Idox plc
Interim Report & Accounts 2013

One company: Infinite possibilities

Contents

One company: Infinite possibilities

Financial and Operational Highlights

For the six months ended 30 April 2013

- **Revenues 2% lower at £26.6m (H1 2012: £27.1m)**
- **31% of revenues generated internationally (H1 2012: 33%) with growth in Europe and Australia**
- **Acquisition of Artesys for £2.1m, extending the reach of Engineering Information Management geographical into Africa**
- **EBITDA* £5.8m (H1 2012: £8.1m)**
- **Adjusted profit before tax** £5.0m (H1 2012: £7.2m)**
- **Adjusted basic EPS** 1.02p (H1 2012: 1.58p). Basic EPS 0.43p (H1 2012: 0.67p)**
- **Cash generation increased 10% to £10.2m (H1 2012: £9.3m)**
- **Interim proposed dividend of 0.30p, 9% increase over last year demonstrating the Board's confidence in the business**
- **Agreement reached for disposal of recruitment business for total consideration of up to £0.6m**

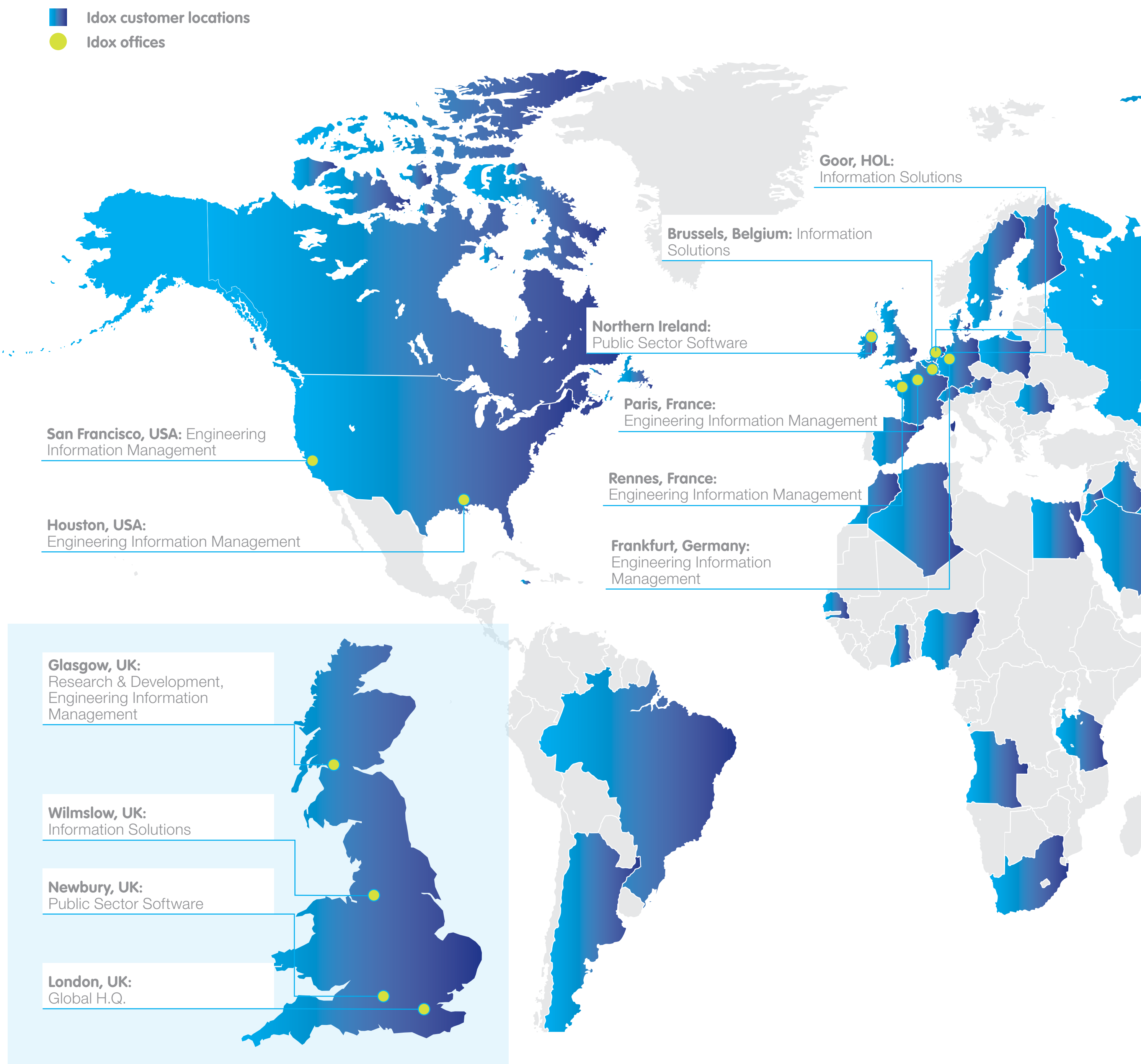
* EBITDA is defined as adjusted EBITDA being earnings before impairment, amortisation, depreciation, restructuring, corporate finance and share option costs

