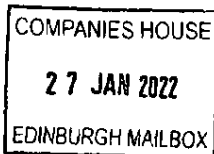


IDOX PLC

ANNUAL REPORT & ACCOUNTS 2021



Company Number: 03984070

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Contents

Strategic Report

- 1 Financial and operational highlights
- 4 Chairman's statement
- 6 Investment case
- 7 Business model
- 9 KPIs
- 11 Chief Executive's Review
- 15 Section 172 and stakeholder engagement
- 19 Responsible business
- 25 Financial review
- 30 Principal risks and uncertainties

Governance

- 36 Board of Directors
- 37 Directors' report
- 41 Corporate governance report
- 48 Directors' responsibilities statement
- 49 Report of the Audit Committee

Financial Statements

- 53 Independent Auditor's report to the members of Idox plc
- 63 Consolidated statement of comprehensive income
- 64 Consolidated balance sheet
- 65 Consolidated statement of changes in equity
- 66 Consolidated cash flow statement
- 67 Notes to the accounts
- 110 Company balance sheet
- 111 Company statement of changes in equity
- 112 Notes to the Company financial statements

Other Information

- 120 Alternative performance measures

Company Information

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Neville House
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B62 8HD

Company Registration Number: 03984070

Strategic Report - Financial and Operational Highlights

For the year ended 31 October 2021

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 2021.

Financial highlights

Reconciliations between adjusted and statutory earnings are contained on pages 120 to 121.

Continuing operations (excluding disposed Idox Content businesses¹):

Revenue

- Revenue increased by 9% to £62.2m (2020: £57.3m), including 5% organic increase.
- Recurring revenue² increased by 2% to £36.3m (2020: £35.7m).

Profit

- Adjusted³ EBITDA increased by 13% to £19.5m (2020: £17.2m).
- Adjusted³ EBITDA margin improved to 31% (2020: 30%).
- Operating profit increased by 90% to £7.6m (2020: £4.0m). Operating profit margin improved to 12% (2020: 7%).
- Adjusted⁴ diluted EPS increased by 54% to 2.27p (2020: 1.47p).
- Diluted EPS increased to 1.34p (2020: 0.11p).

Cash and debt

- Free cashflow⁵ of £7.1m (2020: £11.2m) following planned repayment of 2020 VAT deferrals.
- Disposal of Content businesses generated net proceeds of £10.7m; 3 acquisitions completed in the year with initial net consideration of £10.5m.
- Net debt⁶ at 31 October 2021 reduced by 50% to £8.1m (2020: £16.1m).

Dividend

- Final dividend of 0.4p per share (2020: 0.3p) declared, reflecting the strong cash generation and healthy financial position of the Group.

Strategic Report - Financial and Operational Highlights (continued)

For the year ended 31 October 2021

Operational highlights

Idox has maintained good progress against the Group's strategic goals whilst delivering successful operational execution:

- Material advancement in our M&A strategy to focus capital on core software businesses with high margin operations and good growth potential:
 - Disposal of Content businesses, in line with our continued simplification and focus on software operations.
 - Acquisition of Aligned Assets, thinkWhere and exeGesIS, which enhance our Public Sector offering and provide greater focus and depth of expertise in the GIS (geospatial information services) market.
 - Further development of our M&A ambitions in both sourcing and managing pipeline opportunities.
- Improvements to our product and go-to-market efforts; now fully managed and reported in our new Group-wide CRM platform.
- Consolidated all offshore activity to a single Idox centre in Pune, India.
- Clear focus on innovation and consolidation of our product portfolio, including continuing our journey to cloud across our portfolio.
- Further investment in our people promoting higher levels of engagement, and leadership.
- Increasing our commitments to Environmental, Social and Governance initiatives; conducting business responsibly is core to our business model and long-term strategic goals.

Current trading and outlook

- FY22 has started well, in line with expectations
- Combination of recurring revenue and orderbook, driven by H2 sales orders, and resilient public sector markets, provides good viability for FY22 revenue.
- The sales pipeline for FY22 remains encouraging.
- FY21 acquisitions integrating well and to plan, and good line of sight over an attractive M&A pipeline.

Strategic Report - Financial and Operational Highlights (continued)

For the year ended 31 October 2021

David Meaden, Chief Executive of Idox said:

"We are pleased to report another year of strong financial performance, and strategic and operational progress.

After exiting our non-core Content businesses in March 2021, we acquired three excellent Public Sector software businesses, improved our balance sheet strength, and extended our financing facilities for a further 18 months, to June 2024, on improved terms.

We have invested in our people, improved our engagement with customers and focused our product efforts in response to the increasing pace of the move to digitisation and cloud. We continue to improve our supporting infrastructure and processes to ensure efficient and effective execution, and to support our ambitions to continue to grow both organically and inorganically.

The outlook for the business remains strong and we are well positioned in our 'fly' stage of growth to continue to create good value for our people, customers and shareholders."

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.

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

¹ The comparatives have been restated due to the Content business being reclassified as discontinued operations. There has been no change to the overall results.

² Recurring revenue is defined as revenues recognised from support and maintenance fees, managed service fees (including for hosting) and Software-as-a-Service subscription fees (the Group's recurring revenue is disclosed on pages 78 to 79).

³ 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 120 for reconciliation).

⁴ Adjusted EPS excludes amortisation on acquired intangibles, restructuring, financing, impairment, share option and acquisition costs (see page 120 for reconciliation).

⁵ Free cashflow is defined as net cashflow excluding: acquisitions / disposals, debt repayments & drawdowns, and shareholder placing & dividends (see page 120 for reconciliation).

⁶ Net debt is defined as the aggregation of cash, bank borrowings and long-term bond (see page 120 for reconciliation).

Strategic Report - Chairman's Statement

For the year ended 31 October 2021

Introduction

I am pleased to be able to report an excellent set of results to all of our shareholders and other stakeholders for this financial year. Since the appointment of David Meaden as CEO the business has been thoroughly transformed and we are now seeing the continuing and sustained benefits of this transformation in the results that Idox is delivering. It is rewarding to be able to report on another year of growth in revenues, profits and most importantly, cash, and a return to paying a dividend. In business, no success story can be taken for granted, but this transformation is notable and sets the business up well for future success.

The past three years have seen a lot of change to our Board of Directors and senior management team, but fortunately we had managed to make most of these changes before having to deal with the impact of the Covid-19 pandemic. Consequently, the business has been managed consistently and steadily through a difficult phase, and the stability that comes from a settled management team has allowed us to make a couple of quite important strategic changes in our portfolio.

During the year we disposed of two non-core businesses: our compliance business, based in Germany and Belgium; and our grants consultancy business, based in the Netherlands. Both are good businesses in their own right but did not enjoy a particularly strong strategic fit with our core software businesses. I would like to thank the management and the staff of both businesses for their very professional behaviour during the disposal processes and we wish them and their new shareholders the very best of luck in taking the businesses forward.

The cash generated from these disposals, together with the cash that we are now generating from our own operations, has given us the firepower to make a number of acquisitions that demonstrate a stronger strategic fit with our core business. During the year we made 3 acquisitions; Aligned Assets Limited, thinkWhere Limited and exeGIS Spatial Data Management Ltd. All of these businesses bring exciting new capabilities that fit very well with our core business, and we are pleased to welcome our new colleagues and look forward to working with them to deliver value to both existing and new customers from the combination of products and services that we can now offer.

The investments that we have made over the past few years in improving our core back-office systems and processes have allowed us to set a target of generating over 30% margin from our mature operations. I am pleased to say that we have achieved that target in several areas of our business, with potentially a bit more improvement to come as we further refine our processes.

In early 2021, we received an unsolicited approach for the Group. Our strategy was to reject offers until the proposed offer price was at a point where the Board felt that, if this were to be confirmed, it was at a level that shareholders would want to consider. Ultimately, the proposed offer did not materialise, and I am pleased to note that the inevitable workload associated with such an approach did not distract our colleagues from the focus required to deliver the excellent results described above.

As we move into the new financial year, we can expect to see continued growth in our core businesses enhanced by the acquisitions we have already made. We will also continue to target further acquisitions to allow us to continue to leverage the platform that we have created through our operational investments.

The Covid-19 pandemic has affected everyone and Idox is no exception. As I mentioned in my last report, we have been fortunate that demand for our products and services did not drop during the Covid-19 pandemic, and the excellent attitudes displayed by our colleagues in figuring out practical and effective ways of working with the many new restrictions meant that Idox did not suffer financially through this period. However, we have all adopted new ways of working, new attitudes towards essential and non-essential travel, and blended home and office work. Employers need to work hard and creatively to enable appropriate new ways of working that meet all these new requirements without allowing a drop in the most important thing, excellent customer service. I have been very impressed by the continuing positive attitudes and behaviours of all our colleagues.

Strategic Report - Chairman's Statement (continued)

For the year ended 31 October 2021

Group strategy

The Group continued its focus on providing digital solutions and services to the public sector in the United Kingdom, complemented by our 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 were able to accelerate the development of this strategy through the disposal of businesses that did not fit this model, and the integration of further acquisitions where we identify businesses that can accelerate our progress. We expect to continue to make such accretive acquisitions in the coming year.

Board

There have been no changes to the Board in FY21 following a number of changes in the prior year. We carried out a formal Board Effectiveness review during the year, and there were some good points raised which we will be incorporating in the coming year.

The Board of Directors has one female Director. 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 we disposed of our non-core Content businesses and reinvested in the acquisition of three new companies, Aligned Assets, thinkWhere and exeGesIS, which will enhance our core public sector software offering.

The trade and assets of Idox Health Limited was hived into Idox Software Limited, in line with our corporate simplification strategy. We also completed the consolidation of our Maltese entities during the year, hiving five entities in to one.

Dividends

The Board has proposed a final dividend of 0.4p to be paid (2020: 0.3p) for FY21, bringing the total for the year to 0.4p (2020: 0.3p). Subject to approval at the AGM, the final dividend will be paid on 8 April 2022 to shareholders on the register at 25 March 2022. This decision was reached after a full consideration of the pace of recovery in our business, our strong financial position and our confidence in the future.

Summary and outlook

The financial results of the last year reflect the quality of the Idox business. We operate in good markets, with strong market positions and insights, and we have every confidence that we can continue the excellent progress we have seen in FY21. The changes that we have made in the last couple of years, to the team, our structure, systems, and processes have delivered a step-change improvement in our financial performance. I am pleased to have had the opportunity to work with all my Idox colleagues during a period of such tremendous improvement and I look forward to continuing that work in delivering growing value to all our stakeholders.

Idox shareholders are fortunate that such a talented group of people, comprising our entire workforce, have chosen Idox as a place they want to work. Their expertise and diligence have continued to deliver the support and value that our customers expect, and I am pleased to extend my thanks to all of them.



Chris Stone
Chairman
26 January 2022

Strategic report – Investment case

For the year ended 31 October 2021

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

Idox has achieved strong progress through its 'walk' and 'run' phases, delivering value for our customers, people and shareholders. As we enter our 'fly' phase, we are well placed to continue our strong growth trajectory backed by a comprehensive programme of organic and inorganic investment and insight, ensuring we are at the forefront of innovation as the needs of our customers evolve.

Market leadership

We are well respected as market leaders in our chosen markets, providing our customers with quality software solutions and a partnership approach to inform our investment choices to improve the effectiveness and efficiency of our software, and meet future challenges on the horizon.

Good governance

Idox prides itself on strong governance throughout the Group, leading to high quality revenues that are highly recurring and provide good visibility of future financial performance. In addition, costs are well-controlled, starting at the point a new contract is costed and bid for, through to execution. Our appetite for risk is well understood throughout our Group and reflected in our approach to investment and operational choices.

Investment in People

Our people are everything we do, and we work hard to ensure we have the right team members throughout our organisation to drive our business. This includes high levels of engagement with our people on a continuous basis that is genuinely two-way as we strive to live our values; and committing to developing talent across our Group to become leaders both in our business and our markets.

Operational Excellence

We strive for high levels of service to our customers and markets, building on our strong heritage of market-leading products and engaging with our customers regularly. Operationally we seek to leverage our shared resources and expertise, encouraging innovation in our products, delivery and operational infrastructure and support.

Inorganic Growth

We have been bold in our ambition to continue to scale by bringing in well-respected, product-led businesses into our Group that enhance our offerings to our customers and markets. Having completed our first acquisition in FY19, we completed three further acquisitions in FY21, and we are well capitalised and experienced in sourcing, acquiring and integrating these businesses in an effective and low-risk way.

Financial Discipline

Good financial discipline has been the central theme throughout Idox's 'walk' and 'run' phases as we have focused on high quality revenues; and good governance, operational execution and simplification leading to strong margins. We have managed our capital accordingly throughout this time, withdrawing or disposing of low-recurring and low-margin products and businesses, and focusing our organic and inorganic investments on high recurring, high margin, software-based sales with good opportunity for growth.

Strategic report – Business model

For the year ended 31 October 2021

Nurture quality IP, and strive for recurring revenues and good margins to fund further enterprise value (EV) growth

Our business model is to create, extend and acquire well-respected software IP rights within the Public Sector and Engineering markets; and pursue delivery methods that support high levels of recurring revenues and good margins. We reinvest our profits in further IP rights as we look to build on our successes, and directly increase the Group's value to its customers, its people, and its shareholders.

Our strengths

Expert people

A talented, inclusive team who live Idox's values to be dynamic, responsible, act with integrity, value each other's contributions, and strive for excellence. Our people are everything we do, and more.

Extensive, established understanding of regulated environment

With a proven track record of over 30 years working for the Public Sector, we are experts in providing solutions that accommodate highly complex rules, regulations and legislative requirements. We strive to work collaboratively with our customers to create efficiencies in existing processes and resolve challenges appearing on the horizon.

Scalable end-to-end solutions with a 'cloud-first' approach

Built around the end user and designed in collaboration with experts, our comprehensive range of integrated solutions streamline processes and deliver a responsive service to all users. We support their customers in their journey to cloud with our range of deployment options.

Dependable delivery, post project services and corporate support

A high quality and highly responsive service across our account management, product, development, delivery, support and corporate teams ensures our customers gain maximum benefit from our software solutions, and wider Idox engagement.

Our business

Public Sector

Idox has been working with local authorities for over 30 years, building an exceptional level of knowledge and experience. We deliver innovative on-premise and cloud-based solutions that underpin the secure and efficient management of property-related processes including planning, building control, environmental health, trading standards, licensing, address management and other geospatial information services; in addition to provision of software that supports elections, management of sexual health clinics, social directory services, grants funding, management of municipal transport, facilities management, assets and records management and management of Education, Health & Care plans. Over 90% of the UK's local authorities use at least one of Idox's offerings.

Engineering and construction

Idox's specialist facilities management and engineering information management software solutions are proven across the oil and gas, energy, manufacturing and construction sectors. Bringing the power of digital to engineering and construction, our solutions enable the efficient build and management of critical assets and infrastructure through better data integrity, easier collaboration and tighter control of costs.

Building value

People

We invest time and effort in regular engagement and personal development with our people throughout our Group. Our people directly create the success for our customers and other stakeholders through clear understanding of Group strategy, and collaborative teamwork in delivery. The Group employs 563 colleagues located in the UK, Europe, the USA and India.

Customers

Through the automation of tasks, simplification of complex operations and more effective management of information, we help our customers harness the power of digital, so they can do more.

Strategic report – Business model (continued)

For the year ended 31 October 2021

Shareholders

Shareholder value increases as we focus on high quality revenues with high recurring qualities, good margins and strong cash generation. We pay out a modest level of our earnings via dividends, however, reinvest the majority to fund further growth and build the Group's enterprise value.

Supplier and partners

When on-boarding, every supplier must complete a due diligence form in line with our supply chain management form which ensures we maintain strong, mutually beneficial relationships for our suppliers and partners.

Communities

Supporting, enabling and engaging with our local communities to achieve more through the use of our products, using our knowledgebase to educate and support individuals, and providing our people with the opportunity to give their time to community projects.

Strategic report – KPIs

For the year ended 31 October 2021

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.

	2021	2020	<u>Excluding Content*</u>		Measure
			2021	2020	
Revenue					
Group Revenue	£66.1m	£68.0m	£62.2m	£57.3m	Revenue received from provision of goods and services.
Recurring Revenue	£36.9m	£37.4m	£36.3m	£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	£19.8m	£19.6m	£19.5m	£17.2m	Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, financing costs and share option costs (see page 120 for reconciliation).
Adjusted EBITDA margin	30%	29%	31%	30%	Profit before interest, tax, depreciation, amortisation, restructuring costs, acquisition costs, impairment, financing costs and share option costs as a percentage of revenue.
Adjusted EPS	2.31p	1.81p	2.33p	1.50p	Adjusted EPS excludes amortisation on acquired intangibles, impairment, acquisition costs, restructuring costs, financing costs and share option costs (see page 120 for reconciliation).
Cash indicators					
Free Cash flow	£7.1m	£11.2m	£7.1m	£11.2m	Net cashflow excluding: acquisitions / disposals, debt repayments & drawdowns, and shareholder placing & dividends (see page 120 for reconciliation).
Net Debt	(£8.1m)	(£16.1m)	(£8.1m)	(£16.1m)	The aggregation of cash, bank borrowings and long-term bond (see page 120 for reconciliation).

* The Content business was disposed of during the year and has been classed as discontinued operations in these financial statements.

Alternative Performance Measures

Where relevant, adjusted measures of profit have been used alongside statutory definitions. 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:

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

Alternative performance measures may not be comparable between companies due to differences in how they are calculated. See page 120 for reconciliations of the alternative performance measures.

Strategic report – KPIs (continued)

For the year ended 31 October 2021

Non-financial Indicators

In addition to the financial indicators, the Group has 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. Additionally, we also monitor non-financial KPIs around our customers and suppliers.

	<u>Continuing operations</u>		
	<u>2021</u>	<u>2020</u>	
Employees			
Attrition	11.39%	16.89%	
Average tenure	5.3 years	4.6 years	
Recruitment at management positions (Female:Male)	50:50	N/A	Not measured in FY20
Net promotor score	14.0	7.1	
Customers and suppliers			
Number of customers	1,822	1,357	
Number of active suppliers	522	543	

Idox practices an integrated management system centred around gaining and retaining ISO accreditations. These are internally and externally audited annually to ensure compliance. The current list of ISO accreditations held are noted below:

- ISO 9001:2015 – Quality Management System
- ISO 14001:2015 – Environmental Management System
- ISO 22301:2019 – Business Continuity Management System
- ISO 27001:2013 – Information Security Management System
- ISO 45001:2018 – Occupational Health & Safety Management System

Strategic report – Chief Executive's review

For the year ended 31 October 2021

Overview

I am pleased to report another successful year at Idox, where our teams across the Group have worked with great determination and fortitude through the ongoing and obvious impacts caused by the Covid-19 pandemic. We have adapted to the challenges of working from home and more latterly, hybrid models for collaboration and teamworking. I am tremendously proud of the way all my colleagues have come together and made the required adjustments in their day-to-day activities to deliver for customers and to drive the business forward.

Idox has become synonymous with our strategy defined by 4 Pillars and 3 Phases. The 4 Pillars of Revenue, Margin, Simplification and Communication have become engrained in our operations and provide the foundations upon which we have delivered the Walk and Run phases of our journey.

The improved strategic focus of the business, coupled with thorough operational management of the business, has produced improved financial results and the subsequent reduction in net debt has provided the basis for strategic progress as we move into the Fly phase of our journey.

The continued focus on producing software to manage complex business process, legislative and regulatory environments is the essence of our business model. This focus and clarity about what we do and where we add substantive value for customers informed our decision to sell the Content division, through two transactions to separate private equity organisations. It has also provided us with clarity in the delivery of our ongoing acquisition strategy, where we have identified new capabilities that enhance our existing offerings and work to increase the target addressable markets available to us.

