Idox plc Interim Report & Accounts 2018

Idox is a trusted supplier of digital software and services, delivering innovation across the globe.

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Financial and Operational Highlights

Revenue

£35.2m

(2017: £43.6m)

Adjusted loss* before tax**

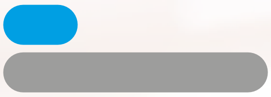
£1.0m

(2017: profit £6.3m)

Adjusted EBITDA*

£2.7m

(2017: £9.6m)



Net debt****

£25.5m

(2017: £28.2m)

Financial Highlights

- Overall performance consistent with 29 May 2018 trading update
- Revenues down 19% to £35.2m (H1 2017: £43.6m)
- Adjusted EBITDA* decreased 72% to £2.7m (H1 2017: £9.6m)
- Impairment of £39.5m recorded in relation to Health, Digital, Transport and EIM
- Loss before tax was £43.2m** (H1 2017: profit £3.4m)
- Basic EPS loss of 9.80p (H1 2017: profit 0.74p)
- Adjusted loss before tax*** £1.0m (H1 2017: profit £6.3m)
- Adjusted EPS*** loss of (1.55p) (H1 2017: profit 1.32p)
- Cash generated from operating activities before tax as a percentage of Adjusted EBITDA was 480% (H1 2017: 128%)
- Net debt**** as at 30 April 2018 was £25.5m (H1 2016 £28.2m; 31 October 2017: £32.1m)
- No interim dividend declared, as previously indicated (2017: 0.385p)

Operational Highlights

- Framework being put in place for improved future performance
- Appointment of David Meaden, ex Northgate Information Solutions, as CEO from 1 June 2018
- Restructuring of the lossmaking Digital division
- Consolidation of public sector business units under one operation and sales team to reduce costs and increase efficiencies
- Engineering division transitioning to a SaaS based model which will result in higher quality, recurring revenue in future periods
- Commitment to and progress towards improving the Group's cash conversion and increased focus on long-term recurring revenues

Current trading:

- Improved performance in second half is anticipated
- Adjusted EBITDA* performance for the full year expected to be at the lower end of guidance in the range £13–15m

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

** Includes £0.7m acquisition credit

*** Adjusted loss before tax and adjusted EPS excludes amortisation on acquired intangibles, restructuring, impairment and acquisition credit

**** Net debt is the total of borrowings, bonds in issue and cash and cash equivalents as shown on the Consolidated Balance Sheet

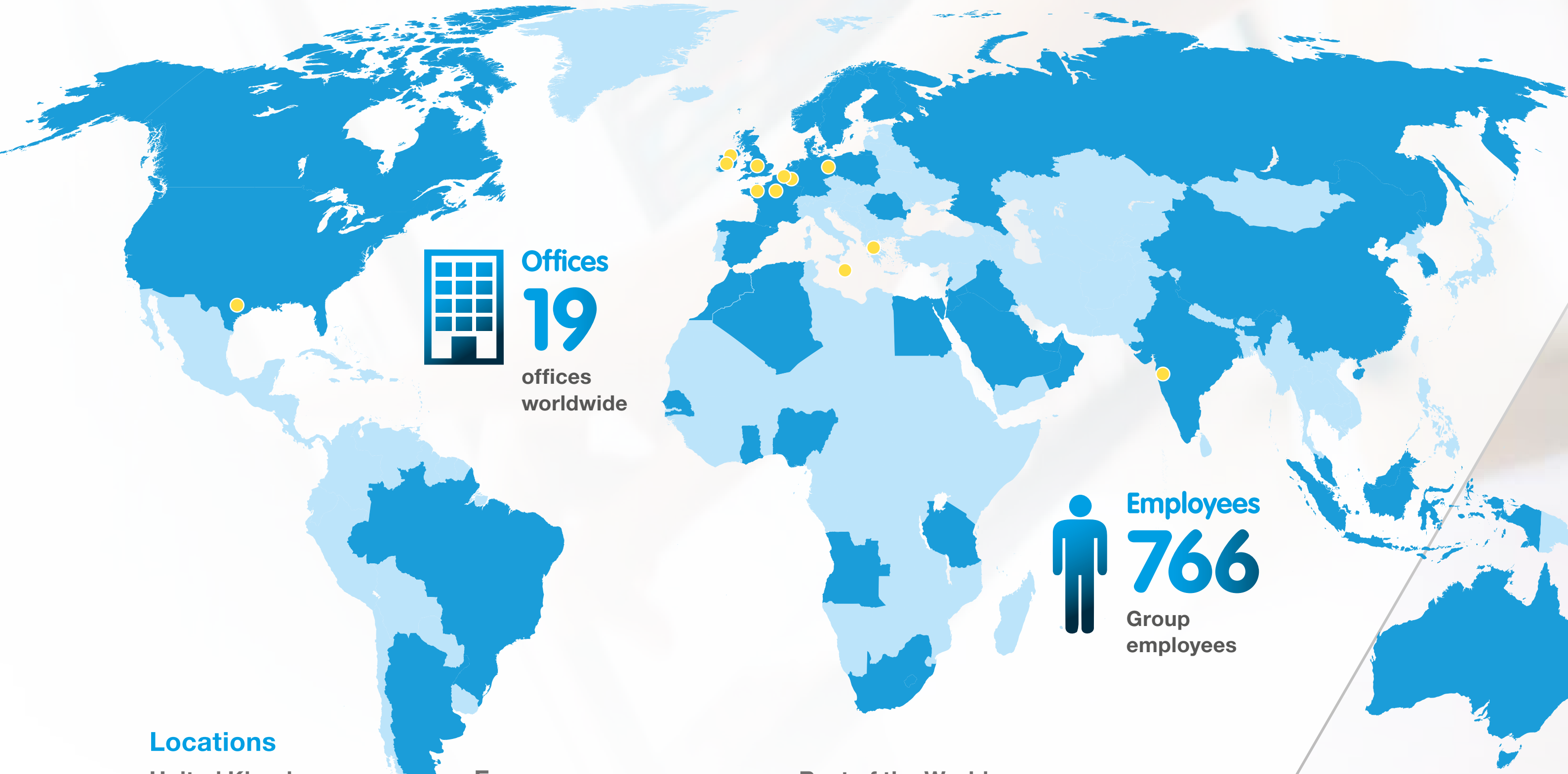
Our Company at a Glance

What We Do

As a trusted supplier of digital software and services, delivering innovation across the globe, Idox is leading the way in the provision of cost-effective, digital solutions that help our clients transform their operations, increase engagement and realise true outcomes in their respective industries and sectors.

Supported by a strong and experienced network, our resource, range and flexibility make us a trusted partner to a diverse client base spanning both the UK and international markets. From central and local government to transport, health and social care and commercial organisations, we deliver smart technology and proven innovation to the hands of our customers – enhancing services and boosting productivity at a time of constant change and advancement.

Our solutions enable positive action and exchanges between our customers and their own, driving true value at all levels of service delivery. We invest in and develop our ever-expanding portfolio to ensure we continue to provide a first-class, end-to-end offering to those we serve, maintaining a 30-year track record of leading our customers to success.