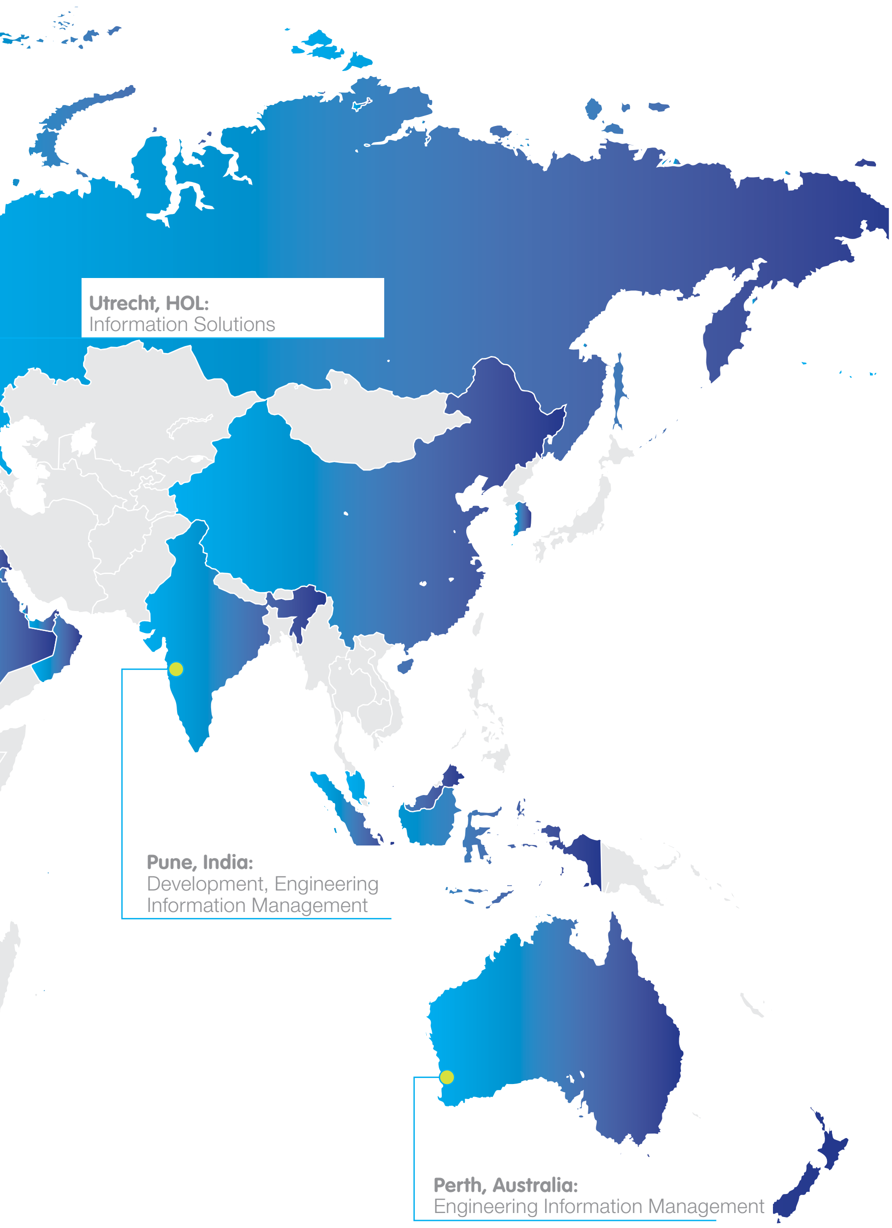
** Adjusted profit before tax and adjusted EPS excludes amortisation, impairment, restructuring, corporate finance and share option costs

Financial and Operational Hightlights refer to continuing operations only.

At a Glance

Idox plc is a supplier of software solutions and services to the UK public sector and increasingly to highly regulated asset intensive industries around the world in the wider corporate sector.





Public Sector Software

Idox's Public Sector Software division serves over 90% of UK local authorities, supplying leading software applications as well as related managed and cloud based services for all core functions relating to land, property and people. Idox is committed to providing solutions that deliver genuine efficiencies by helping councils deliver service improvements at lower cost.

Engineering Information Management

The Idox Engineering Information Management division is represented by McLaren Software supplying engineering, asset information, construction and computer aided facilities management solutions to organisations around the world.

Designed to help ensure the safety, efficiency and compliance of both major capital projects and asset operations McLaren Enterprise solutions are used by leading owner operators and engineering procurement contractors in asset intensive industries. McLaren Built Environment cloud and hosted software applications enable construction companies to collaborate securely across international and language borders and provide a comprehensive facilities management solution for buildings, facilities and infrastructures.

Information Solutions

Idox Information Solutions provides information management, web development, online publishing & training services and is the leading grants information provider in both the UK, and the Netherlands.

It specialises in the design and development of online content systems including major platforms for UK government clients, and the voluntary sector. The division has pioneered the development of innovation and knowledge transfer portals across Europe, working with the European Commission, and the UK and Irish governments.

Chairman's and Chief Executive's Statement

For the six months ended 30 April 2013

Overview

The Group's trading performance in the first half was disappointing, principally resulting from delays in completing some expected large deals in the Engineering Information Management ("EIM") division which did not come through in the first half when compared to 2012 when two significant enterprise deals were closed. However, this disappointment should be set against a larger and more developed qualified prospect pipeline and an expansion in the Company's sales capability around the world. These excellent prospects and delayed completions have not been lost to competition or cancellation and remain to be completed in the second half of the financial year and to improve our start to the next year. The Company is taking active measures in strengthening management and related processes to improve the identification, predictability and forecasting of revenues in its growing worldwide operations.

The core public sector business continues to perform well with an increasing transition toward managed and hosted services; building visibility of revenue for future years. However, due to the electoral cycle calendar which saw a lower number of spring local elections held in 2013 compared to 2012, our Public Sector Division did not see the same level of revenue from its elections business. We expect to see an uplift in activity in 2014 as a result of higher election activity.

Operational Review

After a busy year of acquisitions in 2012, when Idox substantially expanded its operational and geographic reach, we have focused in the first half of this year on upgrading our systems and operational capabilities. We have made only one small, but strategically important, acquisition in the first half, Artesys, which extends our geographical reach and opens up new Oil & Gas markets for the EIM division in Africa.

The key back office projects have been the implementation of a new Enterprise Resource Planning (ERP) system and the improved integration of our internal and hosting technical infrastructure.

Within the Public Sector business, despite the difficult cost saving environment in local government, we have continued to innovate and improve our solutions and add new clients with over 50 new systems being added in the first half of the year. The first half also saw further extensions to the Westminster managed service contract, increased demand for our planning Business Processing Outsourcing (BPO) offering and further sales of managed and hosted solutions bringing our total number of local authorities to 30. We have recently launched a fully re-engineered elections product and also delivered a major upgrade, Uniform 9, to our core case management platform for planning and environmental health products.