We were delighted to complete the acquisitions of Aligned Assets, thinkWhere and exeGesIS during the year and each of these businesses offer complementary software and data capabilities to the Group. The addition of these address management and GIS capabilities allows us to provide extended service engagements into specific areas of the private sector that are also connected to the built environment and plantech markets we have long served, offering exciting opportunities for future growth and product development for our Group.

Today Idox is well placed in its markets, where we improve professional and expert processes and support clients in their transition to becoming modern, agile organisations operating digitally and through the Cloud. We are leaders in software for the built environment, modern transportation networks, digitisation, elections and facilities management. We empower those that need extra support in special educational needs and disability and our software also manages the sexual health of the nation. Furthermore, with the addition of Aligned Assets, exeGesIS and ThinkWhere we can improve client data quality and improve the accuracy, accessibility and presentation of their address and geo-spatial information.

Our markets

We continue to see some impact on our markets of the Covid-19 pandemic, although retention rates for existing customers remains high as our systems are typically central to the processes they support.

We have seen a slowdown in some new business activity compared to pre-Covid-19 pandemic levels, particularly in our Health and Social Care businesses as client resources have been diverted to directly support response to the Covid-19 pandemic, and in EIM where a slowdown in consumer and industrial consumption generally in FY20 and the first half of FY21 has impacted the engineering projects our software supports. Conversely, we have seen high demand for our services across our portfolio, as our clients look to us as a trusted partner to maintain, maximise and extend existing deployed solutions.

We continue to be active in our chosen markets, bringing thought leadership and regular market engagement to identify current and future problems in our client-base and adjusting our product development plans accordingly. In addition, we are acquiring well-respected product businesses that enhance and extend our offerings to our customers and end markets.

Strategic report – Chief Executive's review (continued)

For the year ended 31 October 2021

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 on products with 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. This results in improving the amount of recurring revenue in the business, providing a strong foundation for future growth in both revenues and margins.

During the year we improved revenues on a continuing basis by 8.6% to £62.2m including our acquisitions (5.5% excluding acquisitions).

Sales Orders

During the year we established a centralised Revenue Assurance unit and completed the integration of the sales operations to include the EIM sales group. We closed over 4,000 orders to a total contract value of £61.6m and welcomed over 150 new customers to Idox.

We continued to deliver modern, digital SaaS platforms for built environment and public protection customers through Idox Cloud applications, and FY21 saw significant new wins at Coventry City Council, Warrington Borough Council, Birmingham City Council and the Government of Bermuda. In addition, we saw continued success with our conversion to the cloud strategy with wins including Leicester City Council, Royal Borough of Chelsea & Westminster and the City of Cardiff Council along with the provisioning of private cloud services to our Uniform customer base, including The City of Edinburgh Council. We also saw some early success from our acquisitions, with Aligned Assets winning important contracts with the national gas and electricity supplier switching project to provide address matching services, and with the Metropolitan Police to provide Risk Intelligence services for the whole of Greater London.

In our Health & Social Care businesses we recorded wins including Medway NHS Foundation Trust for the tracking of their day forward packs; and North Somerset Council, who became the latest user of our Education, Health and Care Hub as part of an overall 24-month programme to significantly improve special educational needs and disabilities service provisions within the Council.

In Elections we were successful with Bracknell Forest Council implementing the Idox Election Management System, deployed through a Microsoft Azure environment, managing the council's full breadth of electoral services and, replacing their long-term incumbent solution.

In Computer Aided Facilities Management (CAFM) we recorded a number of wins, such as BCAS Bio Medical Services to manage maintenance of hospital devices following a highly successful trial, along with BET365 and DHL to manage facilities within their own organisations. In Databases we secured 96 new GrantFinder Customers and 21 new ResearchConnect Customers. In Transport we continued to closely support the ongoing Toronto Metrolinx project which is due to go live in the coming financial year, and secured long-term commitments from both Cornwall and Somerset for their development solutions.

After a slower start to the year in the EIM Division, FusionLive, our Engineering Document Management solution, secured 11 new customer wins in H2. This included a 5-year agreement with EBLA, which involved the capture of 10.5m project documents and drawings for the existing Doha International Airport as well as the current expansion to scale up for the 2022 Football World Cup. Over 1,000 documents per day are uploaded into the system from engaged engineering contractors. Other new customers included Rosetti Marino and Audubon Engineering, who will be using FusionLive across all group projects within their portfolios.

Strategic report – Chief Executive's review (continued)

For the year ended 31 October 2021

Margins

During a year of obvious Covid-19 pandemic challenges, we have seen increased demand for services from our clients. Accordingly, we have seen an improvement in our effectiveness in delivering professional services to customers and this has helped to drive further improvement in margins across our operations.

We have seen an improvement in Adjusted EBITDA margins to 31% (2020: 30%) in our continuing business over the past twelve months. We recorded a statutory profit before tax for continuing operations of £7.3m (2020: £1.8m), representing a statutory profit before tax margin of 12% (2020: 3%). With our desire and ambition to be a 'Rule of 40' business, we feel that further improvements in sales of existing offerings to our current clients and entry into new near adjacent markets with our newly acquired capabilities position us well for future margin growth.

We take pride across our teams in delivering effectively to customers and this in turn ensures that we enjoy strong cash generation for our activities. At the end of the financial year, we had a net debt position of £8.1m. We have seen net cash generation and a reduction in debt over the last three financial years of £23.7m (a 75% reduction).

Across the Group we have continued to drive initiatives that we believe will deliver improved margins. This included a fundamental review of our approach to data migration and in particular data mapping, with tooling developed to remove the need for our customers to map data items. This will reduce lead times, improve quality and enhance new customer experience in the critical early days of working with Idox. Also of note, our sexual health product reached a significant milestone with the release of our SaaS self-service platform, which we believe is the first to be fully NHS digital, data and technology standards compliant; and we successfully transitioned our education, health and care ('EHC') customers to the Idox Cloud SaaS platform.

Simplification

We continue in our efforts to maintain the Group as a well-run, simple and efficient organisation. Following the disposals of our Content division, Idox is now a single business providing software-based solutions to the Public Sector and Engineering markets.

During the period we have continued to streamline our operations with the consolidation of all UK activities into our main UK trading company, Idox Software Limited. The trade of Aligned Assets and thinkWhere transferred to Idox Software Limited on 1 November 2021 and exeGesIS will be similarly transferred in early FY22. This consolidation allows us to maintain single customer, people and tax structures which provides clarity, simplicity, and superior service to all involved.

We continue with ongoing development of our CRM installed in the prior year, and to improve the integration and utility of our ERP. We have expanded the use of CRM by embedding our key sales approval processes, installing a new configure, price and quoting process to improve the processing of customer orders, and established new reporting to understand progress in sales pipeline management and reporting of revenues. In our ERP, we have undergone a programme of industrialising a number of processes, allowing their measurement in real-time. These investments in our processes and systems help bring clarity and efficiencies through lower processing times and better information and provide a strong base for our ongoing and planned future growth.

We have maintained our commitment to high quality processes by renewing our ISO 9001 (Quality Management), ISO 14001 (Environmental Management), ISO 45001 (Occupational Health & Safety) and ISO 27001 (Information Security Management) as well as achieving certification for ISO 22301 (Business Continuity).

Strategic report – Chief Executive's review (continued)

For the year ended 31 October 2021

Communication

This year we have continued to improve the way we work and communicate with our customers through our direct account management teams, internal sales support and our project management office. In addition, we have developed the "Idox, Do More" proposition to help deliver a consistent brand and message; this includes a number of thought leadership positions that explore in detail the challenges our clients face and how people, process and technology solutions combine to improve service, efficiency and public engagement.

We have continued to engage openly with all our teams and to address issues and challenges identified with gusto. We host regular CEO broadcasts along with forums and workshops to work through any issues raised that require business attention or improvement. Increasingly, these activities are initiated and driven by teams formed across the business that have a shared interest rather than initiated from a top-down approach. This is a good sign of a healthy and vibrant business. We also aim to reflect our own people's desire for Idox to be a socially responsible and sustainable business.

As we described in prior reports, 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. We do not intend to mandate a return to offices, and we will continue to work flexibly. We have offered continuing support to our teams to ensure good mental health is maintained and our Idox Wellbeing team, which is drawn from across the business, provides mental health support to the Group and we are all grateful for their continued commitment to this activity.

The Idox leadership development programme that ran in 2021 has proven very successful. As we move into 2022, we have a further 70 individuals committing to a year-long programme of self-development. We are grateful to the 33 people that committed to the programme in 2021, for exemplifying our DRIVE values and for their ongoing contribution to the success of the Group.

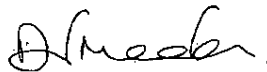
Responsible Idox and ESG

We recognise the importance of our responsibilities in respect to ESG. In FY21 we formed an ESG steering committee, with the responsibility of understanding and monitoring how our business practices are sustainable in environmental and social terms, as well as being well governed. This year we publish our ESG plans in detail within this financial report, and I am proud that these are an authentic representation of our progress and ambition in this area.

Outlook

FY22 has started well and we continue to trade in line with expectations. 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.

A successful business rests upon the quality of its teams and the desire and ability to go that extra step for customers, colleagues, and shareholders. Over the past three years we have invested in our people and have sought to create an environment that develops talent and is welcoming to new team members. We believe this lays the foundation for our future success and this combined with our investments in governance, processes and infrastructure will support our future progression as a successful business. We continue to have financial resources at our disposal for accretive and enhancing acquisitions and, having shown that this can be delivered successfully, we look forward to driving shareholder value moving forward and becoming a 'rule of 40' business.



David Meaden
Chief Executive Officer
26 January 2022

Strategic report – Section 172 and stakeholder engagement

For the year ended 31 October 2021

Introduction

The Directors confirm that during the year, they have conducted themselves in a manner which promotes the long-term success of the 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; our shareholders, employees, customers, suppliers, local communities and 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
<i>Shareholders</i>	Direct meetings Supporting equity research Market communications
<i>Employees</i>	All staff annual events Regular senior broadcasts Appraisal cycle HR sponsored team leader engagement
<i>Customers</i>	Marketing Account management Technical services and on-going support
<i>Suppliers</i>	Account management
<i>Local communities</i>	Indirect individual staff interaction via charity work and events
<i>Banking partners</i>	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
<i>Long-term strategy of the Group</i>	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 2022 in detail and debated which investment and spending decisions will have the biggest impact on our strategy.
<i>Performance of the Group</i>	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 reports 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.

Strategic report – Section 172 and stakeholder engagement (continued)

For the year ended 31 October 2021

Topic	Stakeholder engagement	Outcome of engagement	Principal decisions
<i>Financing and capital</i>	Shareholders, employees, customers, suppliers and banking partners	<p>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.</p> <p>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.</p>	<p>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.</p> <p>The Group's levels of financing, and its capital allocation policy are regularly discussed at the Board's regular meetings. During the year the available extension options were discussed in some detail, resulting in the formal extension of our facilities by 18 months through to June 2024.</p> <p>During the year ended 31 October 2020 the Board re-established its dividend policy. This policy is to intend to pay a final dividend of 0.4 pence in respect of the year ended 31 October 2021 and to continue to progress incrementally beyond that depending on cash and earnings affordability.</p>
<i>Employees and culture</i>	Local communities, shareholders and employees	<p>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.</p> <p>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.</p>	<p>The Senior Management team has established and promoted a number of employee-support programmes, 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.</p> <p>These initiatives have included:</p> <ul style="list-style-type: none"> • 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 <p>Across the last 24 months the Group recorded an employee engagement net promoter score increase of 40 points. The Board continues to monitor these initiatives, the impact on our people and employee churn metrics more generally.</p>

Strategic report – Section 172 and stakeholder engagement (continued)

For the year ended 31 October 2021

Topic	Stakeholder engagement	Outcome of engagement	Principal decisions
<i>Risk, governance and internal control environments</i>	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 Group has worked with specialists to perform a gap analysis on its risk and control frameworks. This review did not identify any concerns and provided guidance on a suitable evolution of relevant internal audit for Idox given our size and circumstance.

Local communities

Environmental

The 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 reasonable 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.

Despite the low environmental impact of our activities, the Group acknowledges it has a responsibility to actively monitor our consumption and impact on the environment. As such, the Group has established an ESG steering committee which has adopted the approach to ESG issues that supports the UN Sustainable Development Goals. This sustainability framework is aligned with our strategic goals.

See further details on our approach to Environmental Social and Governance topics and Green House Gas reporting on page 22.

Strategic report – Section 172 and stakeholder engagement (continued)

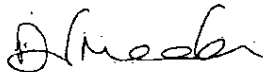
For the year ended 31 October 2021

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
26 January 2022

Strategic report – Responsible business

For the year ended 31 October 2021

Idox recognises the importance of our environmental and societal responsibilities in defining and growing the value of our services and solutions and building lasting commercial relationships across the industries and communities in which we operate. We've adopted a structured approach to ESG issues that supports the UN Sustainable Development Goals and focuses on four areas: *Our people, Our communities, Our environment and Our operational responsibility*.











ESG Steering Committee

In FY21 we formed an ESG steering committee as a further development of our previous CSR governance arrangements, with the core responsibility of understanding and monitoring how our business practices are sustainable in environmental and social terms, as well as being well governed. The committee, which is attended by members of the Executive Management team and supported by our Board, consult with the key internal and external stakeholders of Idox, to ensure that we are aligned with the expectations of our stakeholders. This has formed the cornerstone of our sustainability framework and is aligned with our strategic goals.

Looking to the future

Whilst we are on the initial journey of formalising our ESG activity, the committee's focus in FY22 will be to further establish ESG performance metrics and targets to ensure we can monitor, manage and report on our performance consistently. We look forward to enhancing our sustainability, reducing our carbon footprint and having a positive social impact in the years to come.

Our four areas of commitment

	Our people	Our community
The aim	To build a diverse and inclusive workforce who feel supported and encouraged to excel in their career and life at Idox.	To support and enable our local communities to achieve more through the use of our products and using our knowledge base to educate and support individuals.
The UN SDGs we support	   	  
	Our environment	Our organisational responsibility
The aim	As a naturally low emission business, we are committed to improving our environmental performance and enabling our customers to do so.	To be a responsible employer, supplier, and overall business.
The UN SDGs we support	 	

Exploring our four areas of commitment

Our people

Our colleagues at Idox are at the core of what we do. We aim to build a diverse and inclusive workforce where our people thrive and feel supported to develop their careers. Growing a sense of community organically within Idox is an important aspect of our people strategy.

The Idox Workplace Wellbeing team, made up of employees across the business and Mental Health First Aiders, have provided monthly broadcasts to our colleagues aimed at educating and raising awareness of issues each of our employees face during their life at Idox. Each month in FY21, the team alongside some external speakers have dealt with difficult topics such as dealing with loss and trauma response, through to happiness and coping strategies. Alongside our UNUM Lifeworks programme, offering free counselling services to colleagues, we recognise how essential it is to care for the mental wellbeing of our teams.

Strategic report – Responsible business (continued)

For the year ended 31 October 2021

Diversity and inclusion continue to be a key focus for Idox. At the beginning of FY21, Idox Elevate was established with the overall goal of achieving greater gender diversity within Idox. Efforts initially focussed on establishing a baseline by measuring and evaluating the position of Idox's Gender Pay Gap reporting and exploring opportunities where improvements can be made. Idox Elevate have worked closely with the People@Idox and Talent Acquisition teams to promote flexible working, ensuring there is quality in representation of interview panels and educating colleagues. In October, the team launched a programme of work aimed at educating and raising awareness of the issues facing women. With guest speakers ranging from parliamentarians to business leaders, it has provided necessary conversation pieces for our teams.

Idox is committed to investing in the professional development of our employees. Launched in January 2021, Leading Together has accommodated 33 of our high potential talent to take on a leadership development programme accredited by the Institute of Leadership and Management. In FY22, we are proud to be able to sponsor a further 70 colleagues through the course.

Our community

During 2021 Idox has increased our commitment to volunteering and giving back to the communities we serve. Having launched our volunteering scheme, we provide each of our colleagues one day's fully paid leave per year to give time back to the causes close to their hearts.

In May 2021 we partnered with Payroll Giving in Action and Charities Trust, to introduce a Payroll Giving Scheme, allowing our colleagues to make a tax-free donation to their chosen charities directly via salary.

In response to National Council for Voluntary Organisations (NCVO) preparing to discontinue its funding portal, Idox launched My Funding Central in March 2021. The service is specifically aimed at charities and voluntary organisations with incomes less than £1 million and is free to use for those organisations with incomes below £30,000. More than 1,500 organisations currently take advantage of our free to use service.

Our environment

Idox has adopted the recommendations and model of the Financial Stability Board of the Bank for International Settlements' Task Force on Climate-related Financial Disclosures (TCFD). The Task Force structured its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

Governance: The organisation's governance around climate-related risks and opportunities

We have well established structures of governance with the Board, Audit Committee and Executive Management Team all having defined roles within this structure. Climate related risks and opportunities form a key and integral component of our overall corporate governance.

Strategic report – Responsible business (continued)

For the year ended 31 October 2021.

Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Principle climate-related risks and opportunities	Impact(s) on Idox	Impact type(s)	Idox response(s)
Business interruption due to severe weather events.	Local office closures; key staff unavailable; key project delivery delayed.	Business Operational	ISO 22301 accredited Business Continuity Management System; remote project support model established.
Failure to address increased legislation, regulation or general expectation.	Additional operational and reporting complexity; potential negative sentiment with key stakeholders.	Business Operational; Strategy	Annual review of scope of responsibilities and ability of our structures and processes to adapt.
Climate-related plans, actions or statements not considered adequate for some public procurement or key suppliers.	Inability to tender for some opportunities, supply chain risk.	Financial; Business Operational	Monitor tender requirements and adjust messages if necessary.
Climate-related plans, actions or statements not considered adequate for some investors.	Reduced ability to attract a range of investors to support strategic objectives.	Strategy; Financial	Ensure climate action plan remains in line with best practices and recognised disclosure standards.

Risk Management: The processes used by the organisation to identify, assess, and manage climate-related risks.

Idox has a comprehensive risk management strategy and supporting process which is aligned with our governance approach. Climate-related risks form part of the overall risk management regime.

Our approach to risk management is described in the principal risks and uncertainties on pages 30 to 35.

Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Working within the three scopes of the Greenhouse Gas Protocol (GHG), Idox has committed to achieving net zero carbon emissions by 2040. Across the business we will have a three-step approach to carbon emissions. Our main priority is to eliminate emissions, failing that we will reduce and then offset emissions by engaging in a compensating carbon offset programme.

In line with the GHG, Idox has identified that financial year 2019 is an appropriate baseline year for assessing carbon reduction from for 2 reasons:

- This year is highly representative of a normal stable year of Group operations with data covering all of the GHG scopes.
- This year was not impacted by the Covid19 pandemic.

Idox base year emissions recalculation policy is to:

- Add to the baseline year and subsequent years, emissions related to any items which may be added to the Greenhouse Gas Protocol to the scopes.
- Adjust the baseline year for any significant acquisitions or disposals which would materially distort the overall comparator to the baseline year.
- Not adjust the baseline year for smaller events such as non-material acquisitions or disposals or office closures or openings.