Locations

United Kingdom
Cambridge, UK
Liverpool, UK
London, UK
Theale, UK
Glasgow, UK
Woodcote, UK
Barton under Needwood, UK
Derry, N.Ireland

Europe
Brussels, Belgium
Paris, France
Rennes, France
Berlin, Germany
Goor, Holland
Utrecht, Holland
Skopje, Macedonia
Birkirkara, Malta
Limerick, Ireland

Rest of the World
Houston, USA
Pune, India

Chairman's and Chief Executive's Statement

For the six months ended 30 April 2018

"Looking forward, we have reiterated our guidance of an improved second half performance, and underlying profitability for the year as whole."

CHAIRMAN'S STATEMENT

Introduction

It is disappointing to report a poor financial performance for the half year, which resulted from a number of issues across the Group which we previously reported in a trading update issued on 29 May 2018.

Although some parts of the business performed satisfactorily, especially in terms of customer retention and order intake, the poor financial performance of PSS, Digital, Health and EIM has required us to review the carrying value of our businesses in line with standard accounting practice, and this has resulted in a substantial impairment of goodwill causing a large statutory loss to be reported. On an adjusted basis, the Group was profitable, generated cash and reduced its debt in the period, despite lower revenues and significant losses in the Digital division.

Reflecting the disappointing performance, we have taken many of the actions necessary to resolve the Group's issues and provide a strong base for future growth, including restructuring the Digital division and undertaking a wide ranging cost reduction programme. There have also been the first steps to change the Engineering division's business model which will result in higher quality, recurring revenue in future periods. In addition, divisional reporting lines have been substantially reorganised to both improve accountability and the ability to cross sell the Group's products.

We have also made a commitment to improving the Group's cash conversion and increased our focus on long-term recurring revenues.

The recent appointment of David Meaden as Chief Executive is a vital part of our process of change and of improving the performance of the business. Overall, we expect these changes will enable the business to deliver improving profitability combined with better cash generation and improving levels of recurring revenue in future years.

Board

David Meaden joined Idox as Chief Executive on 1 June 2018. This was a significant appointment for the Group following the uncertainty over the Group's leadership over the previous six months. David's 22 year experience with Northgate Information Solutions where he held Board level leadership roles is especially relevant.

Richard Kellett-Clarke, who had been acting as Chief Executive on an interim basis since December 2017, reverted to his previous role as a non-executive director at that time. The Board expressed its thanks to Richard who stepped into the role at very short notice and played an important part in stabilising the business and leading the various business reviews.

Auditor

The Board recently confirmed the appointment of Deloitte LLP as the Group's new auditors with effect from 19 June 2018. This change was made following the lengthy audit process for the last financial year.

Dividend

As announced on 29 May 2018, the Board has suspended the interim dividend, in light of the lowered expectations for the year and the cash costs incurred in the first half. The Board intends reviewing the Group's future dividend policy to ensure an appropriate payout ratio taking into consideration the Group's likely future levels of adjusted profitability, financing requirements and balance sheet position.

CHIEF EXECUTIVE'S STATEMENT

First Impressions

Since joining Idox in June 2018, I have been fully immersed in the business, meeting our teams and gaining an understanding of the strengths and weaknesses of each division and the Group as a whole.

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

A Period of Change

The last six months has proved to be a difficult period for the Idox Group. The Board referenced the events that combined to thwart the Company's progress in the annual results issued on 1 March 2018 and in the trading update issued on 29 May 2018.

In response, several actions have been taken to focus the Company on its core markets, integrate acquisitions, reduce overheads and drive forward new opportunities. A number of initiatives that will deliver cost savings have been actioned and the effect of these will begin to be realised during the second half of 2018.

Whilst a number of challenges remain, I now have a much clearer view of the further actions that need to be taken and the optimal shape of the business going forward.

Putting in Foundations for the Future

During the next 12 months we will deliver a simplified business and operating model. This will help us to drive better value from our software and infrastructure investments, streamlining processes and sharpening our focus on clients. The effect will be to lower costs and overheads, whilst making the company more efficient in combining solutions to clients across its chosen sectors. We will focus on improving the long-term visibility of recurring and repeating revenues and conduct a full review of all areas of the business to ensure that they are core to delivering shareholder value.

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

Outlook

The first half of 2018 proved to be challenging with the Group responding to the challenges in the Digital business, the performance issues relating to the acquisition of 6PM and the adoption of appropriate contract pricing and contract terms across the business that reflect the early shift, where appropriate, to SaaS based provision.

The market outlook for the second half of 2018 is consistent with previous years with the Group's public sector markets focused on value for money and delivering savings. Despite the challenges and distractions of the last 18 months, the business remains strongly positioned in the markets it serves.

Reflecting the first half divisional performances and a conservative assessment of second half prospects, the Board reiterates its guidance of an improved second half performance, with Adjusted EBITDA expected to be at the lower end of the £13–15m range.

As a result of the actions taken, the Group now has a much better framework in place for future success; we have reduced costs, restructured businesses, focused our teams, and introduced more appropriate contract pricing and terms. Whilst a number of challenges remain, I now have a much clearer view of the potential and optimal shape of the business going forward. In future years we therefore expect that the Group's financial performance will benefit from a reduced cost base and a stronger commercial focus on organic growth, recurring revenues and cash conversion.

Divisional Review

Digital

The Digital business reported losses of £2.2m in the first half of 2018 on reduced revenues of £3.7m and has been restructured; this poor performance reflected the impact of some unprofitable contracts and challenges in its markets. The strongest elements of this business, which are focussed on digital delivery of the Group's core local government solutions, have been integrated into the Public Sector business.

This allows the business to utilise the strengths of this operation in serving large brands that require an established and innovative organisation to work alongside them to fully deliver their digital aspirations and will focus on serving existing public and commercial clients. These clients will benefit from the strengths of the wider Idox organisation in project management, software development, and service management.

Public Sector

Public Sector Solutions continue to be the focal point of the business and moving forward our offerings will be unified to deliver Smart Government, Smart Healthcare and Smart Cities.

All public sector markets served by Idox have moved beyond the simple message of 'digital by design'. There is a recognition amongst our clients that whilst business change must be supported by advanced technology, the complexity of their statutory and legislative constructs mean that their operations are not satisfied easily by 'build your own' digital solutions. Clients are increasingly searching for cost effective measures that combine the power and opportunities offered by direct connection to citizens with 'ready-now' products and services that accelerate business change and enable more effective working.

In this regard, during the first half of 2018 the business has delivered new wins in several key areas and delivered a solid underlying performance.

Chairman's and Chief Executive's Statement continued

Sub-divisions within the PSS Business Unit:

Local Government

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

The business also continues to enjoy significant traction in its key local government market. Here we have seen the return of clients, highlighting that in this complex process and legislative environment, Idox ability to serve the market is unparalleled. We are delighted to welcome back Copeland and Surrey Heath as Idox Uniform clients.

Social Care

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

Health

In Health, the acquisition of 6PM has proven challenging as was reported in the final results announced on 1 March 2018. However, the solution offerings are strong and particularly relevant to the current market. The iFIT product line for Asset, Prescribing and Document tracking now has 27 UK Health Trusts as clients and delivers impressive returns on investment. We were delighted to add Epsom & St Helier University Hospitals NHS Trust and the George Eliot Hospital NHS Trust to our growing list of clients.