The Public Sector division has been successful in diversifying the business from purely UK local government. We have won a number of contracts for election systems in Norway, and have been short-listed for a number of overseas planning solutions, some as far afield as New Zealand. The Map for England demonstration service, in partnership with the Royal Town Planning Institute, has been well received as an initiative to spatially represent information for the community and is now ready for wider commercial development

The Engineering Information Management division had a positive first half by growing its order pipeline by 30% from the start of the year. However, this was countered by the disappointingly slow start in booking licensing revenue due to delays in approval and sign offs. The division made excellent progress in the internationalisation of its product, the globalisation of its support infrastructure and launched the first of its operational improvements with the release of Workbook 1.0 and "Idox Live" for the iPad. Both of these will be followed up with further releases later in the year. The division also had a soft launch of its move into BPO by concluding its first contract in May for the provision of a system and virtual document control solution for a large long-standing Canadian customer.

The acquisition of Artesys has fulfilled the goal of strengthening our position in the French market as well as expanding into the Oil & Gas Industry in African markets such as Algeria and Angola. The FMx acquisition, made in October 2012, took more effort to integrate than originally envisaged and has required a thorough re-organisation. This is now complete and the business is strengthening the management team in a number of areas to enable it to speed up its international expansion.

The Information Solutions Division had a difficult start to the year mainly in the projects area which was adversely affected by government spending cuts and re-organisations, however the grants information service maintained its subscription rates. Innovation Connect, our Dutch based grants consultancy business, has expanded its geographical footprint by opening a new office in the south west of Holland as well as signing a joint venture partnership in the north east. Innovation Connect is also planning expansion into Germany, leveraging on our existing presence in Frankfurt. Interactive Dialogues, our Brussels based e-learning business, had a quiet start to the year but has grown a strong pipeline extending its presence into the UK and is looking forward to a stronger second half with the launch of its new platform which will offer a significantly enhanced user experience.

The Board is pleased to announce it has agreed the terms of a sale of its recruitment business, TFPL, to ILX Group plc (AIM : ILX) for an initial consideration of £0.3m with potential additional consideration of up to £0.3m dependent on the business achieving certain performance targets in the 12 months following disposal. The sale is expected to complete in the near future on satisfaction of various completion conditions.

As part of an on-going process to strengthen the governance of the Company, we are very pleased that Jeremy Millard has joined the Board as a non-executive director in June, bringing broader City experience to the Company.

Outlook

Within the Public Sector division, the growth in both hosted and managed services has been particularly encouraging and is expected to continue. The shift in the mix of revenues toward managed services from upfront license sales increases revenue visibility in future years although holds back growth in the current year's revenues.

We have further work to do in the EIM division however the organisational changes made in the first half, together with the continued investment in sales resource and products, lays strong foundations for the future growth of the business.

All of the divisions have increased their qualified order pipelines in the first half of the year and have an encouraging backlog of orders and professional services work. This gives us confidence for a much improved second half and the Board confirms expectations for the full year.

The acquisition of Artesys has fulfilled the goal of strengthening our position in the French market as well as expanding into the Oil & Gas Industry in African markets such as Algeria and Angola

Martin Brooks
Chairman
25 June 2013

Richard Kellett-Clarke
Chief Executive Officer

Chief Financial Officer's Review

For the six months ended 30 April 2013

Financial review

Group revenues from continuing operations fell by 2% to £26.6m (H1 2012: £27.1m) reflecting the absence of a large enterprise licence deal in the EIM segment whereas in the first half of last year two significant enterprise licences sales in the USA were included. Despite this the Group generated 31% of its revenues internationally (H1 2012: 33%) with growth in Europe and Australia. Gross profit earned from continuing operations was 2% lower at £23.9m (H1 2012: £24.4m) and the Group saw gross margins stable at 90%. The small fall in revenue coupled with higher overhead costs related to acquisitions made in the past year resulted in EBITDA from continuing operations of £5.8m (H1 2012: £8.1m).

Performance by segment

The Public Sector software business, which accounted for 52% of Group revenues (H1 2012: 51%), delivered revenues of £14.3m (H1 2012: £14.6m), 2% lower due mainly to an expected fall in elections managed services revenue as a result of a lower number of spring local elections in H1 2013 compared to H1 2012. Excluding the elections business, public sector revenue was flat however new sales, which includes an increasing proportion of managed and hosted services business and contains an element of revenue deferred to future years, increased by 36% which builds visibility of future revenue. Recurring revenues within the Public Sector software business were stable at 59% of segmental revenue.

The EIM business accounted for 30% of Group revenues (H1 2012: 31%) having declined by 8% to £8.2m (H1 2012: £8.9m). The prior year comparator included two large enterprise deals which have not yet been repeated in 2013 due to slippage in closing new sales in the first half. However the pipeline of opportunities has grown significantly which provides confidence for the second half of the year. As a result of the shortfall in new licences sales revenue declined organically by 22% however this was partially offset by increased maintenance revenue and the £1.2m maiden contribution from FMx, provider of facilities management software, which was acquired in October 2012.

EIM recurring maintenance and SaaS revenues have performed well, helped by the launch of the McLaren OnAir service, and represented 58% of segmental revenues (H1 2012: 46%). Artesys International, acquired in April 2013 delivered £0.1m in revenues in the first half. Geographically, revenues from the USA declined to 33% (H1 2012: 66%) of segmental revenue due to the strong licence sales in the first half of 2012. Strong growth was seen in Australia where revenues have benefited from investment in sales and technical resource over the past year leading to a doubling of revenues to £1m. There is also a growing proportion of revenue from African and Middle Eastern countries which represented 11% (H1 2012: nil) of EIM segmental revenues as a result of the FMx and Artesys acquisitions and we expect this to continue to grow in the second half of the year.

The Information Solutions business increased revenues by 11% to £4.0m (H1 2012: £3.6m) as a result of the acquisition of the grants consultancy business Currency Connect (now renamed Innovation Connect) in May 2012. The grants subscription business which faced headwinds in 2012 has seen improved levels of both subscription renewal rates and new business during the first half of the year which has reversed the revenue decline seen last year and provides a firmer footing for the business going forward. Performance in the projects business which develops funding websites, mainly for the voluntary sector, has been poor providing a drag on revenue of £0.4m compared to H1 2012 but not material to the Group overall.

The Recruitment business revenues, disclosed as discontinued operations, declined by 32% to £1.0m (H1 2012: £1.4m) as a result of a further decline in the low margin contract recruitment business and a soft permanent recruitment market in the first half. Gross profit declined to £0.5m (H1 2012: £0.8m).