Strategic report – Responsible business (continued)

For the year ended 31 October 2021

The table below shows the total gross GHG emissions in tonnes of Co2 (tCO2e):

Emissions Scope		Year ended 31 October 2019 (Baseline year)	Year ended 31 October 2020	Year ended 31 October 2021	Current year change from prior year	Current year change from baseline
1. Direct	Fuel - Gas	14	10	5	(57%)	(67%)
	Fuel - Oil	16	14	9	(38%)	(45%)
	Passenger vehicles	10	9	8	(6%)	(14%)
2. Indirect - Electricity	Electricity Use	121	87	59	(32%)	(51%)
3. Indirect - Other	Business Travel - Air	92	54	10	(81%)	(89%)
	Business Travel - Hotel	52	19	13	(32%)	(76%)
	Business Travel - Land	16	8	3	(58%)	(79%)
	Business Travel Mileage	303	109	21	(80%)	(93%)
	Waste Disposal Batteries	4	1	-	(100%)	(100%)
	Waste Disposal Electrical Items	66	31	8	(74%)	(88%)
	Waste Disposal Paper etc	37	10	15	53%	(60%)
		731	352	151	(57%)	(80%)

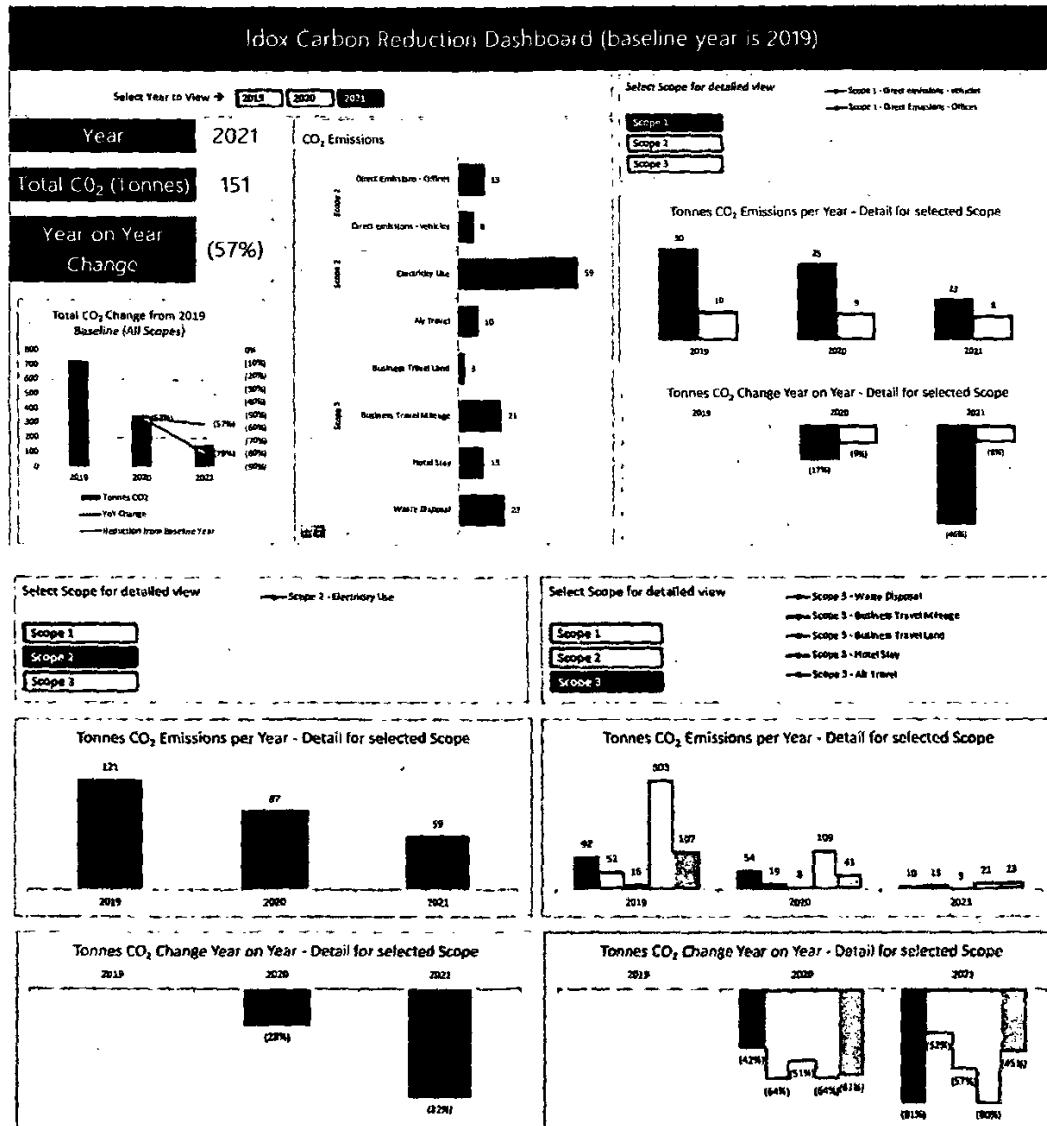
An internal peer review is performed on the numbers above and we aim to improve the methods of data collection going forward to ensure we maintain a robust approach to our GHG reporting.

We recognise that our normal way of operating in both the years ended 31 October 2020 and 31 October 2021 was significantly different due to the Covid-19 pandemic and that this significantly reduced emissions in almost all scopes during these years. Nevertheless, these years also saw the positive impact of initiatives we have undertaken under the Energy Saving Opportunities Scheme (ESOS) across all 3 scopes as well as from initiatives to reduce travel and waste. Whilst we do not expect to be able to sustain the reduced level of activity which created the significant savings in the reporting year, we do expect some changes to become permanent such as reduced travel as clients have become accustomed to receiving virtual support and reduced energy consumption in offices due to lower occupancy levels.

Awareness of our environmental impact, the initiatives we are taking to reduce it and the positive impact everyone in Idox can, and is making, has been increased including making available an interactive dashboard which all staff can access to visualise the individual and collective impact of their efforts.

Strategic report – Responsible business (continued)

For the year ended 31 October 2021



Underpinning all our environmental protection and impact reduction initiatives is an Environmental Management System accredited to BS EN ISO 14001:2015. This enables us to actively assess the effectiveness of the process employed across the business and make adjustments as necessary.

Strategic report – Responsible business (continued)

For the year ended 31 October 2021

Our commitment to achieving our goals is communicated via a clear statement on our web site which sets out how we will achieve our net zero carbon emission target by 2040. At each 3-year planning cycle we will set interim targets to ensure that we are making the required progress towards the goal and each year we will assess progress towards meeting those interim targets. We will set a simple measure of the percentage reduction in carbon emissions we aim to achieve compared with the baseline in each 3-year plan period.

For the 3-year plan period to 31st October 2024 we aim to achieve a 25% decrease (representing a reduction of 200 tonnes of CO2 emissions per annum). We have not previously published an achievement against target metric for the year ended 31 October 2021 in recognition of the unusual operating conditions for all companies during the Covid-19 pandemic.

Our organisational responsibility

As a responsible employer, Idox is committed to providing equal pay and opportunities for all. Our recruitment policies, work with Idox Elevate and our employee led initiative, Idox Voice, all have a mandate to ensure our processes are fair for all.

Idox continues to build on our culture of integrity with regular communications to our teams to ensure that we maintain well governed processes and procedures. Our workplace policies help maintain and work to the professional standards we strive for. This includes multilingual copies of our Whistleblowing Policy, Gifts and Hospitality Policy and International Business Policy.

Each year, our colleagues undertake Bribery and Corruption training and Information Security training to help us to understand the risks to the business and ourselves when the standards we aspire to are not met. These also form part of the onboarding process and help ensure integrity and security for our people and business alike.

Strategic report – Financial review

For the year ended 31 October 2021

Financial review

The financial year ended 31 October 2021 has seen a lot of change, consistent with our continued corporate simplification and focus on our core public sector software markets. The Content businesses were disposed of in March and April 21 for net proceeds of £10.7m, whilst the proceeds from the disposal were reinvested in the acquisition of Aligned Assets, thinkWhere and exeGesIS, for initial net consideration of £10.5m. A strong focus on sales and commercial governance has enabled us to pursue only earnings-enhancing revenues. This approach has resulted in improving revenue, Adjusted EBITDA and improved cash generation, for continuing operations, compared to prior periods.

Idox Content is classified as discontinued operations given the disposal of its businesses during the year. In addition, corporate costs previously allocated to Idox Content in FY20 have been reduced by £1,348,000 to better reflect the actual reduction in corporate costs as a result of the discontinued operations.

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

	FY21 £000	FY20 £000	Variance	
			£000	%
Revenue				
- Public Sector Software	54,114	48,426	5,688	12%
- Engineering Information Management	8,071	8,858	(787)	(9%)
- Idox Software	62,185	57,284	4,901	9%
- Idox Content (discontinued)	3,897	10,733	(6,836)	(64%)
- Total	66,082	68,017	(1,935)	(3%)

Revenue split		
- Public Sector Software	82%	71%
- Engineering Information Management	12%	13%
- Idox Software	94%	84%
- Idox Content (discontinued)	6%	16%

Adjusted EBITDA*				
- Public Sector Software	17,969	15,536	2,433	16%
- Engineering Information Management	1,550	1,702	(152)	(9%)
- Idox Software	19,519	17,238	2,281	13%
- Idox Content (discontinued)	276	2,346	(2,070)	(88%)
- Total	19,795	19,584	211	1%

Adjusted EBITDA margin split		
- Public Sector Software	33%	32%
- Engineering Information Management	19%	19%
- Idox Software	31%	30%
- Idox Content (discontinued)	7%	22%
- Total	30%	29%

* Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, financing costs and share option costs. See page 120 for reconciliations of the alternative performance measures.

Strategic report – Financial review (continued)

For the year ended 31 October 2021

Continuing operations – PSS and EIM

The PSS and EIM divisions, accounting for 94% of Group revenues (2020: 84%), delivered revenues of £62.2m (2020: £57.3m).

	FY21 £000	FY20 £000	Variance	
			£000	%
Continuing revenues				
- Recurring (PSS)	30,111	28,863	1,248	4%
- Recurring (EIM)	6,139	6,886	(747)	(11%)
- Non-recurring (PSS)	24,003	19,563	4,440	23%
- Non-recurring (EIM)	1,932	1,972	(40)	(2%)
	<u>62,185</u>	<u>57,284</u>	<u>4,901</u>	<u>9%</u>
- Recurring	58%	62%		
- Non-recurring	42%	38%		

* 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 in PSS due to the acquisitions made in the second half of the year which have delivered recurring revenues of £1.1m. The recurring revenues in EIM have decreased in the year due to some contracts coming to their end and not being renewed. 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 continued high levels of sales governance implemented over the last 2 years, resulting in higher recoveries.

Adjusted EBITDA increased by 13% to £19.5m (2020: £17.2m), delivering an improved EBITDA margin of 31% (2020: 30%). The margin improvement has been driven by the increased revenues converting strongly to margin and has been boosted by the high margin acquisitions of Aligned Assets and exeGesIS that were made in the year.

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.

Discontinued operations – Content

The Content division recorded a revenue reduction of 64% to £3.9m (2020: £10.7m) and a decrease in Adjusted EBITDA of 88% to £0.3m (2020: £2.3m) as a result of the businesses being disposed of in March and April 2021.

	FY21 £000	FY20 £000	Variance	
			£000	%
Idox Content revenues				
- Recurring	604	1,626	(1,022)	(63%)
- Non-recurring	3,293	9,107	(5,814)	(64%)
	<u>3,897</u>	<u>10,733</u>	<u>(6,836)</u>	<u>(64%)</u>
- Recurring	15%	15%		
- Non-recurring	85%	85%		

Strategic report – Financial review (continued)

For the year ended 31 October 2021

Profit before tax for continuing operations

The reported profit before tax was £7.3m (2020: £1.8m). The reasons for the improved adjusted EBITDA are set out above, and the reasons for the movements in all other constituent parts of profit before tax are set out below. The following table provides a reconciliation between adjusted EBITDA and statutory profit before taxation for continuing operations.

	FY21 £000	FY20 £000	Variance	
			£000	%
Adjusted EBITDA	19,519	17,238	2,281	13%
Depreciation and Amortisation	(10,204)	(10,063)	(141)	1%
Restructuring costs	90	(1,748)	1,838	(105%)
Acquisition costs	134	(125)	259	(207%)
Financing costs	(110)	(306)	196	(64%)
Share option costs	(1,789)	(1,004)	(785)	78%
Net finance costs	(372)	(2,177)	1,805	(83%)
Profit before taxation	7,268	1,815	5,453	300%

Restructuring gains were £0.1m (2020: £1.7m costs). The restructuring of business units in the prior year has now largely been completed and as a result restructuring costs have been significantly reduced and represent a small gain in the current year. Restructuring costs are analysed as follows:

	FY21 £000	FY20 £000	Variance	
			£000	%
Redundancies	(22)	(245)	(223)	(91%)
Disposal of subsidiaries	32	(397)	(429)	(108%)
Take over approach	(171)	-	171	n/a
Litigation	-	(34)	(34)	(100%)
Property	251	(1,072)	(1,323)	(123%)
Total restructuring costs	90	(1,748)	(1,846)	(106%)

Acquisition gains of £0.1m (2020: £0.1m costs) relates to the acquisition of Aligned Assets, thinkWhere and exeGesIS in the year. The prior year is in relation to the final settlements to the acquisition of Idox Cloud (formerly Tascomi) in August 2019.

There were no impairments in the year (2020: £Nil).

Financing costs of £0.1m (2020: £0.3m) relate to professional fees incurred as part of the loan extension and transition to SONIA from LIBOR in October 2021. The prior year costs were incurred as part of the refinancing in December 2019.

Share option costs of £1.8m (2020: £1.0m) relate to the accounting charge for awards made under the Group's Long-term Incentive Plan.

Net finance costs have decreased to £0.4m (2020: £2.2m) as a result of less interest being payable in respect of the Group's decreased banking facilities which were fully drawn in the second half of the prior year as part of our Covid-19 pandemic defensive actions. Additionally, the effective interest rate accounting adjustments have decreased as a result of the change in drawn loan balances.

The Group continues to invest in developing innovative technology solutions across the Idox Software portfolio and has incurred capitalised development costs of £4.6m (2020: £4.7m).

Strategic report – Financial review (continued)

For the year ended 31 October 2021

Taxation

The effective tax rate (ETR) for the year was 9.4% (2020: 52.8%) for total operations. The ETR for the year for continuing operations was 17.0% (2020: 73.7%).

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 as well as the disposals in the year which resulted in income not subject to tax, 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 £10.8m, split across Malta (£8.5m), the UK (£0.6m), and France (£1.7m). The Board is hopeful that the Group will benefit from these unrecognised tax losses, with the exception of Malta, in the 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 2.71p (2020: 0.29p) as a result of the Group reporting a significantly larger profit after tax compared to that in FY20. Diluted earnings per share improved to 2.65p (2020: 0.29p).

Adjusted earnings per share for continuing operations increased to 2.33p (2020: 1.50p) as a result of the Group reporting a significantly larger profit after tax compared to that in FY20, as well as reduced restructuring costs in the year. Adjusted diluted earnings per share increased to 2.27p (2020: 1.47p).

The Board proposes a final dividend of 0.4p per share (2020: 0.3p), which represents a total dividend for the year of 0.4p per share (2020: 0.3p), at a total cost of £1.8m (2020: £1.3m).

Balance sheet and cash flows

The Group's net assets have increased to £60.8m compared to £47.0m at 31 October 2020. 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 2021 £000
Total Equity as per FY20 Financial Report	46,958
Share option movements	2,081
Fair value of deferred consideration shares on purchase of subsidiary	1,261
Equity dividends paid	(1,331)
Profit for the year	11,949
Exchange gains on translation of foreign operations	(108)
Total Equity as per FY21 Financial Report	<u>60,810</u>

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 continued to target cash generative revenues and margins across its business. This is bolstered by the increase of intangible assets due to the purchase of three acquisitions in the year, and partially offset by the increase in deferred consideration payable on these acquisitions. The Group has deferred VAT of £1.0m as at 31 October 2021 (2020: £3.9m), which it is anticipated will be repaid in the year ended 31 October 2022.

Cash generated from operating activities after tax as a percentage of Adjusted EBITDA was 85% (2020: 124%). This decrease was due primarily to the VAT liability deferrals the Group took advantage of as part of its early Covid-19 pandemic defensive actions in the prior year which will be settled across FY21 and FY22. The Group generally continues to have high levels of adjusted EBITDA to cash conversion.

Strategic report – Financial review (continued)

For the year ended 31 October 2021

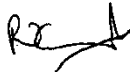
The reported net cashflow was an outflow of £12.2m (2020: inflow of £23.7m) due in the main to net debt repayments during the year of £19.4m (2020: net debt drawdown £12.8m). Free cashflow at 31 October 2021 was £7.1m (2020: £11.2m). Free cashflow has decreased in the year due to the VAT effect referred to above.

	FY21 £000	FY20 £000
Net cashflow	(12,068)	23,683
Add back:		
Acquisitions / disposals	(139)	200
Debt repayments	35,000	25,762
Drawdowns	(15,600)	(38,575)
Net cost of staff share schemes / (Issue of shares)	(64)	118
Free cashflow	<u>7,129</u>	<u>11,188</u>

The Group ended the year with net debt of £8.1m (2020: £16.1m), a significant improvement on the previous year. Net debt comprised cash of £18.3m less bank borrowings of £15.4m and the Maltese listed bond of £11.0m.

In October 2021 the Group extended its facility with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc (the 'Lenders') for an additional 18 months, to June 2024. The Group also transitioned from LIBOR to SONIA at this point. The Group's total signed debt facilities at 31 October 2021 consisted of a revolving credit facility of £35m and £10m accordion.

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
26 January 2022

Strategic report – Principal risks and uncertainties

For the year ended 31 October 2021

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.

The Audit Committee commissioned KPMG to conduct a review to "assess the adequacy of risk management arrangements in place across the organisation, including an objective review of the approach and a review of the key risks contained within the risk register and the principal risks taken from the annual report for completeness". This report was received in August 2021.

KPMG's report raised a number of improvement points which have been noted and actioned by the Executive Team however the report also concluded that "there are multiple areas of good practice" and that "the process for identifying, capturing and reporting risk at a senior level is robust and due to the regular review undertaken by the leadership team, we found it to be both flexible and agile. There is a demonstrable and positive tone at the top which includes a risk management strategy and well-defined appetite document".

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 applied against all material risks in the business to determine whether mitigations are sufficient for residual risks to be closed or accepted;
- 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.

Strategic report – Principal risks and uncertainties (continued)

For the year ended 31 October 2021

Principal Risks and Uncertainties

The principal risks involved in delivering the Group's strategy are actively managed and monitored against our risk appetite. Climate related risks are assessed and managed within the risk management structure described above but are reported in the environmental section of this report in line with the Taskforce for Climate-Related Financial Disclosures recommendations.