Transport

Bristol City Council became the latest Idox client for the Smart Cities proposition, which encompasses the real time control of traffic flows, citizen and passenger assist services and traffic network management.

Elections

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

Engineering

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

In the first half of the year we released the new FusionLive SaaS Platform, and subsequently sold the SaaS platform to Clough, a global EPC Headquartered in Perth, Australia and Torxen Energy, based in Calgary, Canada, for the document management requirements of their Palliser asset. There have been licence sales and multiple services projects delivered across all our Enterprise projects and good utilisation across our services team.

We are also beginning to see an improvement in the global oil and gas market and believe this provides opportunity for the future of the business.

Content

The Content business had a successful H1 during which it signed a further nine universities and research institutes across Europe including in France, Spain, Sweden and The Netherlands for RESEARCHconnect, our international research funding database. This saw Idox grow to over 100 clients in this area. The business also delivered new compliance programs for a number of worldwide clients which included new GDPR regulations.

Laurence Vaughan
Chairman
25 July 2018

David Meaden
Chief Executive
25 July 2018

"The Idox solution offers something for all our services – it gives us alignment between departments and fewer overheads – less servers, less maintenance, less support required from our ICT services divisions, which was a real benefit for us internally."

Sanjay Mistry,
Programme Manager,
Cheltenham
Borough Council

Chief Financial Officer's Review

Financial Review

Following on from the revenue issues mentioned in the annual accounts for the year ended October 2017, the finance team have conducted a comprehensive review of revenue, accrued income and debtors, and identified a number of prior period errors. Full details of the adjustments are disclosed in note 2. These prior period errors relate to the Digital and Health divisions.

Group revenues for the half year declined by 19% to £35.2m (H1 2017: £43.6m) due to reductions principally in the Digital, EIM and PSS divisions, partially offset by increases in the Content and Health divisions. Acquisitions since the prior period were Halarose (August 2017), a supplier of electoral back office software and services to UK local authorities, and Atlas (January 2018), a grants consultancy business based in the Netherlands which together contributed £1.2m to revenues in the period.

72% of Group revenues were generated in the UK (H1 2017: 75%). Gross margin remained consistent year on year at 84%, however, gross profit declined to £29.6m (H1 2017: £36.4m) because of the fall in revenue. Earnings before interest, tax, amortisation, depreciation, restructuring, acquisition, corporate finance and share option costs ('Adjusted EBITDA') decreased to £2.7m (H1 2017: £9.6m) with EBITDA margins decreasing to 8% (H1 2017: 22%). Group EBITDA and EBITDA margin was impacted by the decline in revenue generated from the existing cost base. Measures have been taken to address the cost base in order to improve margins particularly in the Digital and Health divisions.

Performance by Segment

The PSS division, which accounted for 46% of Group revenues (H1 2017: 47%), delivered revenues of £16.3m (H1 2017: £20.5m) and included a contribution from Halarose acquired in August 2017. Product and services revenue declined by 31% to £6.8m (H1 2017: £10.0m). Election revenues accounted for £2.1m (H1 2017: £2.3m) of PSS revenues, with £1.0m of this generated by Halarose.

Recurring revenues within the PSS division from maintenance and hosting were £7.4m (H1 2017: £8.3m). Recurring revenues represented 46% (H1 2017: 41%) of total PSS revenue. Divisional adjusted EBITDA decreased by 54% to £3.8m (H1 2017: £8.3m), delivering a 23% EBITDA margin (H1 2017: 40%).

The Digital division accounted for 10% of Group revenues (H1 2017: 16%) with revenue of £3.7m (H1 2017: £7.1m). A restructuring of this division has been carried out in June 2018 in order to reduce the cost base and allow for integration into the public sector division.

The EIM division accounted for 14% of Group revenues (H1 2017: 15%) with revenue of £4.8m (H1 2017: £6.6m). Recurring revenues within the EIM division from maintenance and SaaS were 73% (H1 2017: 59%).

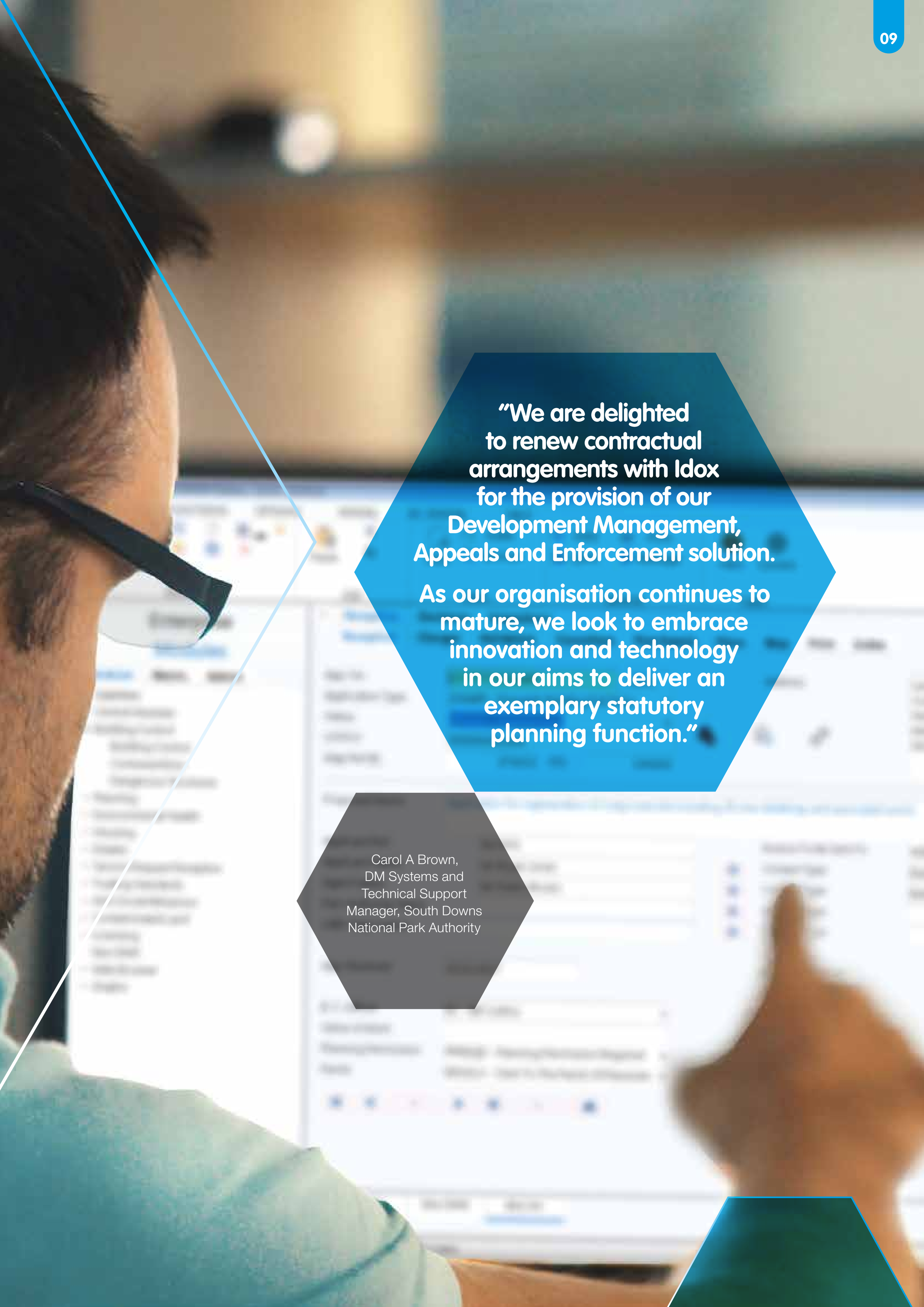
The Content division accounted for 19% of Group revenues (H1 2017: 14%) with revenue of £6.5m (H1 2017: £6.0m). Divisional adjusted EBITDA increased by 66% to £1.0m (H1 2017: £0.6m).