Profit before tax

Within the income statement, we present both profit before tax and adjusted profit before tax which is a performance measure that is not defined by GAAP but which the directors believe provides a reliable and consistent measure of the Group's underlying financial performance.

Adjusted profit before tax and adjusted EPS excludes amortisation, impairment, restructuring, corporate finance and share option costs.

Adjusted profit before tax from continuing operations decreased 31% to £5m (H1 2012: £7.2m). Overheads increased by £1.8m to £18m (H1 2012: £16.2m) as a result of the full year impact of the acquisitions of Opt2Vote in March 2012, Innovation Connect in May 2012 and FMx in October 2012. Adjusting for this impact, overheads reduced on a like-for-like basis by £0.5m. Finance costs decreased from £0.6m to £0.5m as a result of a lower average interest charge on drawn banking facilities.

Reported profit before tax from continuing operations decreased 38% to £2.1m (H1 2012: £3.4m). There was a one-off benefit of £0.8m included in exceptional corporate finance costs related to the release of earn-out obligations on the Opt2Vote acquisition which is not now expected to be paid. Excluding this £0.8m benefit, exceptional corporate finance and restructuring costs reduced to £0.1m (H1 2012: £1.2m) as a result of lower acquisition activity in the first half compared to last year.

Amortisation of acquired intangibles increased to £2.7m (H1 2012: £2.3m) reflecting a full year of amortisation on the acquisitions made during 2012. There is a charge of £0.5m (H1 2012: nil) related to a further impairment of goodwill on our recruitment business, TFPL which has been made to bring the carrying value in line with likely disposal proceeds. The Group continues to invest in developing innovative technology solutions and has incurred capitalised Research & Development costs of £0.5m in the first half of the year (H1 2012 : £0.3m).

Taxation, Earnings per share and dividends

The income tax expense for the period was £0.6m (H1 2012: £1.1m), reflecting the lower profitability. The effective tax rate as a percentage of adjusted profit before tax reduced to 13% (H1 2012: 15%) as a result of lower profitability in the USA which has a higher rate of corporation tax than the UK.

Adjusted earnings per share from total operations were 1.02p (H1 2012: 1.58p). Diluted adjusted earnings per share from total operations were 0.97p (H1 2012: 1.51p). Basic earnings per share from total operations were 0.42p (H1 2012: 0.69p). Diluted earnings per share from total operations were 0.40p (H1 2012: 0.66p).

The Board proposes an interim dividend of 0.30p, an increase of 9% which, despite the disappointing first half performance reflects its confidence in the opportunities available to the Group in the remainder of the current financial year and beyond. Dividend cover, based on adjusted basic earnings per share, remains comfortable at over 3 times. The interim dividend will be paid on 21 August 2013 to shareholders on the register at 9 August 2013.

Balance sheet and cashflows

Cash generated from operating activities before tax increased to £10.2m (H1 2012: £9.3m) and as a percentage of EBITDA increased to 178%, up from 113% in the previous year. The high percentage in both years reflects the seasonality of maintenance cash flows within the public sector business. The improvement in cash generation compared to last year reflects lower cash exceptional charges and strong working capital management.

The Group ended the year with net debt of £17.7m (H1 2012: £12.1m) after making acquisition related payments in the past 12 months of £11.4m and after total dividends of £2.3m. The Group's total signed debt facilities at 30 April 2013 stood at £32.7m, a combination of a term loan and flexible working capital and acquisition revolving credit facilities. The Group has enjoyed significant headroom against its banking covenants during the first half of the year.

William Edmondson
Chief Financial Officer
25 June 2013

Cash generated from operating activities before tax increased to £10.2m

Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 April 2013

Continuing operations	Note	6 months to 30 April 2013 (unaudited) £000	As Restated 6 months to 30 April 2012 (unaudited) £000	As Restated 12 months to 31 October 2012 (audited) £000
Revenue	3	26,569	27,136	55,382
External charges		(2,713)	(2,772)	(5,335)
Gross margin		23,856	24,364	50,047
Staff costs		(13,822)	(12,948)	(25,930)
Other operating charges		(4,243)	(3,344)	(7,500)
Earnings before amortisation, depreciation, impairment, restructuring, corporate finance and share option costs		5,791	8,072	16,617
Depreciation		(347)	(333)	(589)
Amortisation		(2,728)	(2,292)	(4,609)
Impairment of intangible fixed assets		(457)	–	(1,000)
Restructuring costs		(88)	(318)	(406)
Corporate finance costs		764	(896)	(1,109)
Share option costs		(315)	(256)	(707)
Operating profit		2,620	3,977	8,197
Finance income		68	12	18
Finance costs		(546)	(583)	(1,273)
Analysed as:				
Adjusted profit before tax		4,966	7,168	14,773
Impairment of intangible fixed assets		(457)	–	(1,000)
Amortisation of intangible fixed assets		(2,728)	(2,292)	(4,609)
Restructuring costs		(88)	(318)	(406)
Corporate finance costs		764	(896)	(1,109)
Share option costs		(315)	(256)	(707)
Profit before taxation		2,142	3,406	6,942
Income tax expense	4	(635)	(1,079)	(201)
Profit for the period from continuing operations		1,507	2,327	6,741
Other comprehensive income for the period net of tax		–	(27)	61
Total comprehensive income for the period attributable to owners of the parent from continuing operations		1,507	2,300	6,802
Profit for the period from continuing operations		1,507	2,327	6,741
Net result from discontinued operations	8	(52)	58	(36)
Net result for the period		1,455	2,385	6,705
Basic and diluted earnings per share				
Continuing operations				
Basic	5	0.43p	0.67p	1.95p
Diluted	5	0.41p	0.64p	1.85p
Total operations				
Basic	5	0.42p	0.69p	1.94p
Diluted	5	0.40p	0.66p	1.84p