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Covid-19 pandemic</i>	<p>Following the impact of the Covid-19 pandemic in 2020, most businesses in most economies have continued to face unprecedented challenges with periods of reduced restrictions alternating with periods of greater limitations.</p> <p>It has become clearer which industries and businesses are more impacted by these restrictions and the associated impact on the general economic and trading environment and more business have been able to mitigate the impacts in the last year.</p> <p>Idox as a business has continued to prove 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.</p>	<p>Idox implemented a number of governance, operational and financial management initiatives during the period of greatest uncertainty about the Covid-19 impact in 2020.</p> <p>Operations normalised during 2021 and whilst we remain alert to any changes in the national or international situation, day to day risk management is on a "business as normal" basis.</p> <p>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.</p> <p>Now the impacts of the Covid-19 pandemic are becoming clearer, we have reduced the levels of drawings on our banking facilities and have started to repay the deferred VAT in line with the Government guidance.</p>	<p>We, and our customers, have fully adapted to new ways of "virtual" working.</p> <p>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. We now have over 12 months of experience to draw on.</p> <p>Idox has shown itself to be well-placed against the impacts of the Covid-19 pandemic but continues to assess changes in national and local restrictions and impacts on our people and our customers as they arise.</p> <p>We therefore believe this risk has significantly reduced in the year. Our plan is not dependent on the current situation changing although with fewer restrictions on travel and face to face customer interactions may offer some opportunities in relation to that plan.</p>

Strategic report – Principal risks and uncertainties (continued)

For the year ended 31 October 2021

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Political</i>	<p>The Group has a large customer base in Local Government and other public sector bodies. A change in spending priorities by the current or a future Government could materially impact the Group.</p>	<p>A diversified geographic footprint and sector focus reduces the risk of exposure due to adverse country or sector specific conditions.</p> <p>Our favoured revenue model is for high levels of recurring revenue to establish a stable base of contracted or highly visible revenues to react to any such changes in a more strategic timeframe.</p> <p>Our development priorities are to ensure we remain at the heart of our customer's operations, delivering cost efficiencies and value for money whatever the political environment.</p>	<p>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.</p> <p>In the previous year the Government has published their planning reforms proposal which we continue to monitor carefully and contribute to where appropriate. There has been significant change within the responsible Government Department and indications are that a slightly less ambitious agenda may be followed. As a result, we are seeing more positive responses to our offers to contribute to help Government meet change objectives more quickly.</p>
<i>Economic environment (outside of the Covid-19 pandemic)</i>	<p>Our performance is affected by the economic cycles of the markets of the countries in which we operate.</p> <p>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.</p>	<p>A diversified geographic footprint and sector focus reduces the risk of exposure due to adverse country or sector specific conditions.</p> <p>We remain cognisant of UK and EU geo-political events and consider any impact on our chosen markets, both to reduce risk but also to capitalise on any opportunities that arise.</p> <p>In the main we operate within the UK, with a relatively small customer base outside. The Board considers that it is protected from cross border Brexit risks, as businesses largely serve the needs of the country in which they are located.</p>	<p>Our strategy has been to exit non-core operations and to closely integrate our core operations. During the period we have disposed of our businesses in Belgium, Germany and the Netherlands.</p> <p>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.</p>

Strategic report – Principal risks and uncertainties (continued)

For the year ended 31 October 2021

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Acquisitions</i>	<p>The Group has stated ambition for bolt-on acquisitions as part of its growth strategy.</p> <p>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.</p>	<p>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.</p> <p>We have project plans and track restructuring projects to their business case to ensure that actions match anticipated returns.</p>	<p>During the period the acquisition of Aligned Assets Limited, thinkWhere Limited and, towards the end of the period, exeGesIS Spatial Data Management Limited were completed.</p> <p>The integration of Aligned Assets and thinkWhere is well advanced and expected to be completed by early 2022. The integration of exeGesIS has also begun but will accelerate from early 2022 and is expected to be completed by the middle of the year. This strategy mitigates against the risk of organisational overload due to multiple concurrent integrations.</p> <p>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 Group.</p> <p>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.</p> <p>We consider the Group to continue to have lower risk, as assessed in the previous period, in respect of acquisitions due to these measures.</p>

Strategic report – Principal risks and uncertainties (continued)

For the year ended 31 October 2021

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Technological development</i>	<p>The Group risks being outclassed by competitor products that have increased capabilities if the Group fails to deliver continued product development, including digital innovations.</p>	<p>We strive to invest in quality assurance and research and development to deliver quality products into our chosen markets.</p> <p>In recent years we have invested significantly in increasing our capability in the delivery of digital and cloud-based solutions.</p> <p>Our acquisitions of Aligned Assets, thinkWhere and exeGesIS has brought additional capability in modern technology to the Group, notably in the fast-growing Geographical Information Services (GIS) area in which Idox was previously been dependent on 3rd parties.</p>	<p>Idox Cloud is having significant success in the market. During the year we have continued to make improvements to Plantech offerings, including beginning to introduce the address management and GIS capabilities from the acquisitions made this year.</p> <p>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.</p> <p>As a result, we consider the Group to have lower risk from Technological development than in previous periods.</p>
<i>Ability to sell effectively</i>	<p>The Group has deep experience of selling our broad portfolio of products.</p> <p>It is imperative we have effective sales and marketing models, methodologies and techniques to effectively realise our investments in software products and to recover the costs of associated delivery and support functions, and that this is done in a profitable and cash generative way.</p>	<p>The Group has strong controls to support its sales teams in selling effectively.</p> <p>These include upfront business approval controls to ensure we are only bidding for work that has a suitable opportunity for a profitable, cash reward, and review controls to ensure once we are committed with a customer, the agreed terms are achieved.</p>	<p>The Group is seeing significant benefit in terms of broader and deeper customer insight resulting for completion of the implementation of a Group-wide CRM in the previous year. There is a significant pipeline of further enhancements which will further strengthen the control framework in our selling environment.</p> <p>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.</p> <p>We consider selling to be a "whole-team" activity that is the responsibility of every member of the Group and so continue to strive for further improvements.</p> <p>We consider the Group to have maintained lower risk in respect of selling than in previous years.</p>

Strategic report – Principal risks and uncertainties (continued)

For the year ended 31 October 2021

Risk	Principal risks	Management of risks	Change in assessment of risk in the period
<i>Capital structure</i>	<p>The Group has borrowings in the form of bank debt and a listed Bond following prior period acquisitions.</p> <p>It is key that our capital structure is appropriately managed to ensure we can meet all obligations as they fall due, to ensure we have sufficient headroom to execute our strategy by being able to fund organic and inorganic investments, and ultimately to deliver cash returns for our investors.</p>	<p>We perform regular reviews of short, medium and long-term cash forecasting to ensure our anticipated levels of cash are sufficient to meet both near-term requirements and longer-term strategic objectives.</p> <p>We carefully manage cash receipts and payments with customers and suppliers to ensure cash is delivered in line with agreed obligations.</p>	<p>We retain regular and detailed dialogue with our lenders.</p> <p>During the year we have completed an extension of our banking facilities and transitioned from LIBOR to SONIA.</p> <p>The Group continues to generate good cashflows, reducing leverage and improving headroom against facilities.</p> <p>Given this extension and the previous year's refinancing, we consider the Group to have lower capital structure risk than in previous years.</p>
<i>Cyber risk</i>	<p>We operate systems that maintain our confidential data and in some cases that of our customers.</p> <p>An information security breach or cyber-attack could result in loss or theft of data, content or intellectual property.</p>	<p>We have cyber, data protection and security policies in place and regularly review the effectiveness of these policies.</p> <p>There is an enterprise-wide data security programme and defined incident management processes, including those for employees to report security breaches.</p> <p>The Group is accredited to the UK Government based Cyber Essentials standard and operates an ISO 27001 accredited Information Security Management System.</p>	<p>Whilst we are satisfied with our actions in the period to mitigate cyber risk, we remain cognisant that, it is by nature a constantly developing risk and we continue to review our processes and approaches on an ongoing basis.</p> <p>Our assessment of this risk has not changed during the year.</p>

Board of Directors

For the year ended 31 October 2021

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, an Independent Non-Executive Director and Chair of the Audit and Risk Committee of South Staffordshire Water plc and of Recycling Technologies Group 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 Castleon 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 2021

The Directors submit their report and audited financial statements for the year ended 31 October 2021.

Results and dividends

The Group's audited financial statements for the year ended 31 October 2021 are set out on pages 63 to 109. The Group's profit for the year after tax amounted to £11.9m (2020: £1.3m). The Directors have paid a dividend of 0.3p per share in the first half of 2021 financial year, in respect of the year ended 31 October 2020. The Directors propose a dividend of 0.4p per share to be paid in respect of the year ended 31 October 2021.

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 employees 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 39 to 40.

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 2021	1 November 2020
C Stone	936,377	936,377
D Meaden	468,139	468,139
R Grubb	94,648	88,885
P Kelly	105,263	105,263
A Cummings	-	-

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 41 to 42.

Since the balance sheet date, R Grubb has purchased an additional 872 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 41 to 42.

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 up to £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.

Directors' report (continued)

For the year ended 31 October 2021

Substantial shareholdings

As at 31 October 2021, 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	90,031,766	20.15
Soros Fund Management	52,181,652	11.68
Long Path Partners	47,396,301	10.61
Kestrel Partners	40,460,396	9.05
Herald Investment Management	31,659,483	7.08
Gresham House Asset Management	25,643,781	5.74

Transaction in own shares

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

During the year three share option exercises were satisfied using treasury shares. These exercises used a total of 65,000 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 1,426,219.

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 2021. The Statement sets out the steps that the Group has taken to address and reduce 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 our employees 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 employee engagement hub, Idox Voice, comprising employee facilitators who reflect the Group's business activities. Employees are encouraged to present their views and suggestions in respect of the Group's performance and policies; and we engage across a wide range of platforms to hear employee views, including our CEO broadcast, employee engagement surveys and a wide range of employee initiatives. In addition, the Group has connected Team sites, and a newly developed intranet hub, 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.

Directors' report (continued)

For the year ended 31 October 2021

Financial risk management objectives and policies

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

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

Credit Risk

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

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

Liquidity Risk

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

Exchange Rate Risk

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

Cash Flow and Interest Rate Risk

The Group's bank borrowings bear interest at rates linked to LIBOR, this was transitioned to SONIA as part of the bank facility extension in October 2021. On an ongoing basis, the Board reviews the SONIA rate and discuss whether it is considered necessary to set up hedges to protect against interest rate movements.

Going concern

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

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 revolving credit facility of £35,000,000, were extended during the current year and are committed until June 2024.

Idox along with most companies has been impacted by the Covid-19 pandemic, however the impact on our Group has in the main been limited to the initial disruption of the early stages of the emerging challenges in 2020, 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 associated restrictions but are confident we are 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 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 which are largely in respect of associated restrictions.

As part of the preparation of our FY21 results, the Group has 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.

Directors' report (continued)

For the year ended 31 October 2021

The Group has performed sensitivity analysis of financial modelling to identify what circumstances could lead to liquidity challenges. This forecasting has demonstrated that the Group would only breach its banking covenants in the most severe of circumstances which are not considered credible. Under this sensitivity analysis, recurring revenues renewals were assumed to be 37% lower than plan and non-recurring revenues won and delivered lower by 74%, with no corresponding action on costs to address these shortfalls. Under this scenario, the Group would likely be in breach of its banking covenants during FY22, albeit liquidity even in this extreme scenario remains strong. This scenario is not considered credible given the growth the Group has experienced in FY20 and FY21 in recurring and non-recurring revenues despite the impact of the Covid-19 pandemic.

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

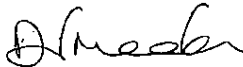
Auditor

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:



David Meaden
Chief Executive Officer
26 January 2022

Corporate governance report

For the year ended 31 October 2021

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

2021	Basic salary and fees 2021 £000	Bonus 2021 £000	Benefits in kind 2021 £000	Total 2021 £000	Pension 2021 £000
Executive Directors					
David Meaden	331	232	20	583	-
Rob Grubb	175	92	10	277	10
Non-Executive Directors					
Chris Stone*	100	-	-	100	-
Phil Kelly	35	-	-	35	-
Alice Cummings	35	-	-	35	-
	676	324	30	1,030	10

* Chairman

Corporate governance report (continued)

For the year ended 31 October 2021

Directors' remuneration (continued)

2020	Basic salary and fees 2020	Bonus 2020	Benefits in kind 2020	Total 2020	Pension 2020
	£000	£000	£000	£000	£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

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
David Meaden	-	933,962	-	-	933,962	0p	Feb 2022	Feb 2031
Rob Grubb	-	495,283	-	-	495,283	0p	Feb 2022	Feb 2031
Totals	5,421,974	1,429,245	-	-	6,851,219			

The £Nil cost Directors' options vest evenly over the three years from issue, with the date exercisable from noted in the table above being the date at which the first third of the options are available to exercise. The other options have no vesting conditions and are fully exercisable from the dates noted in the table above.

The mid-market price of the Company's shares at close of business on 31 October 2021 was 71.60p and the low and high share prices during the year were 47.33p and 81.92p, respectively.

The Company recognised total expenses of £1,908,150 (2020: £1,057,423) related to equity-settled, share-based payment transactions during the year in respect of all Directors and employees, of which £1,908,150 (2020: £1,057,423) related to the LTIP share option scheme.

The pre-tax aggregate gain on exercise of share options during the year was £Nil (2020: £Nil). Note 25 of the Group accounts contains full disclosure of the Company's share options.

Corporate governance report (continued)

For the year ended 31 October 2021

Directors' share interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 37.

Corporate governance

Idox 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/wp-content/uploads/2020/07/idx-plc-statement-of-compliance-with-the-corporate-governance-code-1118.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 discussed with its Auditors on future changes to such accounting policies.

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

Board and committee meetings are scheduled in line with the financial calendar of the Group. The timing of meetings ensures the latest operating data is available for review and that appropriate time and focus can be given to matters under consideration. The Board met 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.

Corporate governance report (continued)

For the year ended 31 October 2021

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 page 36.

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 49 to 52.

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.

Corporate governance report (continued)

For the year ended 31 October 2021

The Committee's key responsibilities include:

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

The Audit Committee met four times in the year, the Remuneration Committee met 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 three 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.

During the year the Group has worked with specialists to perform a gap analysis on its risk and control frameworks. This review did not identify any concerns and provided guidance on a suitable evolution of relevant internal audit for Idox given our size and circumstance.

The Audit Committee has maintained a close dialogue with Management and the Group's external auditors in FY21 and the resulting audit process to ensure the extensive operational reviews performed by the 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.

Corporate governance report (continued)

For the year ended 31 October 2021

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. 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.

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 extend 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;
- facilitate 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 <https://www.idoxgroup.com/investors/>.

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.

Corporate governance report (continued)

For the year ended 31 October 2021

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 2021

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.

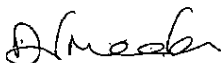
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 26 January 2022 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 2021

Overview

This report presents the activities of the Committee during the financial year ended 31 October 2021. 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 financial reporting, oversight of risk management and internal control and the effectiveness of the external audit.

Membership and meetings

The Audit Committee is a committee of the Board comprised of three Non-Executive Directors: Alice Cummings, Chris Stone and Phil Kelly. The Audit Committee is chaired by Alice Cummings. The Board considers that Alice Cummings has relevant and recent financial experience to discharge this role, as noted on page 36. The Audit Committee members are considered to have sufficient, recent and relevant financial and commercial 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. The Committee is provided with sufficient resources to perform its duties including support, as necessary, from the Executive Directors, senior managers, finance and legal team members, external accounting firms and the external audit firms for the Group and listed subsidiary.

During the year under review, the Audit Committee held four 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 three of the four scheduled meetings. The Executive Directors attended all meetings of the Audit Committee in the year.

Roles and responsibilities

The Board reaffirmed its terms of reference for the Audit Committee during the year. The Audit Committee has a wide remit and its key roles and responsibilities include reviewing and advising the Board on:

- the integrity of the financial statements of the Group, including its annual and interim reports, 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 the 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 the external audits;
- 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 of wrongdoing including those made by whistle-blowers.

Report of the Audit Committee (continued)

For the year ended 31 October 2021

Audit Committee activities in the financial year ended 2021

The Committee met four times during the financial year ended 31 October 2021 to consider standing items on its agenda. The Committee's standing items on its agenda are:

- reviewed the Interim Accounts and the Annual Report and Accounts in the context of being fair, balanced and understandable including related announcements and market updates;
- for each of the Group's Auditor and the listed subsidiary's Auditor, received and considered, as part of the review of the Annual Report and Accounts, 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 and fees for the Auditor, the letter of representation to the Auditor and an on-going assessment of the impact of future accounting developments for the Group;
- considered the effectiveness and independence of the external auditors;
- considered the level and value of non-audit services;
- considered the key audit matters;
- 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, including taking external specialist advice;
- 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.

The Committee discussed and took papers from Management and in some cases external advisors on a number of other matters that are not on the standing agenda including the tax strategy and transfer pricing arrangements, costs and provisions in relation to closed office locations, foreign exchange and derivatives, acquisitions and divestments and extending and updating banking arrangements for the changes to SONIA.

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 commissioned and received a report from KPMG to assess the adequacy of risk management arrangements across the organisation including an objective review of the approach and a review of the key risks contained within the risk register and the principal risks in the Annual Report. There is now a well-articulated plan to develop a risk management dashboard and regular reporting suite for the senior managers and Board that provides insight over the key elements of the risk environment in a more dynamic and real time way including new/mitigated risks, key risk indicators, trend analysis and emerging risks.

The Committee engaged with the Executive Directors and senior managers with input from KPMG to undertake a high-level assessment of the quality of internal controls by reference to a control benchmark. The aim of this exercise, which is in progress at the end of the reporting year, is to determine the gap (if any) between the expected and actual controls. This report will assist in developing an assurance policy and provide some information regarding options available to the organisation for developing an internal audit function.

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 the Executive Directors and senior finance staff.

Report of the Audit Committee (continued)

For the year ended 31 October 2021

The Committee is satisfied with the effectiveness of the Auditor in performing their audit for the year ended 31 October 2021.

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 2021 is the fourth consecutive year end for the current audit partner and audit firm. The Audit Committee considers and reviews non-audit services provided by the Group's Auditor, and this is tabled annually at the Board for discussion. The Audit Committee reports to the Board on the effectiveness of the Auditor. 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.

Auditor objectivity was safeguarded by the Committee considering several factors:

- an appraisal of the standing and experience of the audit partner;
- using a different audit firm for the audit of the listed subsidiary in Malta;
- using a number of different firms to provide tax compliance services, tax advice, risk management and internal control reviews and banking advisory services during the year; and
- confirmation from the Auditor that they have complied with relevant UK independence standards and fully considered any threats and safeguards in the performance of non-audit work.

Non-audit fees

It is the Audit Committee's policy to engage the Group's Auditor for non-audit services where such level of expertise 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 has not contracted for non-audit services with the Group's Auditor in this financial year.

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 £307,500 (2020: £425,000) for Group and subsidiary audit services, £Nil (2020: £Nil) for interim audit services, and £Nil (2020: £74,000) for non-audit services (in 2020, relating to tax compliance, tax advice and refinancing advice). The Committee concluded in 2020 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 (and equivalent processes for the newly acquired businesses where their full financial integration is from the start of the new financial year). 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.

Report of the Audit Committee (continued)

For the year ended 31 October 2021

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 and the acquisition accounting for the businesses acquired in the second half-year. This included considering 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.

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.

The Committee has put in place discussions for senior teams across the organisation to meet with the Non-Executive Directors without the Executive Directors present and this year has held meetings with stakeholders in sales, development, legal and finance.

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 can be found on the Group's website.



Alice Cummings
Chair of the Audit Committee
26 January 2022

Independent Auditor's report to the members of Idox plc

For the year ended 31 October 2021

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. 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.

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none">• Revenue recognition; and• Valuation of goodwill and intangible assets; <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">⚠ Newly identified⬆ Increased level of risk↔ Similar level of risk⬇ Decreased level of risk
Materiality	<p>The materiality that we used for the Group financial statements was £580,000, which was determined on the basis of EBITDA benchmark.</p>
Scoping	<p>Our audit covered 94% of the Group's total revenue, 91% of the Group's PBT, 93% of the Group's EBITDA and 84% of the Group's net assets.</p>
Significant changes in our approach	<p>Our approach is consistent with previous year with the exception of:</p> <ul style="list-style-type: none">- A change in the benchmark used to set materiality, to be 3% of EBITDA. The prior year was determined using profit before tax adjusted for impact of amortisation from acquisitions.- The impact of Covid-19 pandemic on going concern is no longer a key audit matter as business has proven to be resilient for past 2 years and it does not have an impact on the business's ability to deliver or perform its obligations.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the financing facilities including nature of facilities, repayment terms and covenants by reviewing the contracts;
- Evaluating assumptions used and amount of headroom in the forecasts by performing independent recalculations, sensitivity analysis and stress test;
- Assessing the appropriateness of management's forecasted cash flows and covenants under the base case and worst-case scenario;
- Assessing accuracy of forecast by comparing it to actual results;
- Assessment of the disclosures in the financial statements relating to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

5. Key audit matters

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

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

5.1. Revenue Recognition

Key audit matter description

The Group generated £62.2m of revenue (2020: £57.3m) during the year. The Group provides specialist software solutions. It has two separate business segments – Public Sector Software (PSS) and Engineering Information Management (EIM). Each business segment has its own revenue recognition policies (Refer to note 1 accounting policies) depending on the nature of the revenue (recurring or non-recurring) and underlying contractual arrangements.