Health generated revenue of £3.8m (H1 2017: £3.4m) during the period, and an adjusted EBITDA loss of £0.03m (H1 2017: profit £0.3m).

Profit Before Tax

Adjusted EBITDA decreased 72% to £2.7m (H1 2017: £9.6m). Cost of sales decreased 21% or excluding acquisitions by 22%. Administrative expenses more than doubled to £71.7m (H1 2017: £31.8m) or excluding acquisitions increased by 44% due to the impairment charge incurred in the period. Staff costs decreased by 1% to £22.7m (H1 2017: £22.8m) or excluding acquisitions decreased by 9%.

Finance costs have decreased to £1.2m (H1 2017: £1.4m); this was due to the 6PM bond which had a full revaluation in the prior period of £0.6m which is not repeated but is offset by a full six months of interest charge on the bond.



"We are delighted to renew contractual arrangements with Idox for the provision of our Development Management, Appeals and Enforcement solution.

As our organisation continues to mature, we look to embrace innovation and technology in our aims to deliver an exemplary statutory planning function."

Carol A Brown,
DM Systems and Technical Support Manager, South Downs National Park Authority

Chief Financial Officer's Review continued

Adjusted profit before tax and adjusted earnings per share are alternative performance measures, considered by the Board to be a better reflection of true business performance than looking at the Group's results on a statutory basis only. These measures are widely used by research analysts covering the Group. A full reconciliation between underlying profit and the profit attributable to shareholders is provided in the following table:

Adjusted (loss)/profit before tax	6 months to 30 April 2018 (unaudited) £000	Restated 6 months to 30 April 2017 (unaudited) £000	Restated 12 months to 31 October 2017 (audited) £000
(Loss)/profit before tax for the period	(43,178)	3,422	1,250
Add back:			
Amortisation on acquired intangibles	2,851	2,536	5,248
Acquisition (credits)/costs	(681)	(79)	8
Impairment	39,530	–	2,681
Restructuring costs	466	394	704
Adjusted (loss)/profit for the period	(1,012)	6,273	9,891

The Group reported a loss before tax of £43.2m (H1 2017: profit £3.4m). Acquisition credits of £0.7m (H1 2017: £0.1m) relate to the part write off of the Open Objects earn out of £1.6m which did not become payable. Restructuring charges of £0.5m (H1 2017: £0.4m) were incurred during the period.

The Group continues to invest in developing innovative technology solutions and has incurred capitalised research and development costs of £1.6m (H1 2017: £1.9m). Research and development costs expensed in the period were £2.4m (H1 2017: £2.4m).

Impairment

Following a comprehensive review of the forecasts for each segment and an assessment of appropriate discount rates, £39.5m of impairment charges have been incurred in the period to 30 April 2018. The impairment charge relates to: £6.1m of goodwill, acquired intangibles and research and development of the Transport division (Cloud Amber Limited acquisition), which sits within the PSS operating segment, £25.4m of Health goodwill and acquired intangibles (6PM Holdings plc acquisitions), £6.3m of Digital goodwill and intangibles (Rippleffect Limited and Reading Room Limited acquisitions) and £1.8m of EIM goodwill and intangibles (CT Space Ltd acquisition).

Taxation

The Group's effective tax rate for the period was 6% compared to 15% for H1 2017. Given the group loss before tax position as a result of the significant impairment charge during the period, there was a reduction in the effective rate of tax. This is offset by an increase in the effective rate of tax as a result of positive factors including the revaluation of the group's net deferred tax liability from 18% to 17%, the LTIP share option exercise and non-taxable income in respect of a prior acquisition. Mitigating factors to the higher effective rate of tax include the revaluation of US deferred tax assets, down from 34% to 21% following the recent well-documented US tax reform.

Unrelieved trading losses of £3.2m, across the UK, US and Europe, remain available to offset against future taxable trading profits in the relevant jurisdictions. In addition, unrecognised losses across the group of £14.7m (£11.9m Malta, £1.8m UK and £1m Germany) will be recognised in future where the respective entities are expected to benefit from these trading losses.

Earnings Per Share and Dividends

Adjusted earnings per share fell to (1.55)p (H1 2017: 1.32p). Diluted adjusted earnings per share fell to (1.54)p (H1 2017: 1.28p).

Basic earnings per share fell to (9.80)p (H1 2017: 0.74p). Diluted earnings per share fell to (9.71)p (H1 2017: 0.71p).

The Board does not propose an interim dividend.

Balance Sheet and Cashflows

The Group's balance sheet at 30 April 2018 had net assets of £45.9m compared to £90.0m at 30 April 2017 as a result of the impairment charge incurred in the period.

Cash generated from operating activities before tax as a percentage of adjusted EBITDA was 480% (H1 2017: 128%) boosted by the public sector annual billing maintenance collected in March and April.

The Group ended the period with net debt of £25.5m (H1 2017: £28.2m; 31 October 2017: £32.1m).

The Group's total signed debt facilities at 30 April 2018 stood at £35.25m, a combination of a £8.25m term loan, £23m revolving credit facility, and £4m overdraft facility. Total facilities are split with £23.5m at the Royal Bank of Scotland and £11.75m at Silicon Valley Bank.

Deferred income, representing invoiced maintenance and SaaS contracts yet to be recognised in revenue stood at £24.7m at 30 April 2018 (30 April 2017: £25.4m). Accrued income, representing future cash flows, decreased to £18.1m (H1 2017: £19.5m; 31 October 2017: £21.0m).

Going Concern

It is the responsibility of the Directors to consider going concern and to prepare the interim financial statements on this basis unless it is inappropriate to do so. In making this assessment the Directors are mindful of the recent challenging trading period and have reviewed and analysed forecasts, including reasonable forecast sensitivities, covering a period of at least 12 months from the date of this interim statement and considered its ability to meet liabilities as they fall due.

The Group's banking facility is presented as being due within one year as the current facilities mature in February 2019. The Directors are in ongoing discussions with existing lenders regarding an extension to the facility and short-term funding requirements. At this stage there has been no written commitment that the facility will be renewed, however, no matters have been drawn to the Directors attention to suggest that the renewal may not be forthcoming on acceptable terms. This presentation of the Group's banking facility is a contributing factor to the Consolidated Balance Sheet showing net current liabilities. In addition, £25m of net current liabilities relates to deferred income. The balance of deferred income does not convert to cash payable but relates to cash already received in relation to recurring income where the revenue is deferred and spread over the period of maintenance which is typically a year.

