning of the year	8,429,410	–
Granted	4,366,064	9,157,982
Forfeited	–	(728,572)
Exercised	(359,603)	–
Outstanding at the end of the year	12,435,871	8,429,410
Exercisable at the end of the year	2,450,196	–

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

The fair values were calculated using the modified Black-Scholes option pricing method and the following information:

Date of issue	Number granted No.	Weighted average share price Pence	Weighted average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Weighted average fair value at grant date £
Nov 19	1,069,446	35.5	–	40	5	0.48	0.311
Mar 20	675,925	30	–	40	5	0.54	0.206
Apr 20	178,378	37.8	–	40	5	0.14	0.310
Jun 20	324,074	44.9	–	40	5	0.10	0.413
Jun 20	159,574	46.5	–	40	5	0.10	0.430
Aug 20	1,006,667	47.5	–	40	5	0.10	0.421
Oct 20	952,000	49.6	–	40	5	0.10	0.447
	4,366,064						

12 Related party disclosures

As permitted by FRS 101, related party transactions with wholly owned members of the Group and remuneration of key management personnel have not been disclosed.

13 Capital commitments

The Company had no capital commitments at 31 October 2020 or 31 October 2019.

14 Contingent liabilities

There were no material Company contingent liabilities at 31 October 2020 or 31 October 2019.

15 Ultimate controlling party

There is no ultimate controlling party.

Alternative performance measures

Within these financial statements, the Group makes reference to Alternative Performance Measures (APMs) which are not defined or specified under International Reporting Standards. The Group uses these APMs as this is in line with the management information requested and presented to the decision makers in our business; and is consistent with how the business is assessed by our debt and equity providers. The APMs for 2019 do not include the impact of the adoption of IFRS 16 - Leases which was adopted on a modified retrospective basis in FY20 without restatement of comparative amounts. Details are included within the financial review section of the Strategic Report.

The following table reconciles these APMs to statutory equivalents:

	2020 £000	2019 £000
Adjusted EBITDA:		
Profit / (loss) before taxation	2,702	(25)
Depreciation and Amortisation	11,339	9,128
Restructuring costs	1,838	2,155
Acquisition costs	125	174
Financing costs	306	368
Share option costs	1,057	859
Net finance costs	2,217	1,702
Adjusted EBITDA	19,584	14,361
Free cashflow:		
Net cashflow	23,683	1,360
Add back:		
Acquisitions / disposals	200	6,394
Debt repayments	25,762	12,039
Drawdowns	(38,575)	(8,000)
Net cost of staff share schemes / (Issue of shares)	118	(7,350)
Free cashflow	11,188	4,443
Net debt:		
Cash	(30,812)	(7,023)
Bank borrowings	35,052	21,809
Bonds in issue	11,848	11,584
Net debt	16,088	26,370
Adjusted profit for the year and adjusted earnings per share:		
Profit / (loss) for the year	1,276	(1,706)
Add back:		
Amortisation on acquired intangibles	4,457	4,215
Acquisition costs	125	174
Restructuring costs	1,838	2,155
Financing costs	306	368
Share option costs	1,057	859
Tax effect	(1,122)	(1,210)
Adjusted profit for year	7,937	4,855
Weighted average number of shares in issue – basic	439,245,132	420,788,528
Weighted average number of shares in issue – diluted	446,524,853	424,320,396
Adjusted earnings per share	1.81p	1.15p
Adjusted diluted earnings per share	1.78p	1.14p

Company information

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