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

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 surrounding the stage of completion of any projects that are not completed at year end 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 explained above, the key source of management judgement is in the application of IFRS 15 principles and identification of performance obligations.

Further details are provided in Strategic Report on page 25 and 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 one month 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;

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

	<ul style="list-style-type: none"> • 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; • Obtained customer confirmations for new projects in order to corroborate start date, end date and value of contracts. We received less than 50% responses back and hence performed alternative procedures where responses were not received and to also corroborate the responses received, by obtaining contracts to confirm start date, end date and value and also obtaining a list of all invoices raised during the year and post end and agreeing back to source document; • 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; and • Assessed the disclosures in the financial statements.
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	<p>The Group has goodwill of £51.2m (2020: £48.0m) and other intangible assets of £40.8m (2020: £33.6m) as at 31 October 2021. 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. For further details, refer accounting policies in note 1 of the financial statements.</p> <p>This has been identified as a key audit matter as a result of the quantitative significance of the balances, the application of management judgement and estimation in performing impairment reviews and the ongoing impact of Covid-19 on the long-term growth assumptions. Our significant risk in this area is focussed on the forecast assumptions of Engineering Information Management ("EIM") Cash-Generating Unit (CGU) due to the historical lower headroom of the CGU because the business has been underperforming on budgets and is more sensitive to change in budgets.</p> <p>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.</p> <p>Further details are provided in Audit Committee report on page 51 and note 12 of the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>The audit procedures we performed in respect of this matter included:</p> <ul style="list-style-type: none"> • 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 and assessing the impact of Covid-19;

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

	<ul style="list-style-type: none"> • Agreeing cash flow forecasts to board approved budgets including net working capital and capital expenditure; • In response to the underperformance of historical budget and given low headroom, we have performed additional sensitivity analysis on EIM CGU; • Engaging our valuations specialist to perform a review of the discount rate applied on EIM CGU and to assess the long-term growth rate; • As a result of our work assessing management's additional disclosure of sensitivity within the EIM CGU grouping; and • Engaging impairment specialist to review the valuation of EIM CGU.
Key observations	Based on the work performed we concluded that the valuation of goodwill and intangible assets relating to EIM CGU was appropriate, and following our challenge, appropriate disclosure has been made in the financial statements.

6. Our application of materiality

6.1. Materiality

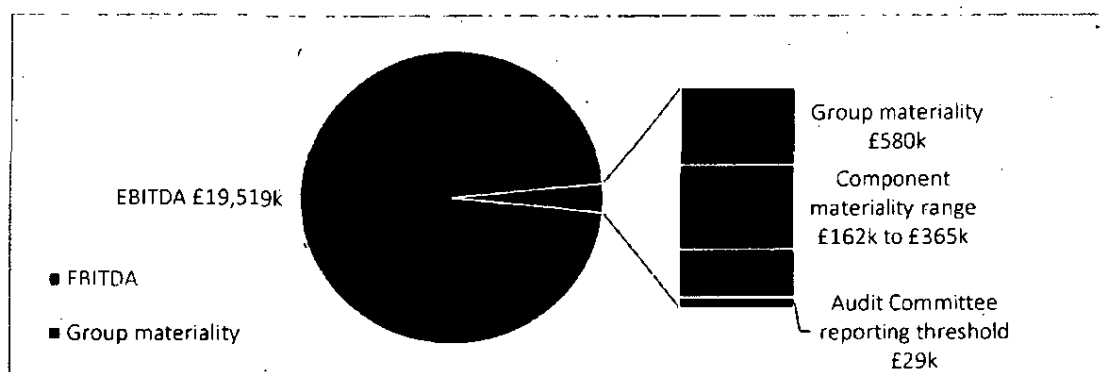
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our 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	£580,000 (2020: £355,000)	£290,000 (2020: £85,000)
Basis for determining materiality	<p>3% of EBITDA</p> <p>In prior year, we determined materiality using adjusted income before tax.</p>	<p>Parent Company materiality equates to .43% (2020: .14%) of net assets, which is capped at 50% (2020: 40%) of Group materiality.</p>
Rationale for the benchmark applied	<p>The change in basis has arisen as EBITDA is more stable benchmark following acquisitions and disposals during the year.</p> <p>We have used EBITDA as the benchmark for our determination of materiality having considered the important metrics of the business for different stakeholder groups.</p> <p>Materiality has also increased as compared to prior year due to underlying growth in business following acquisitions.</p>	<p>As this is the ultimate holding Company for the Group, the key balances are investments held, external borrowings and intercompany balances.</p>

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021



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 financial statements	Parent Company financial statements
Performance materiality	70% (2020: 60%) of Group materiality	70% (2020: 60%) of parent Company materiality
Basis for determining materiality	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; return to more stable trading performance 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 £29k (2020: £10k), 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.

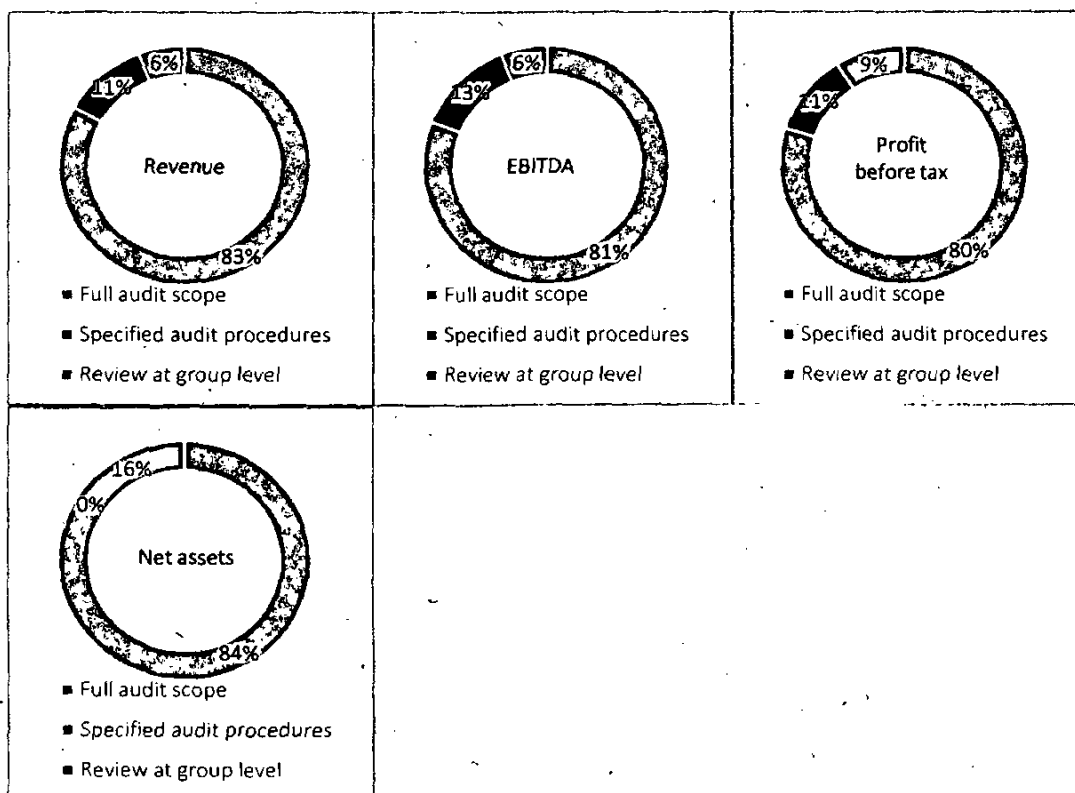
The Group operates globally with material revenues being generated in the United Kingdom, the United States of America, Europe and Australia. Revenues are split across the following segments: Public Sector Software and Engineering Information Management.

On a legal entity basis, the significant components to the Group are Idox Plc and Idox Software Ltd. These components represent 83% of the Group's revenue, 80% of the Group's profit before tax, 81% of the Group's EBITDA and 84% of the Group's total net assets. All the work around components has been performed by the Group engagement team.

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

Additionally, our audit planning identified the following non-significant components and specified audit procedures have been performed in relation to material account balances: McLaren Software Inc and Idox Health Limited. This adds an additional 11% of coverage over revenue, 11% over profit before tax, 13% of the Group's EBITDA and 0% over total net assets.



7.2. Our consideration of the control environment

During our audit we did not rely on IT controls, nor on manual 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 on page 45. 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.

8. Other information

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

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.

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to;
 - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in Revenue Recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition as key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's report to the members of Idox plc (continued)

For the year ended 31 October 2021

Report on other legal and regulatory requirements

12. 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.

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

13.1. 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.

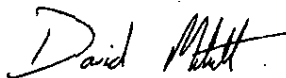
13.2. Directors' remuneration

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.

14. 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
26 January 2022

Consolidated statement of comprehensive income

For the year ended 31 October 2021

	Note	2021 £000	Restated* 2020 £000
Continuing operations			
Revenue	2	62,185	57,284
Cost of sales		(17,130)	(14,752)
Gross profit		45,055	42,532
Administrative expenses		(37,415)	(38,540)
Operating profit		7,640	3,992
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	2	19,519	17,238
Depreciation	3	(1,581)	(1,498)
Amortisation	3	(8,623)	(8,565)
Restructuring costs	3	90	(1,748)
Acquisition costs	5	134	(125)
Financing costs		(110)	(306)
Share option costs	25	(1,789)	(1,004)
Finance income	6	818	181
Finance costs	6	(1,190)	(2,358)
Profit before taxation		7,268	1,815
Income tax charge	8	(1,237)	(1,338)
Profit for the year from continuing operations		6,031	477
Discontinued operations			
Profit for the year from discontinued operations	9	5,918	799
Profit for the year attributable to the owners of the parent		11,949	1,276
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		(108)	(97)
Other comprehensive loss for the year, net of tax		(108)	(97)
Total comprehensive profit for the year		11,841	1,179
Total comprehensive profit for the year attributable to owners of the parent		11,841	1,179
Earnings per share attributable to owners of the parent during the year			
From continuing operations			
Basic	10	1.37p	0.11p
Diluted	10	1.34p	0.11p
From continuing and discontinued operations			
Basic	10	2.71p	0.29p
Diluted	10	2.65p	0.29p

*The comparatives have been restated due to the Content business being reclassified as discontinued operations. There has been no change to the overall results.

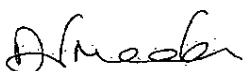
The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet

As at 31 October 2021

	Note	2021 £000	2020 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,307	1,183
Intangible assets	12	92,025	81,652
Right-of-use-assets	26	2,363	3,726
Investment	13	-	18
Deferred tax assets	14	2,623	1,111
Total non-current assets		98,318	87,690
Current assets			
Trade and other receivables	16	16,968	18,700
Current tax receivable		-	1,117
Cash and cash equivalents	17	18,283	30,812
Total current assets		35,251	50,629
Total assets		133,569	138,319
LIABILITIES			
Current liabilities			
Trade and other payables	18	8,075	6,084
Deferred consideration	19	2,070	57
Current tax payable		1,399	-
Other liabilities	19	23,547	26,839
Provisions	20	1,433	1,261
Lease liabilities	26	727	1,188
Total current liabilities		37,251	35,429
Non-current liabilities			
Deferred tax liabilities	14	5,579	3,907
Deferred consideration	19	841	27
Lease liabilities	26	1,747	2,695
Other liabilities	19	949	1,791
Provisions	20	-	612
Bonds in issue	21	10,998	11,848
Borrowings	22	15,394	35,052
Total non-current liabilities		35,508	55,932
Total liabilities		72,759	91,361
Net assets		60,810	46,958
EQUITY			
Called up share capital	24	4,469	4,450
Capital redemption reserve		1,112	1,112
Share premium account		41,556	41,356
Treasury reserve		(594)	(621)
Share option reserve		3,962	2,618
Other reserves		8,789	7,528
ESOP trust		(417)	(373)
Foreign currency translation reserve		(189)	(161)
Retained earnings / (accumulated losses)		2,122	(8,951)
Total equity attributable to the owners of the parent		60,810	46,958

The financial statements were approved by the Board of Directors and authorised for issue on 26 January 2022 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 October 2021

	Called up share capital £000	Capital redemption reserve £000	Share premium account £000	Treasury reserve £000	Share option reserve £000	Other reserves £000	ESOP trust £000	Foreign currency translation reserve £000	Retained earnings / (accumulated losses) £000	Non-controlling interest £000	Total £000
Balance at 1 November 2019	4,446	1,112	41,348	(621)	1,837	7,528	(365)	(64)	(10,500)	(110)	44,611
Issue of share capital	4	-	8	-	-	-	-	-	-	-	12
Share option costs	-	-	-	-	1,054	-	-	-	-	-	1,054
Exercise / lapses of share options	-	-	-	-	(273)	-	-	-	273	-	-
ESOP trust	-	-	-	-	-	-	(8)	-	-	-	(8)
Disposal of investment	-	-	-	-	-	-	-	-	-	110	110
Transactions with owners and non-controlling interests	4	-	8	-	781	-	(8)	-	273	110	1,168
Profit for the year	-	-	-	-	-	-	-	-	1,276	-	1,276
Other comprehensive loss	-	-	-	-	-	-	-	(97)	-	-	(97)
Exchange movement on translation of foreign operations	-	-	-	-	-	-	-	(97)	-	-	(97)
Total comprehensive (loss) / profit for the year	-	-	-	-	-	-	-	(97)	1,276	-	1,179
Balance at 31 October 2020	4,450	1,112	41,356	(621)	2,618	7,528	(373)	(161)	(8,951)	-	46,958
Issue of share capital	19	-	200	-	-	-	-	-	-	-	219
Share option costs	-	-	-	-	1,894	-	-	-	-	-	1,894
Exercise / lapses of share options	-	-	-	27	(550)	-	-	-	535	-	12
ESOP trust	-	-	-	-	-	-	(44)	-	-	-	(44)
Fair value of deferred consideration shares on purchase of subsidiary	-	-	-	-	-	1,261	-	-	-	-	1,261
Equity dividends paid	-	-	-	-	-	-	-	-	(1,331)	-	(1,331)
Transactions with owners	19	-	200	27	1,344	1,261	(44)	-	(796)	-	2,011
Profit for the year	-	-	-	-	-	-	-	-	11,949	-	11,949
Other comprehensive loss	-	-	-	-	-	-	-	80	(80)	-	-
Recycled exchange movements on disposal of subsidiaries	-	-	-	-	-	-	-	80	(80)	-	-
Exchange movement on translation of foreign operations	-	-	-	-	-	-	-	(108)	-	-	(108)
Total comprehensive (loss) / profit for the year	-	-	-	-	-	-	-	(28)	11,869	-	11,841
Balance at 31 October 2021	4,469	1,112	41,556	(594)	3,962	8,789	(417)	(189)	2,122	-	60,810

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

Consolidated cash flow statement

For the year ended 31 October 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit for the year before taxation		13,186	2,702
Adjustments for:			
Depreciation of property, plant and equipment	11	801	817
Depreciation of right-of-use assets	26	1,021	1,240
Amortisation of intangible assets	12	8,835	9,282
(Gain) / loss on disposal / purchase of subsidiary		(6,679)	380
Finance income		(800)	(5)
Finance costs		1,060	2,210
Debt issue costs amortisation		144	189
Research and development tax credit		(267)	(134)
Share option costs	25	1,908	1,057
Loss on disposal of leases		-	36
Movement in stock		-	54
Movement in receivables		3,086	1,192
Movement in payables		(5,947)	4,329
Cash generated by operations		<u>16,348</u>	<u>23,349</u>
Tax refunded / (tax paid)		206	(2,000)
Net cash from operating activities		<u>16,554</u>	<u>21,349</u>
Cash flows from investing activities			
Acquisition of subsidiaries		(10,530)	-
Disposal of subsidiaries		10,669	(200)
Purchase of property, plant and equipment		(1,110)	(931)
Purchase of intangible assets		(4,637)	(5,998)
Finance income	6	66	5
Net cash used in investing activities		<u>(5,542)</u>	<u>(7,124)</u>
Cash flows from financing activities			
Interest paid		(967)	(1,644)
New loans		15,600	38,575
Loan related costs		(292)	(48)
Loan repayments		(35,000)	(25,762)
Principal lease payments		(1,154)	(1,545)
Equity dividends paid		(1,331)	-
Issue of own shares		64	(118)
Net cash (outflows) / inflows from financing activities		<u>(23,080)</u>	<u>9,458</u>
Net movement in cash and cash equivalents		<u>(12,068)</u>	<u>23,683</u>
Cash and cash equivalents at the beginning of the year		30,812	7,023
Exchange gains on cash and cash equivalents		(461)	106
Cash and cash equivalents at the end of the year	17	<u>18,283</u>	<u>30,812</u>

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

Notes to the accounts

For the year ended 31 October 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

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 39 to 40 in the Directors' Report, the financial statements have been prepared on a going concern basis.

Going concern

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

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 revolving credit facility of £35,000,000, were extended during the year and are committed until June 2024.

Idox along with most companies has been impacted by the Covid-19 pandemic, however the impact on our Group has in the main been limited to the initial disruption of the early stages of the emerging challenges in 2020, 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 associated restrictions but are confident we are 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 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 which are largely in respect of associated restrictions.

As part of the preparation of our FY21 results, the Group has 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 of financial modelling to identify what circumstances could lead to liquidity challenges. This forecasting has demonstrated that the Group would only breach its banking covenants in the most severe of circumstances which are not considered credible. Under this sensitivity analysis, recurring revenues renewals were assumed to be 37% lower than plan and non-recurring revenues won and delivered lower by 74%, with no corresponding action on costs to address these shortfalls. Under this scenario, the Group would likely be in breach of its banking covenants during FY22, albeit liquidity even in this extreme scenario remains strong. This scenario is not considered credible given the growth the Group has experienced in FY20 and FY21 in recurring and non-recurring revenues despite the impact of the Covid-19 pandemic.

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

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

International Financial Reporting Standards and Interpretations issued but not yet effective

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

- IFRS 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 IFRS 3 Reference to the Conceptual Framework – 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

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.

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

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. See note 19 for further information on contract liabilities.

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, the Group has full control over each of its investees.

All inter-company transactions are eliminated on consolidation.

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

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

Alternative performance measures

Where relevant, adjusted measures of profit have been used alongside statutory definitions. 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:

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

Alternative performance measures may not be comparable between companies due to differences in how they are calculated.

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

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 Licence 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.

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

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), Idox Health Limited (02585086), Aligned Assets Limited (04610724), Aligned Assets Holdco Limited (10577181), thinkWhere Limited (SC315349), and exeGesIS Spatial Data Management Ltd (03743089) 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 2021

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.

(i) Research and development (continued)

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) 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.

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

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 assets 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 statement of comprehensive income 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 2021

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.
 - The fair value of the deferred consideration shares included in the purchase of Aligned Assets 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.