To ensure the Group has sufficient liquidity the Directors have reviewed detailed cash flow projections which are based on the banking facilities being successfully renewed. These forecasts include a number of different scenarios including downside sensitivities and mitigating actions available to the Group if required. These show that there is sufficient headroom to operate within the current facilities, if renewed as expected, for at least 12 months from the date of this interim statement.

On the basis of the above considerations, the Directors have a reasonable expectation that the Group will have adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the interim financial statements.

Jane Mackie
Chief Financial Officer
25 July 2018

Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 April 2018

	Note	6 months to 30 April 2018 (unaudited) £000	Restated 6 months to 30 April 2017 (unaudited) £000	Restated 12 months to 31 October 2017 (audited) £000
Revenue	3	35,241	43,565	86,403
Cost of sales		(5,624)	(7,131)	(14,918)
Gross profit		29,617	36,434	71,485
Administrative expenses		(71,670)	(31,830)	(68,567)
Operating (loss)/profit		(42,053)	4,604	2,918
Analysed as:				
Adjusted EBITDA*		2,707	9,615	16,308
Depreciation		(604)	(507)	(1,172)
Amortisation		(4,764)	(3,968)	(8,469)
Restructuring costs		(466)	(394)	(704)
Acquisition credits/(charges)		681	79	(8)
Impairment	4	(39,530)	–	(2,681)
Corporate finance costs		(30)	(11)	(32)
Share option costs		(47)	(210)	(324)
Finance income		103	192	363
Finance costs		(1,228)	(1,374)	(2,031)
(Loss)/profit before taxation		(43,178)	3,422	1,250
Income tax credit/(expense)	5	2,725	(524)	(420)
(Loss)/profit for the period		(40,453)	2,898	830
Non-controlling interest		22	(49)	(10)
(Loss)/profit for the period attributable to the owners of the parent		(40,431)	2,849	820
Other comprehensive (loss)/income for the period				
Items that will be reclassified subsequently to profit or loss:				
Exchange (losses)/gains on retranslation of foreign operations		(20)	(73)	265
Other comprehensive (loss)/income for the period, net of tax		(20)	(73)	265
Total comprehensive (loss)/income for the period attributable to owners of the parent		(40,451)	2,776	1,085
Earnings per share attributable to owners of the parent during the period				
Basic (losses)/earnings per share	6	(9.80)p	0.74p	0.21p
Diluted (losses)/earnings per share	6	(9.71)p	0.71p	0.20p

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

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

Consolidated Interim Balance Sheet

At 30 April 2018

	Note	At 30 April 2018 (unaudited) £000	Restated at 30 April 2017 (unaudited) £000	Restated at 31 October 2017 (audited) £000
ASSETS				
Non-current assets				
Investment property		–	718	–
Property, plant and equipment		1,566	1,507	1,807
Intangible assets	4	80,538	117,586	122,754
Investments		18	1,116	18
Deferred tax assets		1,432	3,682	1,085
Other receivables		5,621	6,200	8,738
Total non-current assets		89,175	130,809	134,402
Current assets				
Stock		85	358	166
Trade and other receivables		29,956	44,975	33,877
Cash and cash equivalents		10,433	5,739	3,260
Total current assets		40,474	51,072	37,303
Total assets		129,649	181,881	171,705
LIABILITIES				
Current liabilities				
Trade and other payables		9,448	13,082	10,794
Deferred consideration		934	1,850	1,600
Other liabilities		32,889	34,971	27,486
Provisions		319	44	161
Current tax		(309)	1,231	289
Borrowings		24,298	2,700	2,410
Total current liabilities		67,579	53,878	42,740
Non-current liabilities				
Deferred tax liabilities		4,518	6,741	7,010
Bonds in issue		11,663	11,605	11,394
Borrowings		–	19,616	21,519
Total non-current liabilities		16,181	37,962	39,923
Total liabilities		83,760	91,840	82,663
Net assets		45,889	90,041	89,042
EQUITY				
Called up share capital		4,164	4,083	4,145
Capital redemption reserve		1,112	1,112	1,112
Share premium account		34,109	33,208	34,109
Treasury reserve		(621)	(1,244)	(621)
Share option reserve		1,274	2,209	1,730
Other reserves		7,528	6,052	7,528
ESOP trust		(381)	(302)	(349)
Foreign currency translation reserve		229	(16)	249
Retained earnings		(1,512)	44,890	41,430
Non-controlling interest		(13)	49	9
Total equity		45,889	90,041	89,042

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

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 April 2018

	Called up share capital £000	Capital redemption reserve £000	Restated share premium account £000	Treasury reserve £000
Balance at 1 November 2016 (audited)	3,640	1,112	13,480	(1,244)
Issue of share capital	443	–	20,493	–
Cost of share issue	–	–	(765)	–
Share options granted	–	–	–	–
Transfer on exercise of share options	–	–	–	–
Deferred tax movement on share options	–	–	–	–
ESOP trust	–	–	–	–
Equity dividends paid	–	–	–	–
Transactions with owners	443	–	19,728	–
Profit for the period	–	–	–	–
Prior year adjustment to profit	–	–	–	–
Non-controlling interest	–	–	–	–
Other comprehensive income				
Exchange losses on translation of foreign operations	–	–	–	–
Total comprehensive income for the period	–	–	–	–
Restated at 30 April 2017 (unaudited)	4,083	1,112	33,208	(1,244)
Issue of share capital	62	–	896	–
Cost of share issue	–	–	5	–
Share options charge	–	–	–	–
Exercise of share options	–	–	–	623
Deferred tax movement on share options	–	–	–	–
ESOP trust	–	–	–	–
Equity dividends paid	–	–	–	–
Transactions with owners	62	–	901	623
Loss for the period	–	–	–	–
Prior year adjustment to loss	–	–	–	–
Non-controlling interest	–	–	–	–
Other comprehensive income				
Exchange gains on translation of foreign operations	–	–	–	–
Total comprehensive loss for the period	–	–	–	–
Balance at 31 October 2017 (audited)	4,145	1,112	34,109	(621)
Issue of share capital	19	–	–	–
Share option charge	–	–	–	–
Transfer on exercise of share options	–	–	–	–
ESOP trust	–	–	–	–
Equity dividends paid	–	–	–	–
Transactions with owners	19	–	–	–
Loss for the period	–	–	–	–
Non-controlling interest	–	–	–	–
Other comprehensive income				
Exchange losses on translation of foreign operations	–	–	–	–
Total comprehensive loss for the period	–	–	–	–
At 30 April 2018 (unaudited)	4,164	1,112	34,109	(621)