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

Consolidated Interim Balance Sheet

At 30 April 2013

	Note	At 30 April 2013 (unaudited) £000	At 30 April 2012 (unaudited) £000	At 31 October 2012 (audited) £000
ASSETS				
Non-current assets				
Property, plant and equipment		979	673	817
Intangible assets		71,196	65,017	71,371
Other long-term financial assets		–	–	–
Deferred tax assets		1,254	337	1,417
Total non-current assets		73,429	66,027	73,605
Trade and other receivables		22,526	21,629	16,913
Cash at bank		9,147	11,628	3,640
Disposal group	9	990	–	–
Total current assets		32,663	33,257	20,553
Total assets		106,092	99,284	94,158
LIABILITIES				
Current liabilities				
Trade and other payables		4,446	4,276	5,460
Other liabilities		27,263	27,957	17,286
Provisions		193	72	76
Current tax		1,296	1,487	1,020
Derivative financial instruments		113	35	136
Borrowings		2,639	2,300	2,300
Disposal group	9	818	–	–
Total current liabilities		36,768	36,127	26,278
Non-current liabilities				
Deferred tax liabilities		5,784	6,257	6,101
Borrowings		24,221	21,400	22,879
Total non-current liabilities		30,005	27,657	28,980
Total liabilities		66,773	63,784	55,258
Net assets		39,319	35,500	38,900
EQUITY				
Called up share capital		3,485	3,463	3,485
Capital redemption reserve		1,112	1,112	1,112
Share premium account		10,197	10,017	10,197
Treasury reserve		(83)	(107)	(107)
Shares options reserve		1,948	1,556	1,825
Merger reserve		1,294	1,294	1,294
ESOP trust		(102)	(92)	(95)
Foreign currency translation reserve		117	14	102
Retained earnings		21,351	18,243	21,087
Total equity		39,319	35,500	38,900

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 2013

	Called up share capital £000	Capital redemption reserve £000	Share premium account £000
Balance at 1 November 2011 (audited)	3,463	1,112	10,017
Share options granted	–	–	–
Purchase of Treasury shares	–	–	–
Transfer on exercise of share options	–	–	–
Sale of Treasury shares	–	–	–
Equity dividends paid	–	–	–
ESOP trust	–	–	–
Transactions with owners	–	–	–
Profit for the period	–	–	–
Other comprehensive income			
Exchange differences in reserves	–	–	–
Total comprehensive income for the period	–	–	–
At 30 April 2012 (unaudited)	3,463	1,112	10,017
Issue of share capital	22	–	180
Transfer on exercise of share options	–	–	–
Purchase of Treasury shares	–	–	–
Share options granted	–	–	–
ESOP trust	–	–	–
Equity dividends paid	–	–	–
Transactions with owners	22	–	180
Profit for the period	–	–	–
Other comprehensive income			
Exchange gains on retranslation of foreign operations	–	–	–
Total comprehensive income for the period	–	–	–
Balance at 31 October 2012 (audited)	3,485	1,112	10,197
Share options granted	–	–	–
Share award granted	–	–	–
Transfer on exercise of share options	–	–	–
Sale of Treasury sales	–	–	–
Equity dividends paid	–	–	–
ESOP trust	–	–	–
Transactions with owners	–	–	–
Profit for the period	–	–	–
Exchange differences in reserves	–	–	–
Total comprehensive income for the period	–	–	–
At 30 April 2013 (unaudited)	3,485	1,112	10,197

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

Treasury reserve £000	Share options reserve £000	Merger reserve £000	ESOP trust £000	Foreign currency retranslation reserve £000	Retained earnings £000	Total £000
(204)	1,366	1,294	(93)	41	17,375	34,371
–	227	–	–	–	–	227
(37)	–	–	–	–	–	(37)
134	(37)	–	–	–	(272)	(175)
–	–	–	–	–	–	–
–	–	–	–	–	(1,245)	(1,245)
–	–	–	1	–	–	1
97	190	–	1	–	(1,517)	(1,229)
–	–	–	–	–	2,385	2,385
–	–	–	–	(27)	–	(27)
–	–	–	–	(27)	2,385	2,358
(107)	1,556	1,294	(92)	14	18,243	35,500
–	–	–	–	–	–	202
–	(72)	–	–	–	(525)	(597)
–	–	–	–	–	–	–
–	341	–	–	–	–	341
–	–	–	(3)	–		(3)
–	–	–	–	–	(951)	(951)
–	269	–	(3)	–	(1,476)	(1,008)
–	–	–	–	–	4,320	4,320
–	–	–	–	88	–	88
–	–	–	–	88	4,320	4,408
(107)	1,825	1,294	(95)	102	21,087	38,900
–	131	–	–	–	–	131
–	–	–	–	–	205	205
24	(8)	–	–	–	(3)	13
–	–	–	–	–	–	–
–	–	–	–	–	(1,393)	(1,393)
–	–	–	(7)	–	–	(7)
24	123	–	(7)	–	(1,191)	(1,051)
–	–	–	–	–	1,455	1,455
–	–	–	–	15	–	15
–	–	–	–	15	1,455	1,470
(83)	1,948	1,294	(102)	117	21,351	39,319

Consolidated Interim Statement of Cash Flows

For the six months ended 30 April 2013

	6 months to 30 April 2013 (unaudited) £000	As Restated 6 months to 30 April 2012 (unaudited) £000	As Restated 12 months to 31 October 2012 (audited) £000
Cash flows from operating activities			
Profit for the period before taxation	2,590	3,416	7,942
Adjustments for:			
Depreciation	347	333	589
Amortisation	2,728	2,292	4,609
Finance income	(6)	(12)	(18)
Finance costs	454	456	791
Interest rate swap liability	(23)	–	136
Debt issue costs amortisation	95	57	109
Exchange (gain)/loss	(38)	(27)	60
Share option costs	324	216	544
Movement in receivables	(5,120)	(8,516)	(2,765)
Movement in payables	8,865	11,046	452
Cash generated by operations	10,216	9,261	12,449
Tax on profit paid	(728)	(911)	(2,560)
Cash generated from discontinued operations	61	(28)	(154)
Net cash from operating activities	9,549	8,322	9,735
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(1,779)	(15,022)	(23,266)
Deferred consideration paid relating to subsidiaries acquired in prior period	(182)	–	(320)
Purchase of property, plant & equipment	(500)	(200)	(523)
Purchase of intangible assets	(745)	(495)	(1,240)
Finance income	6	12	18
Net cash used in investing activities	(3,200)	(15,705)	(25,331)
Cash flows from financing activities			
Interest paid	(454)	(348)	(620)
New loans	6,900	23,700	27,800
Loan related costs	24	(475)	(430)
Loan repayments	(5,800)	–	(2,300)
Equity dividends paid	(1,393)	(1,245)	(2,196)
Sale/(Purchase) of own shares	15	(213)	(610)
Net cash flows (used in)/from financing activities	(708)	21,419	21,644
Net movement on cash and cash equivalents	5,641	14,036	6,048
Cash and cash equivalents at the beginning of the period	3,640	(2,408)	(2,408)
Cash and cash equivalents at the end of the period	9,281	11,628	3,640