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 Group is considered large for research and development tax credit purposes owing to a headcount of over 500.

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within administration expenses in the statement of comprehensive income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at a single discount rate to a portfolio of leases with reasonably similar characteristics.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Impairment policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

Notes to the accounts (continued)

For the year ended 31 October 2021

1 ACCOUNTING POLICIES (CONTINUED)

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded initially at fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the 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 2021, 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. The entities comprising this segment were fully disposed in the year ended 31 October 2021, and the results which have been consolidated under the Group's ownership have been disclosed as Discontinued operations in these financial statements.

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

Notes to the accounts (continued)

For the year ended 31 October 2021

2 SEGMENTAL ANALYSIS (CONTINUED)

The segment revenues by geographic location are as follows:

	Continuing £000	Discontinued £000	Total Group £000
2021: Revenues from external customers			
United Kingdom	52,038	46	52,084
USA	5,181	27	5,208
Europe	4,275	3,824	8,099
Rest of World	691	-	691
	<u>62,185</u>	<u>3,897</u>	<u>66,082</u>
	Continuing £000	Discontinued £000	Total Group £000
2020: Revenues from external customers			
United Kingdom	47,572	328	47,900
USA	5,913	193	6,106
Europe	2,589	10,212	12,801
Rest of World	1,210	-	1,210
	<u>57,284</u>	<u>10,733</u>	<u>68,017</u>

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

The segment revenues by type are as follows:

	Continuing £000	Discontinued £000	Total Group £000
2021: Revenues by type			
Recurring revenues – PSS	30,111	-	30,111
Recurring revenues – EIM	6,139	-	6,139
Recurring revenues – Content	-	604	604
Recurring revenues	<u>36,250</u>	<u>604</u>	<u>36,854</u>
Non-recurring revenues – PSS	24,003	-	24,003
Non-recurring revenues – EIM	1,932	-	1,932
Non-recurring revenues – Content	-	3,293	3,293
Non-recurring revenues	<u>25,935</u>	<u>3,293</u>	<u>29,228</u>
	<u>62,185</u>	<u>3,897</u>	<u>66,082</u>
Revenue from sale of goods	23,940	1,220	25,160
Revenue from rendering of services	38,245	2,677	40,922
	<u>62,185</u>	<u>3,897</u>	<u>66,082</u>

Notes to the accounts (continued)

For the year ended 31 October 2021

2 SEGMENTAL ANALYSIS (CONTINUED)

	Continuing £000	Discontinued £000	Total Group £000
2020: Revenues by type			
Recurring revenues – PSS	28,863	-	28,863
Recurring revenues – EIM	6,886	-	6,886
Recurring revenues – Software	35,749	-	35,749
Recurring revenues – Content	-	1,626	1,626
Recurring revenues	35,749	1,626	37,375
Non-recurring revenues – PSS	19,563	-	19,563
Non-recurring revenues – EIM	1,972	-	1,972
Non-recurring revenues – Software	21,535	-	21,535
Non-recurring revenues – Content	-	9,107	9,107
Non-recurring revenues	21,535	9,107	30,642
	57,284	10,733	68,017
Revenue from sale of goods	19,144	3,158	22,302
Revenue from rendering of services	38,140	7,575	45,715
	57,284	10,733	68,017

Recurring revenue is income generated from customers on an annual contractual basis. Recurring revenue amounts to approximately 58% (2020: 62%) of continuing revenue, which is revenue generated annually from sales to existing customers.

All revenues are recognised over the period of the contract, unless the 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 2021 was £53,897,000 and it is anticipated that 64% of this will be recognised as revenue in FY22 and 22% in FY23.

Notes to the accounts (continued)

For the year ended 31 October 2021

2 SEGMENTAL ANALYSIS (CONTINUED)

The segment results by business unit for the year ended 31 October 2021:

	PSS £000	EIM £000	Continuing Operations Total £000	Discontinued Operations CONTENT £000	Total £000
Revenue	54,114	8,071	62,185	3,897	66,082
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	17,969	1,550	19,519	276	19,795
Depreciation	(751)	(36)	(787)	(14)	(801)
Depreciation – right-of-use-assets	(709)	(85)	(794)	(227)	(1,021)
Amortisation – software licences, customer lists, order backlog and R&D	(4,193)	(869)	(5,062)	(46)	(5,108)
Amortisation – acquired intangibles	(3,210)	(351)	(3,561)	(166)	(3,727)
Restructuring costs	98	(8)	90	(11)	79
Acquisition costs	134	-	134	-	134
Share option costs	(1,760)	(29)	(1,789)	(119)	(1,908)
Segment operating profit / (loss)	7,578	172	7,750	(307)	7,443
Financing costs	-	-	(110)	-	(110)
Operating profit / (loss)	-	-	7,640	(307)	7,333
Gain from sale of discontinued operations	-	-	-	6,239	6,239
Finance income	-	-	818	-	818
Finance costs	-	-	(1,190)	(14)	(1,204)
Profit before taxation	-	-	7,268	5,918	13,186

The corporate recharge to the business unit EBITDA is allocated on a head count basis with the exception of Content, which has had corporate costs reduced to avoid stranded costs.

Notes to the accounts (continued)

For the year ended 31 October 2021

2 SEGMENTAL ANALYSIS (CONTINUED)

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

	PSS	EIM	Continuing Operations Total	Discontinued Operations CONTENT*	Total
	£000	£000	£000	£000	£000
Revenue	48,426	8,658	57,284	10,733	68,017
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, financing costs and share option costs	15,536	1,702	17,238	2,346	19,584
Depreciation	(708)	(83)	(791)	(26)	(817)
Depreciation – right-of-use-assets	(618)	(89)	(707)	(533)	(1,240)
Amortisation – software licences, customer lists, order backlog and R&D	(3,803)	(752)	(4,555)	(270)	(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)
Segment operating profit	4,056	242	4,298	927	5,225
Financing costs	-	-	(306)	-	(306)
Operating profit	-	-	3,992	927	4,919
Finance income	-	-	181	-	181
Finance costs	-	-	(2,358)	(40)	(2,398)
Profit before taxation	-	-	1,815	887	2,702

*Corporate costs for Idox Content have been reduced by £1,349,000 to better reflect the actual reduction in Corporate costs as a result of the discontinued operations. These costs have been allocated to PSS and EIM on a headcount basis.

Notes to the accounts (continued)

For the year ended 31 October 2021

3 OPERATING PROFIT FOR THE YEAR

Continuing operating profit for the year has been arrived at after charging:

	2021 £000	2020 £000
Auditor's remuneration:		
Fees payable to the Company Auditor for the audit of the parent company and consolidated annual accounts	15	21
The audit of the Company's subsidiaries, pursuant to legislation	293	404
Non-audit services	-	74
	<u>308</u>	<u>499</u>
Tax services – compliance	81	36
Tax services – advisory	27	-
Depreciation – owned	787	791
Depreciation – right-of-use assets	794	707
Amortisation:		
Software licences	882	943
Research & development	4,179	3,593
Backlog Orders	-	19
Customer Contracts	-	-
Acquired intangibles – customer relationships	1,212	1,406
Acquired intangibles – trade names	588	596
Acquired intangibles – software	1,762	1,966
Acquired intangibles – order backlog	-	42
Equity-settled share-based payments	<u>1,793</u>	<u>1,004</u>

Restructuring costs

Restructuring costs for continuing operations were £0.1m gain (2020: £1.7m). The balance is broken down as follows:

	Continuing 2021 £000	Discontinued 2021 £000	Total Group 2021 £000
Redundancies	22	(8)	14
Disposal of subsidiaries	(32)	(6,220)	(6,252)
Take over approach	171	-	171
Property	(251)	-	(251)
	<u>(90)</u>	<u>(6,228)</u>	<u>(6,318)</u>
	Continuing 2020 £000	Discontinued 2020 £000	Total Group 2020 £000
Redundancies	245	82	327
Disposal of subsidiaries	397	-	397
Litigation	34	8	42
Property	<u>1,072</u>	<u>-</u>	<u>1,072</u>
	<u>1,748</u>	<u>90</u>	<u>1,838</u>

4 DIRECTORS AND EMPLOYEES

	Continuing 2021 £000	Discontinued 2021 £000	Total Group 2021 £000
Staff costs during the year were as follows:			
Wages and salaries	26,986	2,201	29,187
Social security costs	2,808	292	3,100
Pension costs	<u>1,149</u>	<u>108</u>	<u>1,257</u>
	<u>30,943</u>	<u>2,601</u>	<u>33,544</u>

Notes to the accounts (continued)

For the year ended 31 October 2021

4 DIRECTORS AND EMPLOYEES (CONTINUED)

	Continuing 2020 £000	Discontinued 2020 £000	Total Group 2020 £000
Staff costs during the year were as follows:			
Wages and salaries	26,549	5,059	31,608
Social security costs	2,529	650	3,179
Pension costs	1,071	257	1,328
	<u>30,149</u>	<u>5,966</u>	<u>36,115</u>

In addition, during the year share based payment charges of £1,793,000 (2020: £1,004,000) were incurred in relation to continuing operations and £115,000 (2020: £53,000) in respect of discontinued operations.

During the year, for total operations, the Group incurred redundancy costs to former employees in respect of continuing operations of £22,000 (2020: £245,000) and £Nil (2020: £82,000) in respect of discontinued operations.

The average number of employees of the Group during the year for continuing operations was 522 (2020: 514) and 45 (2020: 123) for discontinued operations. This was made up as follows:

	Continuing 2021 No.	Discontinued 2021 No.	Total Group 2021 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	50	-	50
Sales	37	1	38
Development	109	-	109
Operations	<u>326</u>	<u>44</u>	<u>370</u>
	<u>522</u>	<u>45</u>	<u>567</u>

	Continuing 2020 No.	Discontinued 2020 No.	Total Group 2020 No.
Office and administration (including Directors of the Company and its subsidiary undertakings)	44	-	44
Sales	39	2	41
Development	116	-	116
Operations	<u>315</u>	<u>121</u>	<u>436</u>
	<u>514</u>	<u>123</u>	<u>637</u>

The average number of Directors of the Group during the year was 5 (2020: 6).

Remuneration in respect of Directors was as follows:

	2021 £000	2020 £000
Emoluments	1,030	970
Pension contributions	10	10
Share option exercise gain	<u>1,040</u>	<u>980</u>

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 £134,000 (2020: £122,000).

Notes to the accounts (continued)

For the year ended 31 October 2021

4 DIRECTORS AND EMPLOYEES (CONTINUED)

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

	2021 £000	2020 £000
Aggregate emoluments	583	510
Pension contributions	-	-
	<u>583</u>	<u>510</u>

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

During the year, the Group incurred social security costs in respect of the highest paid Director of £79,000 (2020: £68,000).

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 41 to 42 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 previous year relate to the acquisition of Tascomi Limited in August 2019, with the current year costs relating to the acquisition of Aligned Assets Limited, thinkWhere Limited and exeGIS Spatial Data Management Ltd. The current year also contains the acquisition gain on the purchase of thinkWhere Limited, see note 27 for further details.

Acquisition costs	2021 £000	2020 £000
Acquisition costs	(134)	125
	<u>(134)</u>	<u>125</u>

6 FINANCE INCOME AND COSTS

	Continuing 2021 £000	Discontinued 2021 £000	Total Group 2021 £000
Interest receivable	66	-	66
Other income	17	-	17
Foreign exchange differences	735	-	735
Finance income	<u>818</u>	<u>-</u>	<u>818</u>
Bank interest payable	(462)	-	(462)
Bond interest payable	(549)	-	(549)
Effective interest rate adjustment	360	-	360
Non-utilisation fees	(154)	-	(154)
Amortisation of employee equity scheme shares	(121)	-	(121)
Amortisation of bank fees	(144)	-	(144)
Lease liability interest	(120)	(14)	(134)
Finance costs	<u>(1,190)</u>	<u>(14)</u>	<u>(1,204)</u>

Notes to the accounts (continued).

For the year ended 31 October 2021

6 FINANCE INCOME AND COSTS (CONTINUED)

	Continuing 2020 £000	Discontinued 2020 £000	Total Group 2020 £000
Interest receivable	5	-	5
Other income	176	-	176
Finance income	<u>181</u>	<u>-</u>	<u>181</u>
Bank interest payable	(1,000)	-	(1,000)
Bond interest payable	(611)	-	(611)
Effective interest rate adjustment	(270)	-	(270)
Non-utilisation fees	(38)	-	(38)
Amortisation of employee equity scheme shares	(123)	-	(123)
Amortisation of bank fees	(189)	-	(189)
Lease liability interest	(127)	(40)	(167)
Finance costs	<u>(2,358)</u>	<u>(40)</u>	<u>(2,398)</u>

7 DIVIDENDS

The Directors have proposed the payment of a final dividend of 0.4p per share, which would amount to £1,781,754 (2020: final dividend of 0.3p which amounted to £1,331,259).

8 INCOME TAX

The tax charge is made up as follows:

	Continuing 2021 £000	Continuing 2020 £000
Current tax		
UK corporation tax on profit for the year	2,406	936
Foreign tax on overseas companies	145	(16)
(Over) / under provision in respect of prior periods	(30)	317
Total current tax	<u>2,521</u>	<u>1,237</u>
Deferred tax		
Origination and reversal of temporary differences	(1,553)	738
Adjustment for rate change	826	(181)
Adjustments in respect of prior periods	(577)	(467)
Other	20	11
Total deferred tax	<u>(1,284)</u>	<u>101</u>
Total tax charge	<u>1,237</u>	<u>1,338</u>

Notes to the accounts (continued)

For the year ended 31 October 2021

8 INCOME TAX (CONTINUED)

The tax charge is made up as follows:

	Total Group 2021 £000	Total Group 2020 £000
Current tax		
UK corporation tax on profit for the year	2,406	1,065
Foreign tax on overseas companies	145	(16)
(Over) / under provision in respect of prior periods	(30)	235
Total current tax	2,521	1,284
Deferred tax		
Origination and reversal of temporary differences	(1,553)	774
Adjustment for rate change	826	(169)
Adjustments in respect of prior periods	(577)	(473)
Other	20	10
Total deferred tax	(1,284)	142
Total tax charge	1,237	1,426

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:

	2021 £000	% ETR movement	2020 £000	% ETR movement
Profit before taxation on total operations	<u>13,186</u>		<u>2,702</u>	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	2,505	19.00	513	19.00
Effects of:				
Share option deduction	(842)	(6.38)	(206)	(7.63)
Tax losses utilised in year	(4)	(0.03)	-	-
International losses derecognised	60	0.46	362	13.40
Other timing differences	17	0.13	172	6.36
Expenses not deductible for tax purposes	641	4.86	732	27.09
Prior year over-provision	(720)	(5.46)	(238)	(8.81)
Non-taxable income	(1,527)	(11.58)	(34)	(1.26)
Adjustment for tax rate differences	19	0.15	66	2.44
R&D enhanced relief	-	-	24	0.89
Foreign tax suffered	60	0.45	(16)	(0.59)
Gain/Loss on disposal of investment	202	1.53	-	-
Tax rate change	826	6.26	51	1.89
	<u>1,237</u>	<u>9.39</u>	<u>1,426</u>	<u>52.78</u>

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 as well as the disposals in the year which resulted in income not subject to tax, 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.

Notes to the accounts (continued)

For the year ended 31 October 2021

8 INCOME TAX (CONTINUED)

Movement on trading losses during 2021 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 2020	-	350	350	104
Acquisitions and disposals	1,070	(350)	720	99
Utilised during the year	-	-	-	-
	<u>1,070</u>	<u>-</u>	<u>1,070</u>	<u>203</u>
Unrecognised trading losses				
Losses not recognised	(549)	(10,253)	(10,802)	(3,692)
	<u>(549)</u>	<u>(10,253)</u>	<u>(10,802)</u>	<u>(3,692)</u>

For comparative purposes, movement on trading losses during 2020 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 2019	1,729	379	2,108	382
Utilised during the year	(1,729)	(29)	(1,758)	(278)
	<u>-</u>	<u>350</u>	<u>350</u>	<u>104</u>
Unrecognised trading losses				
Losses not recognised	(641)	(11,966)	(12,607)	(4,208)
	<u>(641)</u>	<u>(11,966)</u>	<u>(12,607)</u>	<u>(4,208)</u>

The UK trading losses remaining unrecognised at the end of the year relate to brought-forward losses in respect of loss-making trades. The closing unrecognised losses of £10,801,947 relate to Malta, the UK and France. The decision was made to maintain derecognition of these assets on the basis these losses will not be utilised over the next three to five years. Across the year the total deferred tax asset in respect of unrelieved trading losses increased from £104,000 to £203,000. There is no expiry dates for any of the unrelieved trading losses carried forward.

9 DISCONTINUED OPERATIONS

During the first six months of the financial year, the Group received separate offers to acquire its Continental Compliance operations, and its Netherlands Grants Consultancy operations. These operations collectively comprised the Idox Content division of the Group. These offers were at an acceptable valuation and given the Group's desire to prioritise capital on its Idox Software operation, these disposals were completed in the year.

The Continental Compliance operations were disposed on 12 March 2021 and the Netherlands Grants Consultancy operations were disposed on 6 April 2021. These dates represent the point the control and legal ownership of these operations passed to the acquirers.

Notes to the accounts (continued)

For the year ended 31 October 2021

9 DISCONTINUED OPERATIONS (CONTINUED)

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

	2021 £000	2020 £000
Revenue	3,897	10,733
Expenses	(4,218)	(9,846)
Gain on Disposal	6,239	-
Profit before tax	5,918	887
Attributable tax expense	-	(88)
Net profit attributable to discontinued operations	5,918	799

During the year, Content contributed £2.7m (2020: £1.6m) to the Group's net operating cash flows and contributed £10.7m (2020: £Nil) in respect of investing and financing activities.