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

Share options reserve £000	Restated other reserves £000	ESOP trust £000	Foreign currency translation reserve £000	Restated retained earnings £000	Non-controlling interests £000	Total £000
2,222	1,294	(274)	57	44,487	–	64,774
–	4,758	–	–	–	–	25,694
–	–	–	–	–	–	(765)
210	–	–	–	–	–	210
(223)	–	–	–	223	–	–
–	–	–	–	(42)	–	(42)
–	–	(28)	–	–	–	(28)
–	–	–	–	(2,627)	–	(2,627)
(13)	4,758	(28)	–	(2,446)	–	22,442
–	–	–	–	3,359	–	3,359
–	–	–	–	(510)	–	(510)
–	–	–	–	–	49	49
–	–	–	(73)	–	–	(73)
–	–	–	(73)	2,849	49	2,825
2,209	6,052	(302)	(16)	44,890	49	90,041
–	1,476	–	–	–	–	2,434
–	–	–	–	–	–	5
114	–	–	–	–	–	114
(593)	–	–	–	269	–	299
–	–	–	–	(410)	–	(410)
–	–	(47)	–	–	–	(47)
–	–	–	–	(1,590)	–	(1,590)
(479)	1,476	(47)	–	(1,731)	–	805
–	–	–	–	(731)	–	(731)
–	–	–	–	(1,298)	–	(1,298)
–	–	–	–	–	(40)	(40)
–	–	–	265	–	–	265
–	–	–	265	(2,029)	(40)	(1,804)
1,730	7,528	(349)	249	41,130	9	89,042
–	–	–	–	–	–	19
47	–	–	–	–	–	47
(503)	–	–	–	503	–	–
–	–	(32)	–	–	–	(32)
–	–	–	–	(2,717)	–	(2,717)
(456)	–	(32)	–	(2,213)	–	(2,682)
–	–	–	–	(40,431)	–	(40,431)
–	–	–	–	–	(22)	(22)
–	–	–	(20)	3	–	(17)
–	–	–	(20)	(40,428)	(22)	(40,470)
1,274	7,528	(381)	229	(1,512)	(13)	45,889

Consolidated Interim Statement of Cash Flows

For the six months ended 30 April 2018

	6 months to 30 April 2018 (unaudited) £000	Restated 6 months to 30 April 2017 (unaudited) £000	Restated 12 months to 31 October 2017 (audited) £000
Cash flows from operating activities			
(Loss)/profit for the period before taxation	(43,178)	3,422	1,250
Adjustments for:			
Depreciation of property, plant and equipment	604	507	1,172
Amortisation of intangible assets	4,764	3,968	8,469
Acquisition credits	(681)	(227)	(478)
Impairment	39,530	–	2,681
Finance income	(79)	(26)	(141)
Finance costs	1,063	612	1,669
Bond revaluation	–	630	–
Debt issue costs amortisation	50	50	119
Research and development tax credit	(145)	(211)	(360)
Share option costs	47	210	324
Profit on disposal of property, plant and equipment	–	–	(13)
Movement in stock	81	(46)	106
Movement in trade and other receivables	7,130	(8,634)	(544)
Movement in trade and other payables	3,806	12,050	1,368
Cash generated by operations	12,992	12,305	15,622
Tax on profit paid	(573)	(939)	(1,785)
Net cash from operating activities	12,419	11,366	13,837
Cash flows from investing activities			
Acquisition of subsidiaries	(210)	(15,611)	(18,065)
Acquisition credit	–	–	550
Purchase of property, plant & equipment	(365)	(707)	(1,675)
Proceeds on sale of investment property	–	–	397
Purchase of intangible assets	(1,805)	(2,363)	(5,688)
Finance income	79	26	141
Net cash used in investing activities	(2,301)	(18,655)	(24,340)
Cash flows (used in)/generated from financing activities			
Interest paid	(430)	(605)	(1,211)
New loans	4,500	210	3,500
Loan related costs	(26)	(26)	(73)
Loan repayments	(4,250)	(7,267)	(9,063)
Equity dividends paid	(2,717)	(2,627)	(4,217)
Sale of own shares	(11)	20,070	21,259
Net cash flows from in financing activities	(2,934)	9,755	10,195
Net movement on cash and cash equivalents	7,184	2,466	(308)
Cash and cash equivalents at the beginning of the period	3,260	3,787	3,787
Exchange (losses)/gains on cash and cash equivalents	(11)	(514)	(219)
Cash and cash equivalents at the end of the period	10,433	5,739	3,260

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

Notes to the Interim Consolidated Financial Statements

For the six months ended 30 April 2018

1. GENERAL INFORMATION

Idox plc is a supplier of specialist information management solutions to the public sector and to highly regulated asset intensive industries around the world in the wider corporate sector. The company is a public limited company which is quoted on the Alternative Investment Market and is incorporated and domiciled in the UK. The address of its registered office is 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA. The registered number of the company is 03984070.

2. BASIS OF PREPARATION

The financial information for the period ended 30 April 2018 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 October 2017 have been filed with the Registrar of Companies. The previous auditor's (Grant Thornton UK LLP) report on those financial statements was modified with respect to revenue and deferred income within the sub-group headed by 6PM Holdings plc.

The interim financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 October 2018. The Group financial statements for the year ended 31 October 2017 were prepared under International Financial Reporting Standards as adopted by the European Union. These interim financial statements have been prepared on a consistent basis and format. The Group has not applied IAS 34 'Interim Financial Reporting', which is not mandatory for AIM companies, in the preparation of these interim financial statements.

Going Concern

It is the responsibility of the Directors to consider going concern and to prepare the interim financial statements on this basis unless it is inappropriate to do so. In making this assessment the Directors are mindful of the recent challenging trading period and have reviewed and analysed forecasts, including reasonable forecast sensitivities, covering a period of at least 12 months from the date of this interim statement and considered its ability to meet liabilities as they fall due.

The Group's banking facility is presented as being due within one year as the current facilities mature in February 2019. The Directors are in ongoing discussions with existing lenders regarding an extension to the facility and short-term funding requirements. At this stage there has been no written commitment that the facility will be renewed, however, no matters have been drawn to the Directors attention to suggest that the renewal may not be forthcoming on acceptable terms. This presentation of the Group's banking facility is a contributing factor to the Consolidated Balance Sheet showing net current liabilities. In addition, £25m of net current liabilities relates to deferred income. The balance of deferred income does not convert to cash payable but relates to cash already received in relation to recurring income where the revenue is deferred and spread over the period of maintenance which is typically a year.

To ensure the Group has sufficient liquidity the Directors have reviewed detailed cash flow projections which are based on the banking facilities being successfully renewed. These forecasts include a number of different scenarios including downside sensitivities and mitigating actions available to the Group if required. These show that there is sufficient headroom to operate within the current facilities, if renewed as expected, for at least 12 months from the date of this interim statement.

On the basis of the above considerations, the Directors have a reasonable expectation that the Group will have adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the interim financial statements.