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 2013

1. GENERAL INFORMATION

Idox plc is a supplier of specialist document management collaboration solutions and services to the UK 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 listed on the Alternative Investment Market and is incorporated and domiciled in the UK. The address of its registered office is Chancery Exchange,10 Furnival Street, London, EC4A 1AB. The registered number of the company is 03984070.

2. BASIS OF PREPARATION

The financial information for the period ended 30 April 2013 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 2012 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unmodified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

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 2013. The Group financial statements for the year ended 31 October 2012 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 provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

The company have complied with IFRS 5 (Non Current Assets Held for Sale and Discontinued Operations) for the first time for the period ended 30 April 2013. Non current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable, they are stated at the lower of carrying value and net realisable value. As a result comparative amounts for both the consolidated interim statement of cash flows have been restated to remove the effect of the discontinued operation.

3. SEGMENTAL ANALYSIS

As at 30 April 2013, the Group is primarily organised into four main business segments, which are detailed below. Financial information is reported to the Board on a business unit basis with revenue and operating profits split by business unit. Each business unit is deemed a reportable segment as each offer different products and services.

- Public Sector Software – delivering software and service solutions to mainly local government customers across a broad range of departments
- Engineering Software – delivering engineering document management and control solutions to asset intensive industry sectors
- Information Solutions – delivering both an information service and consultancy services to a diverse range of customers across both private and public sectors
- Recruitment – providing personnel with information, knowledge, records and content management expertise to a diverse range of customers

The Board have determined that the Recruitment business will be actively sold. As Recruitment is a separately identifiable operating segment the results for the period ended 30 April 2013, and comparative periods have been reclassified as a discontinued operation.

Segment revenue comprises sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before the allocation of taxation, Group interest payments and Group corporate finance costs. The assets and liabilities of the Group are not reviewed by the chief 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 Interim Consolidated Financial Statements continued

For the six months ended 30 April 2013

3. SEGMENTAL ANALYSIS CONTINUED

The segment revenues by geographic location for the period ended 30 April 2013 are as follows:

6 months to 30 April 2013	Continuing operations (unaudited) £000	Discontinued operations (unaudited) £000	Total operations (unaudited) £000
Revenues from external customers:			
United Kingdom	18,411	884	19,295
USA/Canada	2,680	–	2,680
Europe	3,540	76	3,616
Australia/Rest of World	1,938	5	1,943
	26,569	965	27,534

The segment revenues by geographic location for the period ended 30 April 2012 are as follows:

6 months to 30 April 2012	Continuing operations (unaudited) £000	Discontinued operations (unaudited) £000	Total operations (unaudited) £000
Revenues from external customers:			
United Kingdom	18,234	1,420	19,654
USA/Canada	5,825	–	5,825
Europe	2,534	–	2,534
Australia/Rest of World	543	–	543
	27,136	1,420	28,556

The segment results for the 6 months to 30 April 2013 were:

	Public Sector Software £000	Engineering Software £000	Information Solutions £000	Recruitment (discontinued operation) £000	Total £000
Revenues from external customers	14,337	8,244	3,988	965	27,534
Cost of sales	(1,764)	(662)	(287)	(482)	(3,195)
Gross profit	12,573	7,582	3,701	483	24,339
Operating costs	(8,242)	(6,289)	(3,534)	(522)	(18,587)
Profit/(loss) before interest, tax, impairment, depreciation, amortisation, share option, corporate finance and restructuring costs	4,331	1,293	167	(39)	5,752
Depreciation	(234)	(63)	(50)	(1)	(348)
Amortisation	(1,525)	(667)	(536)	–	(2,728)
Impairment of goodwill	–	–	–	(457)	(457)
Share options costs	(226)	(36)	(54)	(12)	(328)
Corporate finance costs	850	(49)	–	(37)	764
Restructuring	(6)	(51)	(31)	–	(88)
Profit/(loss) before interest and tax	3,190	427	(504)	(546)	2,567
Interest receivable	–	1	–	–	1
Finance costs net	(54)	126	(22)	–	50
Segment profit/(loss) (see reconciliation below)	3,136	554	(526)	(546)	2,618

The segment results for the 6 months to 30 April 2012 are as follows:

	Public Sector Software £000	Engineering Software £000	Information Solutions £000	Recruitment (discontinued operation) £000	Total £000
Revenues from external customers	14,603	8,934	3,599	1,420	28,556
Cost of sales	(1,907)	(544)	(321)	(648)	(3,420)
Gross profit	12,696	8,390	3,278	772	25,136
Operating costs	(7,826)	(5,826)	(2,639)	(684)	(16,975)
Profit before interest, tax, depreciation, amortisation, share option and restructuring costs	4,870	2,564	639	88	8,161
Depreciation	(161)	(121)	(51)	(4)	(337)
Amortisation	(1,462)	(494)	(337)	(4)	(2,297)
Share options costs	(209)	(30)	(17)	(12)	(268)
Restructuring	(111)	(35)	(172)	–	(318)
Profit before interest and tax	2,927	1,884	62	68	4,941
Interest receivable	–	1	3	–	4
Segment profit (see reconciliation below)	2,927	1,885	65	68	4,945

Reconciliations of reportable profit:

	6 months to 30 April 2013 (unaudited) £000	6 months to 30 April 2012 (unaudited) £000
Total profit for reportable segments	2,618	4,945
Corporate finance costs	–	(896)
Net financial costs	(529)	(575)
Discontinued operations loss /(profit)*	53	(68)
Profit before taxation	2,142	3,406

Corporate finance costs comprise legal fees in relation to arrangement of Group working capital facilities. Net financial costs relate to Group bank loan interest, bank facility fee amortisation and fair value loss on financial derivatives which have not been included in reportable segments.