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

	2021 £000	2020 £000
Profit for the year	6,031	477
Basic earnings per share		
Weighted average number of shares in issue	440,376,576	439,245,132
Basic earnings per share	1.37p	0.11p
Weighted average number of shares in issue	440,376,576	439,245,132
Add back:		
Dilutive share options	10,749,077	7,279,721
Weighted average allotted, called up and fully paid share capital	451,125,653	446,524,853
Diluted earnings per share		
Diluted earnings per share	1.34p	0.11p

Notes to the accounts (continued)

For the year ended 31 October 2021

10 EARNINGS PER SHARE (CONTINUED)

	2021	2020
	£000	£000
Adjusted earnings per share		
Profit for the year	6,031	477
Add back:		
Amortisation on acquired intangibles	3,561	4,010
Acquisition costs	(134)	125
Restructuring costs	(90)	1,748
Financing costs	110	306
Share option costs	1,789	1,004
Tax rate changes	826	-
Tax effect	(1,841)	(1,094)
Adjusted profit for year	<u>10,252</u>	<u>6,576</u>
Weighted average number of shares in issue - basic	440,376,576	439,245,132
Weighted average number of shares in issue - diluted	451,125,653	446,524,853
Adjusted earnings per share	2.33p	1.50p
Adjusted diluted earnings per share	2.27p	1.47p
Discontinued Operations	2021	2020
	£000	£000
Profit for the year	<u>5,918</u>	<u>799</u>
Basic earnings per share		
Weighted average number of shares in issue	<u>440,376,576</u>	<u>439,245,132</u>
Basic earnings per share	<u>1.34p</u>	<u>0.18p</u>
Weighted average number of shares in issue	440,376,576	439,245,132
Add back:		
Dilutive share options	<u>10,749,077</u>	<u>7,279,721</u>
Weighted average allotted, called up and fully paid share capital	<u>451,125,653</u>	<u>446,524,853</u>
Diluted earnings per share		
Diluted earnings per share	<u>1.31p</u>	<u>0.18p</u>
Total Operations	2021	2020
	£000	£000
Profit for the year	<u>11,949</u>	<u>1,276</u>
Basic earnings per share		
Weighted average number of shares in issue	<u>440,376,576</u>	<u>439,245,132</u>
Basic earnings per share	<u>2.71p</u>	<u>0.29p</u>
Weighted average number of shares in issue	440,376,576	439,245,132
Add back:		
Dilutive share options	<u>10,749,077</u>	<u>7,279,721</u>
Weighted average allotted, called up and fully paid share capital	<u>451,125,653</u>	<u>446,524,853</u>
Diluted earnings per share		
Diluted earnings per share	<u>2.65p</u>	<u>0.29p</u>

Notes to the accounts (continued)

For the year ended 31 October 2021

10 EARNINGS PER SHARE (CONTINUED)

	2021 £000	2020 £000
Adjusted earnings per share		
Profit for the year	11,949	1,276
Add back:		
Amortisation on acquired intangibles	3,727	4,457
Acquisition costs	(134)	125
Restructuring costs	(6,318)	1,838
Financing costs	110	306
Share option costs	1,908	1,057
Tax rate changes	826	-
Tax effect	(1,911)	(1,122)
Adjusted profit for year	10,157	7,937
Weighted average number of shares in issue - basic	440,376,576	439,245,132
Weighted average number of shares in issue - diluted	451,125,653	446,524,853
Adjusted earnings per share	2.31p	1.81p
Adjusted diluted earnings per share	2.25p	1.78p

11 PROPERTY, PLANT AND EQUIPMENT

	Computer hardware £000	Fixtures, fittings and equipment £000	Library books and journals £000	Total £000
Cost				
At 1 November 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
Foreign exchange	(68)	(61)	-	(129)
Additions	1,304	4	2	1,310
Additions on acquisition	325	125	-	450
Disposals	(575)	(137)	-	(712)
At 31 October 2021	5,581	1,054	25	6,660
Depreciation				
At 1 November 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
Foreign exchange	(54)	(50)	-	(104)
Provided in the year	775	22	4	801
Depreciation of acquisition	283	51	-	334
Fair value adjustment	26	24	-	50
Disposals	(209)	(77)	-	(286)
At 31 October 2021	4,323	1,008	22	5,353
Net book amount at 31 October 2021	1,258	46	3	1,307
Net book amount at 31 October 2020	1,093	85	5	1,183

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 2021

12 INTANGIBLE ASSETS

	Goodwill £000	Customer relation- ships £000	Trade names £000	Software £000	Develop- ment costs £000	Order backlog £000	Customer lists £000	Total £000
Cost								
At 1 November 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
Foreign exchange	-	-	-	(1)	(88)	(10)	(18)	(117)
Additions	-	-	-	56	4,588	-	-	4,644
Additions on acquisition	7,775	5,808	-	6,192	422	-	-	20,197
Disposals	(4,893)	(2,920)	(877)	(906)	(870)	-	(260)	(10,726)
At 31 October 2021	82,610	34,846	11,716	28,399	28,039	302	-	185,912
Amortisation								
At 1 November 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
Foreign exchange	-	-	-	(1)	(78)	(10)	(18)	(107)
Amortisation for the year	-	1,321	612	2,676	4,226	-	-	8,835
Disposals	-	(2,530)	(762)	(775)	(776)	-	(260)	(5,103)
At 31 October 2021	31,709	19,618	9,090	17,454	15,714	302	-	93,887
Carrying amount at 31 October 2021	50,901	15,228	2,626	10,945	12,325	-	-	92,025
Carrying amount at 31 October 2020	48,019	11,131	3,353	7,504	11,645	-	-	81,652
Average remaining amortisation period (years)								
31 October 2021	n/a	12.0	4.3	3.8	2.9	-	-	
31 October 2020	n/a	6.6	5.0	2.5	3.1	-	-	

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, 'Impairment of Assets'. An impairment charge of £Nil (2020: £Nil) was processed in the year.

Fair value adjustments are in relation to the finalisation of acquisition accounting in respect of Aligned Assets Limited, thinkWhere Limited and exeGesIS Spatial Data Management Ltd. 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	2021 £000	2020 £000
Public Sector Software (PSS)	40,927	30,624
Engineering Information Management (EIM)	9,974	9,974
Idox Content (discontinued)	-	7,421
	50,901	48,019

Notes to the accounts (continued)

For the year ended 31 October 2021

12 INTANGIBLE ASSETS (CONTINUED)

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 2022 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 2021, 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 2020.

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
PSS	12.4%	4.2%	1.7%	11.8%	1.5%
EIM	13.5%	(0.1)%	1.7%	12.7%	1.5%
Idox Content (discontinued)	-	-	-	12.7%	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 (2020: £Nil).

Management have specifically considered the past financial performance of the EIM CGU which has seen revenue decreases following market challenges in the Oil and Gas sectors, compounded by the Covid-19 pandemic and its impact on global consumption in FY20 and FY21 following various periods of domestic lockdowns. Reported EIM revenues have also been impacted by new business being on a SaaS basis compared to previous periods that recorded larger on-premise enterprise license sales. However, the business has benefitted from the reorganisation of the Group in the past three years, with adjusted EBITDA contribution (i.e., before allocation of corporate expenses) up in FY19, FY20 and FY21, achieving a CAGR of 17%. Management anticipates a return to revenue growth in FY22 following the easing of lockdown restrictions and improvement in global supply, and following implementation of a more focused go-to-market approach established from a strategic review completed in late FY21. In the event the EIM CGU does not achieve revenue growth in FY22 as anticipated, this may give rise to an impairment in the carrying value of the EIM CGU assets.

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. In relation to EIM, in the event a combination of all the sensitivities occur, this could give rise to an impairment; however, the Directors have concluded the likelihood of this is remote.

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 2021

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. It was written off during the year.

14 DEFERRED TAX

Deferred tax assets and liabilities are summarised as follows:

	2021 £000	2020 £000
Deferred tax assets	2,623	1,111
Deferred tax liabilities (non-current)	(5,579)	(3,907)
	<u>(2,956)</u>	<u>(2,796)</u>

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

	2021 £000	2020 £000
At 1 November	(2,796)	(2,647)
Credit to income for the year	1,553	(594)
Adjustment for changes in rate	(826)	(11)
Adjustment to prior year provision	577	473
Other movements	(20)	(17)
Arising on acquisition	<u>(1,444)</u>	-
At 31 October	<u>(2,956)</u>	<u>(2,796)</u>

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 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
At 1 November 2020	454	90	-	99	468	1,111
Acquisitions	-	103	203	-	-	306
Charge to income	1,180	(152)	-	302	(124)	1,206
At 31 October 2021	1,634	41	203	401	344	2,623

	Other temporary differences £000	Acquired intangibles £000	Associated deferred tax asset recognised £000	Total deferred tax liability £000
At 1 November 2019	-	(4,773)	758	(4,015)
Charge to income	-	762	(654)	108
At 31 October 2020	-	(4,011)	104	(3,907)
At 1 November 2020	-	(4,011)	104	(3,907)
Acquisitions	-	(1,750)	-	(1,750)
Charge to income	(14)	196	(104)	78
At 31 October 2021	<u>(14)</u>	<u>(5,565)</u>	-	<u>(5,579)</u>

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.

Notes to the accounts (continued)

For the year ended 31 October 2021

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	2021 £000	2020 £000
Financial assets measured at amortised cost:			
Non-current:			
Investment	13	-	18
			<u>18</u>
Current:			
Trade receivables, net	16	6,344	8,158
Other receivables	16	3,682	2,565
Contract receivables	16	4,808	5,498
Cash and cash equivalents	17	18,283	30,812
		<u>33,117</u>	<u>47,033</u>
Financial liabilities			
	Note	2021 £000	2020 £000
Financial liabilities measured at amortised cost:			
Non-current:			
Provisions	20	-	612
Bonds in issue	21	10,998	11,848
Bank borrowings	22	15,394	35,052
		<u>26,392</u>	<u>47,512</u>
Current:			
Trade and other payables	18	8,075	6,084
Other liabilities	19	2,459	1,756
Provisions	20	1,433	1,261
		<u>11,967</u>	<u>9,101</u>
Financial liabilities measured at fair value through profit or loss:			
Non-current:			
Other liabilities*	19	841	27
		<u>841</u>	<u>27</u>
Current:			
Other liabilities*	19	2,070	57
		<u>2,070</u>	<u>57</u>

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

Notes to the accounts (continued)

For the year ended 31 October 2021

15 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

Category of financial liability	Fair value at 31 October 2021 £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	2,911	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

	2021 £000	2020 £000
Trade receivables, gross	6,414	8,306
Allowance for credit losses	(70)	(148)
Trade receivables, net	6,344	8,158
Other receivables	3,682	2,565
Contract receivables	4,808	5,498
Financial assets	14,834	16,221
Prepayments	2,134	2,479
Non-financial assets	2,134	2,479
Trade and other receivables due within one year	16,968	18,700

Total trade receivables (net of allowances) held by the Group at 31 October 2021 amounted to £6,344,000 (2020: £8,158,000).

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 increase of £70,000 (2020: increase £77,000) 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
2021						
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	
Expected total gross carrying amount at default (£000)	5,170	664	222	193	165	
Lifetime ECL at 31 October 2021	-	-	-	-	-	-
2020						
Expected credit loss rate	0.3%	0.6%	0.9%	2.9%	4.6%	
Expected total gross carrying amount at default (£000)	6,182	1,293	259	71	501	
Lifetime ECL 31 October 2020	27	10	5	2	27	71

Notes to the accounts (continued)

For the year ended 31 October 2021

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Contract receivables represent work completed and delivered to the customer but due to the contractual payment terms have not yet been invoiced. £5,415,000 (2020: £4,619,000) of the gross balance, before net off, is in relation to deferred payment deals on local authority contracts, which typically have three to five year payment terms. The increase in these Local Authority balances is due to the number of multi-year resins in the year which has increased the amount of product contract receivables.

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

	2021	2020
Euros	€960,350	€4,324,278
Australian Dollars	AUD42,698	AUD14,023
US Dollars	\$901,553	\$1,648,269
Canadian Dollars	CAD472,632	CAD1,175,978

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:

	2021 £000	2020 £000
Local authorities and other public bodies	3,991	2,122
Private companies	2,423	6,184
	<u>6,414</u>	<u>8,306</u>

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

	Gross 2021 £000	Impairment 2021 £000	Gross 2020 £000	Impairment 2020 £000
Not past due	4,766	-	5,949	-
Past due 0 to 30 days	777	-	1,384	-
Past due 31 to 60 days	323	-	276	-
More than 60 days	548	70	697	148
	<u>6,414</u>	<u>70</u>	<u>8,306</u>	<u>148</u>

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

	2021 £000	2020 £000
At 1 November	148	69
Charge for the year	125	213
Utilised	(203)	(134)
At 31 October	<u>70</u>	<u>148</u>

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

Notes to the accounts (continued)

For the year ended 31 October 2021

17 CASH AND CASH EQUIVALENTS

	2021 £000	2020 £000
Cash at bank and in hand	18,283	30,812
Cash and cash equivalents per cash flow statements	18,283	30,812

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

18 TRADE AND OTHER PAYABLES

	2021 £000	2020 £000
Trade payables	2,404	2,261
Accruals	5,671	3,823
	8,075	6,084

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

	2021 £000	2020 £000
Social security and other taxes	2,852	5,217
Other payables – deferred consideration	2,070	57
Other payables	2,459	1,756
Contract liabilities	18,236	19,866
Other Liabilities payable within one year	25,617	26,896
Social security and other taxes	-	1,074
Other payables – deferred consideration	841	27
Contract liabilities	949	717
Other Liabilities payable after one year	1,790	1,818

The Group has deferred VAT of £1.0m as at 31 October 2021 (2020: £3.9m), of which it is anticipated £1.0m will be repaid 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 £20,583,000 contract liabilities present at 31 October 2020, £19,866,000 has been recognised as revenue in FY21.

20 PROVISIONS

	2021 £000	2020 £000
At 1 November	1,873	495
Provision made during the year	806	1,762
Provision utilised during the year	(1,246)	(384)
At 31 October	1,433	1,873

Notes to the accounts (continued)

For the year ended 31 October 2021

20 PROVISIONS (CONTINUED)

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

	2020 £000	Provisions made in year £000	Provisions utilised in year £000	2021 £000
Holidays earned but not yet taken by employees	411	557	(411)	557
Onerous legacy Transport contract	111	-	(111)	-
Costs associated with previous properties	1,351	19	(724)	646
Other items	-	230	-	230
	<u>1,873</u>	<u>806</u>	<u>(1,246)</u>	<u>1,433</u>

Other items include provisions made in respect of various operational items. Of the full provision, £1,433,000 is expected to be payable during the year ending 31 October 2022. Of the prior year provision (£1,873,000) £1,261,000 was payable within one year and £612,000 of the costs associated with previous properties, was payable within two years.

21 BONDS IN ISSUE

Bonds in issue are measured at amortised cost.

	2021 £000	2020 £000
130,000 bonds at €100 each	10,998	11,848
	<u>10,998</u>	<u>11,848</u>

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

The bonds are listed on the Official Companies List of the Malta Stock Exchange. At 31 October 2021 the bond was trading at 103% which equates to a fair value of £11,445,000.

22 BORROWINGS

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

	2021 £000	2020 £000
Current:		
Bank borrowings	-	-
Non-current:		
Bank borrowings	15,394	35,052
Total borrowings	<u>15,394</u>	<u>35,052</u>

Notes to the accounts (continued)

For the year ended 31 October 2021

22 BORROWINGS (CONTINUED)

Reconciliation of liabilities arising from financing activities:

	Lease liability £000	Bonds in issue £000	Long-term borrowings £000	Short-term borrowings £000	Total £000
As at 1 November 2019	-	11,584	-	21,809	33,393
<i>Cash movements:</i>					
Payments on lease liability	(1,545)	-	-	-	(1,545)
Repayment of borrowings	-	-	(12)	(25,750)	(25,762)
New loans	-	-	35,012	4,000	39,012
<i>Non-cash movements:</i>					
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
<i>Cash movements:</i>					
Payments on lease liability	(1,154)	-	-	-	(1,154)
Repayment of borrowings	-	-	(35,000)	-	(35,000)
New loans	-	-	15,600	-	15,600
<i>Non-cash movements:</i>					
Lease liability additions	1,216	-	-	-	1,216
Movement in lease interest	134	-	-	-	134
Lease liability disposal	(1,525)	-	-	-	(1,525)
Movement in amortisation	-	-	(14)	-	(14)
Movement in foreign exchange rate	(80)	(734)	-	-	(814)
Movement in EIR Adjustment	-	(116)	(244)	-	(360)
As at 31 October 2021	2,474	10,998	15,394	-	28,866

It was announced on 7 October 2021 that the Group had extended its facility with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc for an additional 18 months. The Group also transitioned from LIBOR to SONIA at this point. At the balance sheet date, the facilities consist of a revolving credit facility of £35m and £10m accordion facility (2020: £35m and £10m accordion facility).

During the period the loan was held, the average interest rate was 2.48% (2020: 3.50%).

There are unamortised loan fees of £318,000 (2020: £304,000) at the balance sheet date.

An accounting adjustment of (£244,000) (2020: £243,000) 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 2021

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 2021 and 2020, all the Group's borrowings at variable rates were denominated in UK Sterling. The average interest rate during the year ended 31 October 2021 was 2.48% (2020: 3.50%). Interest payable in the year was £456,000 (2020: £1,000,000). If the average interest rate during the year had been 1% different, this would have had an impact of £184,000 (2020: £318,000) 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	2021 £000	2020 £000
Cash and cash equivalents	18,283	30,812
Trade receivables	6,344	8,158
Contract receivables	4,808	5,498
Other receivables	3,682	2,565
Financial assets	33,117	47,033

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.

Notes to the accounts (continued)

For the year ended 31 October 2021

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2021, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Within 1 month £000	Current 1 - 3 months £000	3 - 12 months £000	Non-current 1 - 5 years £000	Later than 5 years £000
Bonds in issue	-	-	567	12,698	-
Bank borrowings	27	55	243	16,243	-
Trade and other payables	7,245	830	-	-	-

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

	Within 1 month £000	Current 1 - 3 months £000	3 - 12 months £000	Non-current 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	-	-	-

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

Capital risk management

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

Capital for the reporting periods under review is summarised as follows:

	2021 £000	2020 £000
Total equity	60,810	46,958
Less unrestricted cash and cash equivalents (note 17)	(18,283)	(30,812)
	<u>42,527</u>	<u>16,146</u>
Total equity	60,810	46,958
Bonds in issue (note 21)	10,998	11,848
Borrowings (note 22)	15,394	35,052
	<u>87,202</u>	<u>93,858</u>
Capital-to-overall-financing ratio	<u>0.49</u>	<u>0.17</u>

Notes to the accounts (continued)

For the year ended 31 October 2021

24 SHARE CAPITAL

	2021 £000	2020 £000
Authorised:		
650,000,000 ordinary shares of 1p each	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	4,450	4,446
Issued and allotted during the year	19	4
446,864,792 ordinary shares of 1p each (2020: 445,040,609)	4,469	4,450

Movement in issued share capital in the year

During the year to 31 October 2021, 16 employees exercised share options across 21 separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 1,824,183 new ordinary shares of 1p each.

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

At 31 October 2021, there were 3,451,301 (2020: 3,448,878) shares in issue under ESOP. During the year, the average issue share price was 63p (2020: 42p).

At 31 October 2021, there were 1,426,219 (2020: 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 annually 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
65,000	-	(65,000)	-	-	18.00p	Mar 2011	Mar 2021
200,000	-	-	(200,000)	-	35.75p	Jul 2013	Jul 2023
150,000	-	(10,000)	(50,000)	90,000	39.00p	Jul 2014	Jun 2024
525,000	-	-	(400,000)	125,000	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
1,925,500	-	(475,000)	(650,000)	800,500			

Notes to the accounts (continued)

For the year ended 31 October 2021

25 SHARE OPTIONS (CONTINUED)

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

	2021		2020	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	1,925,500	31.68	3,658,427	24.30
Exercised during the year	(475,000)	45.39	(50,000)	18.00
Lapsed during the year	(650,000)	44.77	(1,682,927)	16.04
Outstanding at the end of the year	800,500	12.92	1,925,500	31.68
Exercisable at the end of the year	800,500	12.92	1,925,500	31.68

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 45.39p and a weighted average market price of 64.82p.

The Group recognised a total charge of £Nil (2020: £Nil) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. The charge of £Nil (2020: £Nil) related to share options granted and £Nil (2020: £Nil) related to share options exercised.

Long-Term Incentive Plan (LTIP)

During the year, 4,800,709 options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £1,908,150 (2020: £1,057,423) 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 (2020: £Nil).