Restatement of Comparatives

Reserves

Since the prior interim period, £4,758,000 of equity from the share premium account has been reclassified to the other reserves account. This was a reallocation of the share premium arising from the issue of shares as consideration for the acquisition of 6PM Holdings plc. As a result of meeting the conditions required for merger relief under s612 of the Companies Act 2006 this share premium must be recognised as an 'other reserve'. This was appropriately disclosed in the October 2017 financial statements. This transaction took place on 3 February 2017 and as such should have been recorded in the interim financial statements as at 30 April 2017. As such the April 2017 comparatives have been restated in the Balance Sheet and the Statement of Changes in Equity as follows:

	Share premium account £000	Other reserves £000
Original: Issue of share capital	25,251	–
Reallocation of consideration shares	(4,758)	4,758
Restated: Issue of share capital	20,493	4,758

Notes to the Interim Consolidated Financial Statements continued

For the six months ended 30 April 2018

2. BASIS OF PREPARATION continued

Revenue restatement

As a result of the issues mentioned in the annual accounts for the year ended October 2017 in relation to revenue, the finance team have conducted a comprehensive review of revenue, accrued income and debtors, and identified a number of prior period errors in relation to timing of when revenue had been recognised.

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

Consolidated Statement of Comprehensive Income

	30 April 2017 £000	31 October 2017 £000
Profit before tax as originally presented	4,060	3,481
Revenue	(638)	(2,456)
Cost of sales	–	225
Profit before tax as restated	3,422	1,250

Consolidated Balance Sheet

	30 April 2017 £000	31 October 2017 £000
Net assets as originally presented	91,009	91,309
Trade debtors	(181)	(825)
Accrued income	(915)	(2,040)
Deferred income	–	(49)
Accruals	–	225
Current tax	128	422
Net assets as restated	90,041	89,042

Earnings per share

	30 April 2017	31 October 2017
Basic EPS as originally presented	0.87p	0.66p
Impact on profit for the period (£000)	(510)	(1,808)
Basic EPS as restated	0.74p	0.21p
Diluted EPS as originally presented	0.84p	0.64p
Impact on profit for the period (£000)	(510)	(1,808)
Diluted EPS as restated	0.71p	0.20p

3. SEGMENTAL ANALYSIS

The Group is organised into five main operating segments. Halarose Holdings Limited acquired in August 2017, forms part of the public sector software segment and Atlas Adviesgroep Twente B.V. forms part of the grants segment.

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 solutions to corporate, public and commercial customers
- Digital (DIG) – delivering digital consultancy services to public, private and third sector customers
- Health (HLT) – delivering a broad range of innovative solutions to the healthcare market

Since the prior period, results from the Compliance and Grants businesses have been merged to form the Content segment, the 2017 comparatives have been restated below.

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

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

The segment revenues by geographic location were as follows:

	6 months to 30 April 2018 £000	Restated 6 months to 30 April 2017 £000
Revenues from external customers:		
United Kingdom	25,341	32,599
North America	2,360	3,846
Europe	7,291	6,761
Australia	142	193
Rest of World	107	166
	35,241	43,565

Notes to the Interim Consolidated Financial Statements continued

For the six months ended 30 April 2018

3. SEGMENTAL ANALYSIS continued

The segment results for the 6 months to 30 April 2018 were:

	PSS £000	EIM £000	CONT £000	DIG £000	HLT £000	Total £000
Revenue	16,344	4,830	6,547	3,683	3,837	35,241
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs, impairment, and restructuring costs	3,764	205	1,013	(2,247)	(28)	2,707
Depreciation	(380)	(91)	(7)	(47)	(79)	(604)
Amortisation – software licences and R&D	(1,254)	(308)	(86)	–	(266)	(1,914)
Amortisation – acquired intangibles	(1,073)	(233)	(246)	(402)	(896)	(2,850)
Restructuring costs	(74)	(321)	(24)	(33)	(14)	(466)
Acquisition costs	684	–	(3)	–	–	681
Impairment	(6,079)	(1,800)	–	(6,275)	(25,376)	(39,530)
Share option costs	(45)	–	(2)	–	–	(47)
Adjusted segment operating profit	(4,457)	(2,548)	645	(9,004)	(26,659)	(42,023)
Corporate finance costs						(30)
Finance income						103
Finance costs						(1,228)
Profit before Tax						(43,178)

The segment results for the 6 months to 30 April 2017 were:

	PSS £000	EIM £000	Restated CONT £000	Restated DIG £000	HLT £000	Total £000
Revenue	20,541	6,578	5,985	7,060	3,401	43,565
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs, impairment, and restructuring costs	8,280	934	636	(581)	346	9,615
Depreciation	(314)	(103)	(10)	(31)	(49)	(507)
Amortisation – software licences and R&D	(996)	(230)	(78)	–	(129)	(1,433)
Amortisation – acquired intangibles	(1,217)	(238)	(246)	(459)	(375)	(2,535)
Restructuring costs	(96)	(30)	(39)	(208)	(21)	(394)
Acquisition costs	228	–	–	–	(149)	79
Impairment	–	–	–	–	–	–
Share option costs	(173)	–	(37)	–	–	(210)
Adjusted segment operating profit	5,712	333	226	(1,279)	(377)	4,615
Corporate finance costs						(11)
Finance income						192
Finance costs						(1,374)
Profit before Tax						3,422

Since the prior period, results from the Grants and Compliance businesses have merged to form the Content segment. 2017 comparatives have been restated under Content with £3,629,000 of Grants revenue, and £2,356,000 of Compliance revenue being combined. £679,000 Grants profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs and restructuring costs, and a loss of £43,000 for Compliance are now reported together under the Content segment.

4. INTANGIBLES

	Goodwill £000	Customer relationships £000	Trade names £000	Software £000	Development costs £000	Order backlog £000	Total £000
At 31 October 2017	73,385	20,993	8,301	10,785	9,062	228	122,754
Additions	240	–	–	268	1,580	–	2,088
Fair value adjustments	43	–	–	(12)	–	–	31
Disposals	–	–	–	(41)	–	–	(41)
Amortisation	–	(1,089)	(505)	(1,730)	(1,398)	(42)	(4,764)
Impairment	(27,832)	(5,754)	(2,717)	(2,040)	(1,187)	–	(39,530)
At 30 April 2018	45,836	14,150	5,079	7,230	8,057	186	80,538

Impairment test for goodwill and other intangible assets

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows thereafter based on an estimated growth rate of 0%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rates used to discount the forecast cash flows for each CGU were as follows:

Cash Generating Unit (CGU)

	Discount rate 2018	Discount rate 2017
Public Sector Software	13.48%	11.19%
Engineering Information Management (EIM)	14.46%	10.55%
Content	14.51%	12.04%
Digital	13.31%	11.05%
Health	12.71%	10.55%

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

The Public Sector Software division is split into four individual CGU's: Local Authority and Elections, Transport, Open Objects and CAFM. Each CGUs cash flow forecasts have been discounted using the Public Sector Software discount rate shown above.

Notes to the Interim Consolidated Financial Statements continued

For the six months ended 30 April 2018

4. INTANGIBLES continued

A summary of the impairment charges which were processed in the April 2018 accounts, and the remaining goodwill and intangible assets for each CGU, is shown in the table below:

Cash Generating Unit (CGU)

	Impairment charge April 2018 £000	Goodwill and other intangible assets remaining April 2018 £000
Public Sector Software	6,079	46,669
Engineering Information Management (EIM)	1,800	13,459
Content	–	9,912
Digital	6,275	–
Health	25,376	10,498
	39,530	80,538
Public Sector Software analysed as:		
Local Authority and Elections	–	36,089
Transport	6,079	47
Open Objects	–	5,835
CAFM	–	4,698
	6,079	46,669

The Group has conducted sensitivity analysis on the impairment test of each CGU and the group of units carrying value. Sensitivities have been run on the discount rate applied and management are satisfied that a reasonable increase in the discount rate of 1% would not lead to the carrying amount of each CGU exceeding the recoverable amount, with the exception of EIM. If the discount rates applied were to increase by 1% this would lead to an additional impairment charge of £880k for this CGU.