*Discontinued operations loss/(profit) excludes Group costs allocated to the segment relating to impairment of goodwill and corporate finance costs relating to disposal.

Notes to the Interim Consolidated Financial Statements continued

For the six months ended 30 April 2013

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	6 months to 30 April 2013 (unaudited) £000	6 months to 30 April 2012 (unaudited) £000	12 months to 31 October 2012 (audited) £000
Current tax			
Corporation tax on profits for the period	820	1,602	1,455
Foreign tax on overseas companies	191	–	1,108
Under provision in respect of prior periods	(123)	2	(70)
Total current tax	888	1,604	2,493
Deferred tax			
Origination and reversal of timing differences	(254)	(239)	(1,712)
Amortisation of intangibles difference in tax rate	–	(275)	(580)
Adjustments in respect of prior periods	–	(1)	–
Total deferred tax	(254)	(515)	(2,292)
Total tax charge	634	1,089	201
Analysed as:			
Tax charge from continuing operations	635	1,079	201
Tax charge from discontinued operations	(1)	10	0

Unrecognised trading losses of £5,322,000 (H1 2012: £6,061,000), which when calculated at the standard rate of corporation tax in the United Kingdom of 23%, amounts to £1,224,000 (H1 2012: £1,455,000). These remain available to offset against future taxable trading profits. Unrecognised capital losses of £4,210,000 (H1 2012: £4,210,000) remain available to offset against future capital profits. These deferred tax assets are not recognised as they are considered to have fair value of £nil.

5. 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:

Total operations	6 months to 30 April 2013 (unaudited) £000	6 months to 30 April 2012 (unaudited) £000	12 months to 31 October 2012 (audited) £000
Profit for the period	1,455	2,385	6,705
Basic earnings per share			
Weighted average number of shares in issue	348,303,384	345,262,291	346,231,724
Basic earnings per share	0.42p	0.69p	1.94p
Diluted earnings per share			
Weighted average number of shares in issue used in basic earnings per share calculation	348,303,384	345,262,291	346,231,724
Dilutive share options	18,170,822	16,437,508	18,852,529
Weighted average number of shares in issue used in dilutive earnings per share calculation	366,474,206	361,699,799	365,084,253
Diluted earnings per share	0.40p	0.66p	1.84p

Continuing operations	6 months to 30 April 2013 (unaudited) £000	6 months to 30 April 2012 (unaudited) £000	12 months to 31 October 2012 (audited) £000
Profit for the period	1,507	2,326	6,741
Basic earnings per share			
Weighted average number of shares in issue	348,303,384	345,262,291	346,231,724
Basic earnings per share	0.43p	0.67p	1.95p
Diluted earnings per share			
Weighted average number of shares in issue used in basic earnings per share calculation	348,303,384	345,262,291	346,231,724
Dilutive share options	18,170,822	16,437,508	18,852,529
Weighted average number of shares in issue used in dilutive earnings per share calculation	366,474,206	361,699,799	365,084,253
Diluted earnings per share	0.41p	0.64p	1.85p

Notes to the Interim Consolidated Financial Statements continued

For the six months ended 30 April 2013

5. EARNINGS PER SHARE CONTINUED

Discontinued operations	6 months to 30 April 2013 (unaudited) £000	6 months to 30 April 2012 (unaudited) £000	12 months to 31 October 2012 (audited) £000
(Loss)/profit for the period	(52)	58	(36)
Basic earnings per share			
Weighted average number of shares in issue	348,303,384	345,262,291	346,231,724
Basic earnings per share	(0.01p)	0.02p	(0.01p)
Diluted earnings per share			
Weighted average number of shares in issue used in basic earnings per share calculation	348,303,384	345,262,291	346,231,724
Dilutive share options	18,170,822	16,437,508	18,852,529
Weighted average number of shares in issue used in dilutive earnings per share calculation	366,474,206	361,699,799	365,084,253
Diluted earnings per share	(0.01p)	0.02p	(0.01)p

Adjusted earnings per share

	6 months to 30 April 2013 (unaudited) £000	6 months to 30 April 2012 (unaudited) £000	12 months to 31 October 2012 (audited) £000
Profit for the period	1,455	2,385	6,705
Adjusting items:			
Share option costs	328	268	731
Restructuring costs	88	318	464
Amortisation	2,728	2,297	4,618
Impairment	457	–	1,018
Corporate finance costs	(764)	896	1,109
Taxation on above items	(723)	(692)	(1,395)
Adjusted profit for the period	3,569	5,472	13,250
Adjusted basic earnings per share	1.02p	1.58p	3.83p
Adjusted diluted earnings per share	0.97p	1.51p	3.63p

6. DIVIDENDS

During the period a dividend was paid in respect of the year ended 31 October 2012 of 0.40p per Ordinary share at a total cost of £1,393,000 (2011: 0.36p, £1,245,000).

A dividend of 0.30p per ordinary share at a total cost of £1,045,000 has been proposed in respect of the interim period ended 30 April 2013 (H1 2012: 0.275p, £952,000).

7. ACQUISITIONS

Artesys International

On 9 April 2013 the Group acquired the entire share capital of Artesys International for a total consideration of €2.4m (£2.1m) in cash. Artesys International provides engineering document control solutions and applications supporting the efficient and safe operation of processing plants. Opidis, an intelligent P&ID and 3D Plant model navigation tool is used by over 8,000 engineering operations and maintenance professionals to locate validated plant documents and data. The acquisition of Artesys International adds extended geographic coverage in Europe, Africa and the Middle East and a complimentary portfolio of products, customers, professional services and industry partners to the Group.