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

	2021 No.	2020 No.
Outstanding at the beginning of the year	12,435,871	8,429,410
Granted	4,800,709	4,366,064
Forfeited	(265,345)	-
Exercised	(1,414,183)	(359,603)
Outstanding at the end of the year	15,557,052	12,435,871
Exercisable at the end of the year	5,301,163	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 £
Feb 21	3,183,961	53.3	-	40	5	0.10	0.467
Apr 21	203,774	67	-	40	5	0.32	0.668
Aug 21	1,412,974	75.6	-	40	5	0.32	0.698
	<u>4,800,709</u>						

Notes to the accounts (continued)

For the year ended 31 October 2021

26 LEASES

Right-of-use-assets	Buildings £000	Cars £000	Equipment £000	Total £000
Cost				
At 1 November 2020	3,835	658	447	4,940
Foreign exchange	(80)	(33)	(7)	(120)
Additions	461	72	-	533
Additions on acquisition	669	-	-	669
Disposals	(1,380)	(697)	(134)	(2,211)
At 31 October 2021	<u>3,505</u>	<u>-</u>	<u>306</u>	<u>3,811</u>
Accumulated depreciation				
At 1 November 2020	837	227	150	1,214
Charge for the year	789	101	131	1,021
Disposals	(383)	(313)	(49)	(745)
Foreign exchange	(25)	(15)	(2)	(42)
At 31 October 2021	<u>1,218</u>	<u>-</u>	<u>230</u>	<u>1,448</u>
Carrying amount at 31 October 2021	<u>2,287</u>	<u>-</u>	<u>76</u>	<u>2,363</u>
Carrying amount at 31 October 2020	<u>2,998</u>	<u>431</u>	<u>297</u>	<u>3,726</u>

The Group leases several assets including; buildings, cars and IT equipment. The average lease term is 6.5 years.

None of the leases for property, cars and equipment expired in the current financial year. This resulted in £Nil of the £533,000 additions to right-of-use-assets in FY21.

The maturity analysis of lease liabilities is presented below.

	2021 £000	2020 £000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use-assets	1,021	1,240
Interest expense on lease liabilities	134	167
	<u>1,155</u>	<u>1,407</u>

Lease liabilities

	2021 £000	2020 £000
Analysed as:		
Non-current	1,747	2,695
Current	727	1,188
	<u>2,474</u>	<u>3,883</u>

Notes to the accounts (continued)

For the year ended 31 October 2021

26 LEASES (CONTINUED)

	2021 £000	2020 £000
Maturity analysis:		
Year 1	773	1,296
Year 2	607	1,128
Year 3	376	880
Year 4	311	458
Year 5	300	252
Onwards	386	323
	<u>2,753</u>	<u>4,337</u>
Impact of discounting	<u>(279)</u>	<u>(454)</u>
Carrying value	<u>2,474</u>	<u>3,883</u>

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

Notes to the accounts (continued)

For the year ended 31 October 2021

27 ACQUISITIONS

Aligned Assets

On 5 June 2021, the Group acquired the entire share capital of Aligned Assets.

Aligned Assets has provided software solutions to local authorities and a range of other public and private sectors for Address Management Solutions for over 20 years and adds to the Group's existing portfolio of local government focussed solutions which focus on built environment, public protection, transport, elections, and social care.

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

	Book value £000	Fair value £000
Intangible Assets	3,424	-
Property, plant and equipment	104	46
Trade receivables	394	394
Other receivables	184	258
Cash at bank	367	367
Total Assets	4,473	1,065
Trade payables	(71)	(71)
Other liabilities	(804)	(211)
Contract liabilities	(1,362)	(1,527)
Social security and other taxes	(111)	(111)
Deferred tax liability	(7)	(1,691)
Total Liabilities	(2,355)	(3,611)
Net Assets		(2,546)
Goodwill arising on acquisition		5,609
Purchased customer relationships capitalised		3,822
Purchased software capitalised		3,194
Total consideration		10,079
Satisfied by:		
Cash to vendor		7,557
Earnout consideration		2,522
		10,079

The revenue included in the consolidated statement of comprehensive income since 5 June 2021 contributed by Aligned Assets was £1,229,000. Aligned Assets also made a profit after tax of £537,000 for the same period. If Aligned Assets had been included from 1 November 2020, it would have contributed £3,289,000 to Group revenue and a profit after tax of £1,353,000.

Acquisition costs of £165,000 have been written off in the consolidated statement of comprehensive income.

Notes to the accounts (continued)

For the year ended 31 October 2021

27 ACQUISITIONS (CONTINUED)

thinkWhere

On 6 August 2021, the Group acquired the entire share capital of thinkWhere.

thinkWhere provides end to end GIS systems using open source, cloud-based products and applications, providing unique access to a wealth of open datasets supported by professional consulting services. thinkWhere will help build capability and new opportunities for both our customers and products. Having previously been equally owned by Falkirk and Stirling Councils, the acquisition will provide thinkWhere and its staff with the investment and resources to scale and accelerate as part of Idox.

We were able to complete the purchase of thinkWhere Limited for £1 as the funding requirements that the company was placing on Stirling and Falkirk councils was deemed to be too high. The purchase of thinkWhere has been accounted for using the acquisition method of accounting.

	Book value £000	Fair value £000
Intangible Assets	322	421
Trade receivables	36	36
Other receivables	114	114
Cash at bank	(24)	(24)
Total Assets	448	547
Trade payables	(50)	(50)
Other liabilities	(69)	(69)
Contract liabilities	(261)	(261)
Social security and other taxes	(128)	(128)
Deferred tax liability	185	119
Total Liabilities	(323)	(389)
Net Assets		158
Gain on acquisition		(440)
Purchased customer relationships capitalised		157
Purchased software capitalised		125
Total consideration		-

The revenue included in the consolidated statement of comprehensive income since 6 August 2021 contributed by thinkWhere was £174,000. thinkWhere also made a loss after tax of £42,000 for the same period. If thinkWhere had been included from 1 November 2020, it would have contributed £694,000 to Group revenue and a loss after tax of £168,000.

Acquisition costs of £35,000 have been written off in the consolidated statement of comprehensive income.

Notes to the accounts (continued)

For the year ended 31 October 2021

27 ACQUISITIONS (CONTINUED)

exeGesIS

On 4 October 2021, the Group acquired the entire share capital of exeGesIS.

exeGesIS provides both public and private sectors software which helps collect information and manage assets of ecological, environmental and historical importance. The company works with private organisations, local authorities and other public sector bodies who manage public rights-of-way, archaeological sites, historic assets, conservation areas and nature reserves. This customer base is complementary to Idox's and brings a number of new clients into the Group.

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

	Book value £000	Fair value £000
Property, plant and equipment	14	11
Trade receivables	366	366
Other receivables	9	9
Cash at bank	2,033	2,033
Total Assets	2,422	2,419
Trade payables	(34)	(34)
Other liabilities	(404)	(565)
Contract liabilities	(779)	(779)
Social security and other taxes	(13)	(13)
Deferred tax liability	(2)	(2)
Total Liabilities	(1,232)	(1,393)
Net Assets		1,026
Goodwill arising on acquisition		2,166
Purchased customer relationships capitalised		1,829
Purchased software capitalised		2,873
Total consideration		7,894
Satisfied by:		
Cash to vendor		6,244
Earnout consideration		1,650
		7,894

The revenue included in the consolidated statement of comprehensive income since 4 October 2021 contributed by exeGesIS was £224,000. exeGesIS also made a profit after tax of £91,000 for the same period. If exeGesIS had been included from 1 November 2020, it would have contributed £2,686,000 to Group revenue and a profit after tax of £1,095,000.

The purchase price allocation between goodwill, customer relationships and software is management's best estimate as a formal valuation has not yet been finalised. Any required reallocations between the categories will be completed within 12 months of acquisitions as permitted by IFRS 3.

Acquisition costs of £102,000 have been written off in the consolidated statement of comprehensive income.

28 CAPITAL COMMITMENTS

There were no material Group capital commitments at 31 October 2021 or 31 October 2020.

Notes to the accounts (continued)

For the year ended 31 October 2021

29 CONTINGENT LIABILITIES

There were no material Group contingent liabilities at 31 October 2021 or 31 October 2020.

30 RELATED PARTY TRANSACTIONS

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

	2021 £000	2020 £000
Salaries and other short-term employee benefits including NIC	3,364	3,108
Post-employment benefits	74	79
Share-based payments	1,375	830
	<u>4,813</u>	<u>4,017</u>

During the year ended 31 October 2021, no Directors and three member of the Executive Management Team exercised share options resulting in a taxable gain of £498,736. No Directors and two members of the Executive Management Team exercised share options resulting in a taxable gain of £93,795 in the year ended 31 October 2020.

Details of the remuneration for each Director are included in the Report on Remuneration, which can be found on pages 41 to 42 but does not form part of the audited accounts.

31 POST BALANCE SHEET EVENTS

There have been no post balance sheet events which had a material impact on the Group.

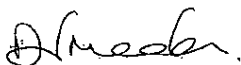
Company balance sheet

As at 31 October 2021

	Note	2021 £000	2020 £000
ASSETS			
Non-current assets			
Investments	6	110,960	102,344
Total non-current assets		110,960	102,344
Current assets			
Debtors: falling due within one year	7	1,675	62
Cash at bank and in hand		1	9
Total current assets		1,676	71
Total assets		112,636	102,415
LIABILITIES			
Creditors: amounts falling due within one year			
	8	(30,374)	(4,616)
Net current liabilities		(28,698)	(4,545)
Total assets less current liabilities		82,262	97,799
Creditors amounts falling due after more than one year			
	9	(16,235)	(35,052)
Total liabilities		(46,609)	(39,668)
Net assets		66,027	62,747
Capital and reserves			
Called up share capital	10	4,469	4,450
Capital redemption reserve		1,112	1,112
Share premium account		41,556	41,356
Other reserve		7,495	6,234
Treasury reserve		(594)	(621)
Share option reserve		3,959	2,615
Retained earnings		8,030	7,601
Total shareholders' funds		66,027	62,747

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 £1,225,000 (2020: £4,917,000 profit).

The financial statements were approved by the Board of Directors and authorised for issue on 26 January 2022 and are signed on its behalf by:



David Meaden
Chief Executive Officer
26 January 2022

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 2021

	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 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
Issue of share capital	19	-	200	-	-	-	-	219
Share options reserve movement	-	-	-	-	-	1,894	-	1,894
Exercise of options	-	-	-	-	27	(465)	535	97
Lapse of options	-	-	-	-	-	(85)	-	(85)
Fair value of deferred consideration shares on purchase of subsidiary	-	-	-	1,261	-	-	-	1,261
Equity dividends paid	-	-	-	-	-	-	(1,331)	(1,331)
Transactions with owners	19	-	200	1,261	27	1,344	(796)	2,055
Profit for the year	-	-	-	-	-	-	1,225	1,225
Total comprehensive profit for the year	-	-	-	-	-	-	1,225	1,225
Balance at 31 October 2021	4,469	1,112	41,556	7,495	(594)	3,959	8,030	66,027

Notes to the company financial statements

For the year ended 31 October 2021

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 2021

2 ACCOUNTING POLICIES (CONTINUED)

Share based payment

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. It also includes the fair value of the deferred consideration shares included in the purchase of Aligned Assets 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.

Notes to the company financial statements (continued)

For the year ended 31 October 2021

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 41 to 42 but which do not form part of the audited accounts.

4 DIVIDENDS

The Directors have proposed the payment of a final dividend of 0.4p per share, which would amount to £1,781,754 (2020: final dividend of 0.3p which amounted to £1,331,259).

5 PROFIT FOR THE FINANCIAL YEAR

The parent company's profit for the year was £1,225,000 (2020: £4,917,000).

6 INVESTMENTS

	Investment in Group undertakings £000
Cost or market value	
At 1 November 2020	136,427
Additions	19,867
Disposals	(11,251)
At 31 October 2021	<u>145,043</u>
Impairment	
At 1 November 2020	34,083
Provided in the year	-
At 31 October 2021	<u>34,083</u>
Net book amount	
At 31 October 2021	<u>110,960</u>
At 31 October 2020	<u>102,344</u>

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

The Company's investments in Group undertakings associated with its EIM CGU has comparable carrying values to the carrying values of the assets of the CGU, 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 CGU has a higher carrying value than the carrying value of the assets of the PSS CGU, 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 2021

6 INVESTMENTS (CONTINUED)

At 31 October 2021 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
McLaren Software Limited	Scotland	72 Gordon Street, Glasgow, Scotland, G1 3RS	Ordinary	100%	Dormant Company
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	c/o RGT Consultants Partnerschaftsgesellschaft mbB, Niddastraße 91, 60329 Frankfurt am Main	Ordinary	100%	Dormant Company
McLaren Consulting BV*	Netherlands	Kauwenhoven 78, 6741 PW Lunteren, 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
Idox DOOEL	North Macedonia	5, Vasil Gjorgov Street 1000 Skopje, North Macedonia	Ordinary	100%	Software services

Notes to the company financial statements (continued)

For the year ended 31 October 2021

6 INVESTMENTS (CONTINUED)

	Country of registration	Registered office	Class of share held	Proportion held	Nature of business
Idox Health Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Dormant Company
Aligned Assets Holdco Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Holding Company
Aligned Assets Limited	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Software services
thinkWhere Limited	Scotland	72 Gordon Street, Glasgow, Scotland, G1 3RS	Ordinary	100%	Software services
exeGesIS Spatial Data Management Ltd	England	2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA	Ordinary	100%	Software services

7 DEBTORS

	2021 £000	2020 £000
Falling due within one year:		
Other debtors	1,611	-
Amounts owed by Group undertakings	64	62
	<u>1,675</u>	<u>62</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000	2020 £000
Amounts owed to Group undertakings	27,173	4,487
Other creditors	3,020	73
Accruals	181	56
	<u>30,374</u>	<u>4,616</u>

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

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021 £000	2020 £000
Other creditors	841	-
Bank loan	15,394	35,052
	<u>16,235</u>	<u>35,052</u>

It was announced on 7 October 2021 that the Group had extended its facility with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc for an additional 18 months. The Group also transitioned from LIBOR to SONIA at this point. At the balance sheet date, the facilities consist of a revolving credit facility of £35m and £10m accordion facility (2020: £35m and £10m accordion facility).

During the period the loan was held, the average interest rate was 2.48% (2020: 3.50%).

Notes to the company financial statements (continued)

For the year ended 31 October 2021

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

There are unamortised loan fees of £318,000 (2020: £304,000) at the balance sheet date.

An accounting adjustment of (£244,000) (2020: £243,000) 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

	2021 £000	2020 £000
Authorised:		
650,000,000 ordinary shares of 1p each	6,500	6,500
Allotted, called up and fully paid:		
As at 1 November	4,450	4,446
Issued and allotted during the year	19	4
446,864,792 ordinary shares of 1p each (2020: 445,040,609)	4,469	4,450

Movement in issued share capital in the year

During the year to 31 October 2020, 16 employees exercised share options across 21 separate exercises. To satisfy the exercise of these transactions, the Company issued and allotted 1,824,183 new ordinary shares of 1p each.

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

At 31 October 2021, there were 3,451,301 (2020: 3,448,878) shares in issue under ESOP. During the year, the average issue share price was 63p (2020: 42p).

At 31 October 2021, there were 1,426,219 (2020: 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 annually 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
65,000	-	(65,000)	-	-	18.00p	Mar 2011	Mar 2021
200,000	-	-	(200,000)	-	35.75p	Jul 2013	Jul 2023
150,000	-	(10,000)	(50,000)	90,000	39.00p	Jul 2014	Jun 2024
525,000	-	-	(400,000)	125,000	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
1,925,500	-	(475,000)	(650,000)	800,500			

Notes to the company financial statements (continued)

For the year ended 31 October 2021

11 SHARE OPTIONS (CONTINUED)

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

	2021		2020	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	1,925,500	31.68	3,658,427	24.30
Exercised during the year	(475,000)	45.39	(50,000)	18.00
Lapsed during the year	(650,000)	44.77	(1,682,927)	16.04
Outstanding at the end of the year	800,500	12.92	1,925,500	31.68
Exercisable at the end of the year	800,500	12.92	1,925,500	31.68

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 45.39p and a weighted average market price of 64.82p.

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

Long-Term Incentive Plan (LTIP)

During the year, 4,800,709 options were granted under the Long-Term Incentive Plan.

The Group recognised a total charge of £1,908,150 (2020: £1,057,423) 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 (2020: £Nil).

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

	2021 No.	2020 No.
Outstanding at the beginning of the year	12,435,871	8,429,410
Granted	4,800,709	4,366,064
Forfeited	(265,345)	-
Exercised	(1,414,183)	(359,603)
Outstanding at the end of the year	15,557,052	12,435,871
Exercisable at the end of the year	5,301,163	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 £
Feb 21	3,183,961	53.3	-	40	5	0.10	0.467
Apr 21	203,774	67	-	40	5	0.32	0.668
Aug 21	1,412,974	75.6	-	40	5	0.32	0.698
	<u>4,800,709</u>						

Notes to the company financial statements (continued)

For the year ended 31 October 2021

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 2021 or 31 October 2020.

14 CONTINGENT LIABILITIES

There were no material Company contingent liabilities at 31 October 2021 or 31 October 2020.

15 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

Alternative performance measures

For the year ended 31 October 2021

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. Details are included within the financial review section of the Strategic Report.

The following table reconciles these APMs to statutory equivalents for continuing operations:

	2021 £000	2020 £000
Adjusted EBITDA:		
Profit before taxation	7,268	1,815
Depreciation and Amortisation	10,204	10,063
Restructuring costs	(90)	1,748
Acquisition costs	(134)	125
Financing costs	110	306
Share option costs	1,789	1,004
Net finance costs	372	2,177
Adjusted EBITDA	19,519	17,238
Free cashflow:		
Net cashflow	(12,068)	23,683
Add back:		
Acquisitions / disposals	(139)	200
Debt repayments	35,000	25,762
Drawdowns	(15,600)	(38,575)
(Issue of shares) / net cost of staff share schemes	(64)	118
Free cashflow	7,129	11,188
Net debt:		
Cash	(18,283)	(30,812)
Bank borrowings	15,394	35,052
Bonds in issue	10,998	11,848
Net Debt	8,109	16,088
Adjusted profit for the year and adjusted earnings per share:		
Profit for the year	6,031	477
Add back:		
Amortisation on acquired intangibles	3,561	4,010
Acquisition costs	(134)	125
Restructuring costs	(90)	1,748
Financing costs	110	306
Share option costs	1,789	1,004
Tax rate changes	826	-
Tax effect	(1,841)	(1,094)
Adjusted profit for year	10,252	6,576
Weighted average number of shares in issue - basic	440,376,576	439,245,132
Weighted average number of shares in issue - diluted	451,125,653	446,524,853
Adjusted earnings per share	2.33p	1.50p
Adjusted diluted earnings per share	2.27p	1.47p

Alternative performance measures (continued)

For the year ended 31 October 2021

The following table reconciles these APMs to statutory equivalents for total operations:

	2021 £000	2020 £000
Adjusted EBITDA:		
Profit before taxation	13,186	2,702
Depreciation and Amortisation	10,657	11,339
Restructuring costs	(6,318)	1,838
Acquisition costs	(134)	125
Financing costs	110	306
Share option costs	1,908	1,057
Net finance costs	386	2,217
Adjusted EBITDA	19,795	19,584
Free cashflow:		
Net cashflow	(12,068)	23,683
Add back:		
Acquisitions / disposals	(139)	200
Debt repayments	35,000	25,762
Drawdowns	(15,600)	(38,575)
(Issue of shares) / net cost of staff share schemes	(64)	118
Free cashflow	7,129	11,188
Net debt:		
Cash	(18,283)	(30,812)
Bank borrowings	15,394	35,052
Bonds in issue	10,998	11,848
Net Debt	8,109	16,088
Adjusted profit for the year and adjusted earnings per share:		
Profit for the year	11,949	1,276
Add back:		
Amortisation on acquired intangibles	3,727	4,457
Acquisition costs	(134)	125
Restructuring costs	(6,318)	1,838
Financing costs	110	306
Share option costs	1,908	1,057
Tax rate changes	826	-
Tax effect	(1,911)	(1,122)
Adjusted profit for year	10,157	7,937
Weighted average number of shares in issue - basic	440,376,576	439,245,132
Weighted average number of shares in issue - diluted	451,125,653	446,524,853
Adjusted earnings per share	2.31p	1.81p
Adjusted diluted earnings per share	2.25p	1.78p