Sensitivities have also been run on cash flow forecasts for all CGUs reducing the growth rate from 0% to -2%. Management are satisfied that this change would not lead to the carrying amount of each CGU exceeding the recoverable amount with the exceptions of EIM and Health with a -2% growth rate leading to an additional impairment charge of £1.9m and £0.6m respectively.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	6 months to 30 April 2018 (unaudited) £000	Restated 6 months to 30 April 2017 (unaudited) £000	Restated 12 months to 31 October 2017 (audited) £000
Current tax			
Corporation tax on profits for the period	29	950	1,144
Foreign tax on overseas companies	107	228	302
Over provision in respect of prior periods	(8)	(261)	(623)
Total current tax	128	917	823
Deferred tax			
Origination and reversal of timing differences	(2,851)	(525)	(426)
Adjustment for rate change	2	131	3
Adjustments in respect of prior periods	(4)	1	20
Total deferred tax	(2,853)	(393)	(403)
Total tax charge	(2,725)	524	420

Unrelieved trading losses of £1,754,000 in the UK and £1,479,000 overseas remain available to offset against future taxable trading profits (excluding unrecognised losses of £1,832,000 in the UK and £12,824,000 overseas).

6. EARNINGS PER SHARE

The earnings per 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:

	6 months to 30 April 2018 (unaudited) £000	Restated 6 months to 30 April 2017 (unaudited) £000	Restated 12 months to 31 October 2017 (audited) £000
(Loss)/profit for the period attributable to owners of the parent	(40,431)	2,849	820
Basic earnings per share			
Weighted average number of shares in issue	412,482,918	386,326,486	397,125,960
Basic (losses)/earnings per share	(9.80)p	0.74p	0.21p
Diluted earnings per share			
Weighted average number of shares in issue used in basic earnings per share calculation	412,482,918	386,326,486	397,125,960
Dilutive share options	3,826,751	14,087,662	12,649,700
Weighted average number of shares in issue used in dilutive earnings per share calculation	416,309,669	400,414,148	409,775,660
Diluted (losses)/earnings per share	(9.71)p	0.71p	0.20p

Adjusted earnings per share	6 months to 30 April 2018 (unaudited) £000	Restated 6 months to 30 April 2017 (unaudited) £000	Restated 12 months to 31 October 2017 (audited) £000
(Loss)/profit for the period attributable to owners of the parent	(40,431)	2,849	820
Add back:			
Amortisation on acquired intangibles	2,851	2,535	5,248
Impairment	39,530	–	2,681
Acquisition credits	(681)	(79)	8
Restructuring costs	466	394	704
Tax effect	(8,141)	(586)	(1,727)
Adjusted (loss)/profit for the period (after tax)	(6,406)	5,114	7,734
Adjusted basic (losses)/earnings per share	(1.55)p	1.32p	1.95p
Adjusted diluted (losses)/earnings per share	(1.54)p	1.28p	1.89p

Notes to the Interim Consolidated Financial Statements continued

For the six months ended 30 April 2018

7. DIVIDENDS

During the period a dividend was paid in respect of the year ended 31 October 2017 of 0.655p per ordinary share at a total cost of £2,717,000 (2017: 0.650p, £2,627,000).

The directors do not propose a dividend in respect of the interim period ended 30 April 2018 (H1 2017: 0.385p, £1,607,000).

8. ACQUISITIONS

Atlas Adviesgroep Twente B.V.

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

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

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

Due to the timing of the acquisition, management is yet to determine any potential fair value adjustments.

The revenue included in the consolidated statement of comprehensive income since 1 January 2018 contributed by Atlas was £158,000. Atlas also made a profit after tax of £24,000 for the same period. If Atlas had been included from 1 November 2017, it would have contributed £220,000 to Group revenue and a loss after tax of £7,000.

The earn out period for Atlas is 1 January 2018 to 30 April 2018. The arrangement requires the Group to pay the former owner of Atlas an amount to be determined on resolution of outstanding balances at acquisition date, up to a maximum of €20,000 (£18,000) in cash. €20,000 (£18,000) has been recognised at the date of acquisition, which represents the fair value of the contingent consideration. At the reporting date, management's best estimate is that the full contingent consideration will be payable.

Acquisition costs of £4,000 have been written off in the consolidated statement of comprehensive income.

6PM Holdings plc

During the period there have been further fair value adjustments in respect of the acquisition of 6PM Holdings plc on 3 February 2017. The adjustments totalled £31,000.

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

Halarose Holdings Limited

During the period there have been further fair value adjustments in respect of the acquisition of Halarose Holdings Limited on 16 August 2017. The adjustments totalled £12,000. These adjustments were processed to align company policies with Idox Group policies, specifically in relation to Property, Plant & Equipment and Intangible Assets.

Open Objects Software Limited

At the reporting date, management's judgement is that £916,010 will be payable in relation to the contingent consideration. The contingent consideration balance of £683,990 (2017: £1,600,000) has therefore been released through the Statement of Comprehensive Income.

9. LONG-TERM INCENTIVE PLAN (LTIP)

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

The Group recognised a total charge of £44,000 (H1 2017: £89,000) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to share options granted and £nil (H1 2017: £nil) related to share options exercised.

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

	2017 No.	2016 No.
Outstanding at the beginning of the year	3,600,000	3,600,000
Granted	–	–
Forfeited	(1,700,000)	–
Vested	(1,900,000)	–
Outstanding at the end of April 2018	–	3,600,000
Exercisable at the end of April 2018	–	–

Richard Kellett-Clarke's LTIP entitlement vested in March 2018, at which point 963,000 LTIP shares were sold to cover the tax liability on vestment. As part of the conditions of the LTIP, a Lock In deed restricts Richard from selling any more shares for a further two years from the vesting date.

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

Independent Review Report to Idox plc

For the six months ended 30 April 2018

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2018 which comprises the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The audit opinion for the year ended 31 October 2017 was qualified as the previous auditor was unable to obtain sufficient appropriate evidence in respect of revenue of £7.6m for the year then ended (the related balance is £3.4m for the six months to 30 April 2017), deferred income of £4.3m as at 31 October 2017 and consolidated net liabilities of £0.2m as at 31 October 2017 all within the acquired sub-group headed by 6pm Holdings plc.

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

Were any modifications to the figures for the year ended 31 October 2017 required, there would be a consequential impact on the interim financial information for the period ended 30 April 2018 and therefore our conclusion for the period ended 30 April 2018 is also qualified in respect of these matters. Had a review of these records been possible, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information, including the corresponding figures.

Qualified conclusion

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2018 is not prepared, in all material respects, in accordance with accounting policies the group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

25 July 2018

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