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

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets	985	(298)	687
Property, plant and equipment	60	–	60
Trade receivables	1,008	–	1,008
Corporation tax	18	–	18
Other receivables	226	–	226
Cash at bank	285	–	285
TOTAL ASSETS	2,582	(298)	2,284
Trade payables	(149)	–	(149)
Provisions for liabilities and charges	(89)	–	(89)
Bank loans	(342)	–	(342)
Other creditors	(172)	–	(172)
Deferred income	(274)	–	(274)
Social security and other taxes	(352)	–	(352)
Deferred tax liability	–	(156)	(156)
TOTAL LIABILITIES	(1,378)	(156)	(1,534)
NET ASSETS			750
Purchased goodwill capitalised			1,314
Total consideration			2,064
Satisfied by:			
Cash to vendor			2,064
Earn out consideration			–
Total consideration			2,064

The fair values stated above are provisional. The fair value adjustment for the intangible assets relates to customer relationships, trade names and software. A related deferred tax liability has also been recorded as a fair value adjustment.

The fair value of trade debtors is equal to the gross contractual amounts receivable. All debts have been reviewed and are considered recoverable.

The revenue included in the consolidated interim statement of comprehensive income since 9 April 2013, contributed by Artesys was £79k. Artesys also made a loss of £51k for the same period. If Artesys had been included from 1 November, it would have contributed revenue of £1,081k and a loss after tax of £177k.

Acquisition costs of £24k have been written off in the consolidated interim statement of comprehensive income.

Notes to the Interim Consolidated Financial Statements continued

For the six months ended 30 April 2013

7. ACQUISITIONS CONTINUED

Innovation Connect (formerly trading as Currency Connect)

There has been an additional fair value adjustment in respect of the acquisition of Innovation Connect on 3 May 2012. Since 31 October 2012, management have aligned the company's revenue recognition policy with those of the Group. This change has meant that accrued income is now only recognised when performance obligations have been met and the right to receive the revenue can be measured reliably dependent upon the nature of the individual grant applications. This has resulted in an additional fair value adjustment which has reduced accrued income by £446k and increased goodwill by a corresponding amount. There will be no further fair value adjustments and all opening balances for Innovation Connect are now final.

Acquisition cash flows

Acquisition cash flows in the period are as follows:

	Net cash outflow £000
Deferred consideration paid on previous year acquisitions	
Grantfinder Limited	6
Interactive Dialogues BV	162
	168
Deferred consideration released on previous year acquisitions	
Opt2Vote Limited	800
Lalpac Limited	50
	850

Deferred consideration released on previous year acquisitions is disclosed within Corporate finance costs in the Consolidated Interim Statement of Comprehensive Income.

8. DISCONTINUED OPERATIONS

Discontinued operations relate to the recruitment business TFPL. The Board determined that TFPL would be actively sold and as a result the business has been reclassified as held for sale. TFPL is a separately identifiable operating segment and therefore has been reclassified as a discontinued operation for the period ended 30 April 2013 with assets and liabilities reallocated to be disclosed as held for sale.

Revenue and expenses, and gains and losses relating to the discontinuation of this activity have been removed from the results of continuing operations and are shown as a single line item on the face of the statement of comprehensive income ("net results from discontinued operations"). The operating results of the discontinued operation are as follows:

Operating activities of discontinued operations	6 months to 30 April 2013 £000	6 months to 30 April 2012 £000	12 months to 31 October 2012 £000
Revenue	965	1,420	2,521
Costs of sale	(483)	(648)	(1,210)
Depreciation and amortisation	(1)	(9)	(16)
Other operating expenses	(534)	(696)	(1,327)
Operating result	(53)	67	(32)
Finance costs	–	–	(4)
Result from discontinued operations before taxation	(53)	67	(36)
Tax expense	1	(9)	–
Net operating result from discontinued operations	(52)	58	(36)

9. DISPOSAL GROUP

The Directors have made the decision to sell the TFPL business, and the assets and liabilities relating to this business have been classified as a disposal group on the balance sheet.

The carrying amount of assets and liabilities in the disposal group may be analysed as follows:

Assets	6 months to 30 April 2013 £000
Goodwill	500
PPE	1
Trade and other receivables	347
Deferred tax asset	7
Cash & cash equivalents	135
Total assets of the disposal group	990

Liabilities	6 months to 30 April 2013 £000
Trade and other payables	83
Other liabilities	366
Current tax	–
Intercompany liabilities	369
Total liabilities of the disposal group	818

10. POST BALANCE SHEET EVENTS

The Board has agreed the terms of a sale of its recruitment business, TFPL, to ILX Group plc (AIM : ILX) for an initial consideration of £0.3m with potential additional consideration of up to £0.3m dependent on the business achieving certain performance targets in the 12 months following disposal. The sale is expected to complete in the near future on satisfaction of various completion conditions.

Independent Review Report to Idox plc

For the six months ended 30 April 2013

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 April 2013 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Balance Sheet, the Consolidated Interim Statement of Changes in Equity, the Consolidated Interim Statement of Cash Flows and the related notes. We have read the other information contained in the half yearly financial report which comprises only the highlights, Chairman's and Chief Executive's Statement and Chief Financial Officer's Review 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 guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a 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 conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

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 financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 2.

Our responsibility

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

Scope of review

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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half yearly financial report for the six months ended 30 April 2013 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

Grant Thornton UK LLP
Auditor
London
25 June 2013

Company Information

For the six months ended 30 April 2013

Secretary and Registered Office:	J Mackie 2nd Floor Chancery Exchange 10 Furnival Street London EC4A 1AB
Nominated Advisor & Joint Broker:	Investec Bank plc 2 Gresham Street London EC2V 7QP
Joint Broker:	finnCap 60 New Broad Street London EC2M 1JJ
Auditors:	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Corporate Solicitors:	Memery Crystal 44 Southampton Buildings London WC2A 1AP
Registrars:	Share Registrars Limited Suite E, 1st Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Company Registration Number:	3984070
Financial Calendar:	Announcement of 2013 Annual Report – December 2013

designed and produced by

FULTON
UNCOVERING CORPORATE CHARISMA
Brand | Literature | On-line | Reporting

www.fulton-design.co.uk

Idox plc

A 2nd Floor, Chancery Exchange,
10 Furnival Street, London EC4A 1AB
T +44 (0) 870 333 7101
F +44 (0) 870 333 7131
E investors@Idoxplc.com
www.Idoxplc.com