



**IDOX plc**

(formerly i-documentssystemsgroup plc)

**Annual Report & Accounts 2004**

## Company Information

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IDOX plc (IDOX) is an information and knowledge management company, specialising in the development and delivery of software products and people for information and knowledge sharing, recruitment and training of information professionals at all levels and consultancy services. IDOX operates within both the public and private sectors.

The Group's products and services are ideally suited to deliver on the modernising and efficiency government initiatives. Improving processes and procedures, often driven by legislation, is equally important in the private sector where the Group has a growing track record.

IDOX believes the market is fragmented in its delivery of knowledge and information management services. Bringing together the skills of information professionals, software developers and knowledge management consultants is invaluable in meeting current and future market demands. IDOX offers its clients a complete range of services to help them manage their internal and external information and knowledge in order to make better informed decisions, provide improved services to customers, increase efficiency and effectiveness and to ensure compliance with the increasing number of information and records regulations.

As an S-CAT provider and a G-CAT sub-contractor, the Group is party to the two main catalogue purchasing agreements for government.

IDOX's subsidiary, TFPL Limited (TFPL), provides an **Advisory** team that works with clients to help them develop innovative knowledge and information strategies and solutions to solve organisational challenges. The highly qualified team has extensive experience in all aspects of knowledge and information management including information audits, information architecture, web content management, records management and knowledge sharing.

The key to the success of any organisation is its **People**. Where information skills development is required within an organisation, IDOX can deliver training in a variety of formats to leaders and teams using TFPL's network of leading industry practitioners. If there is a gap identified with regard to skills and learning, the recruitment teams can place candidates of all levels into permanent, temporary, contract, interim management or executive positions.

External sources of information are critical for managers and staff to keep abreast of the latest thinking and best practice in their chosen discipline. The IDOX Information Service has been built up over 25 years and is believed to be the most comprehensive information service on public sector matters in the UK, including economic development, education, housing, planning, transport and social services. Around 500 journals and 100 other sources of material are sifted on a daily basis, both in hard copy and electronically, with the most useful and relevant **Content** being identified for extraction. The key information is then abstracted and recorded in a database for access by members. Uniquely, access to this service electronically is bundled with the software to complement and add capacity to in-house research and information gathering.

IDOX **Software** is an enterprise-wide information management suite. Developed over a period of more than 10 years, this product has a respected and established reputation in local government for managing paper and electronic records. IDOX Software has several modules designed to capture, manage, store, preserve and deliver information for use both within an organisation and for access externally - by the public, clients or other partners.

A unique example of the benefits that can be gained from bringing information and software together is the UKPlanning **Managed Service**. This is the UK's first interactive planning service; integrating information with software to facilitate the processing of both paper and online planning applications. The aim is to meet the many different information needs of citizens, the broader community and all those participating in the planning process. A citizen can submit and pay for an application online, comment on or track the progress of a neighbour's application or ask detailed questions about the planning process. This service reduces the administrative burden on the Council through the provision of a managed service that is specifically designed to save time and money, and improve the planning process.

Given the breadth of expertise, information and ideas within the Group, IDOX will continue to develop its proposition for delivering complete and integrated products and services.

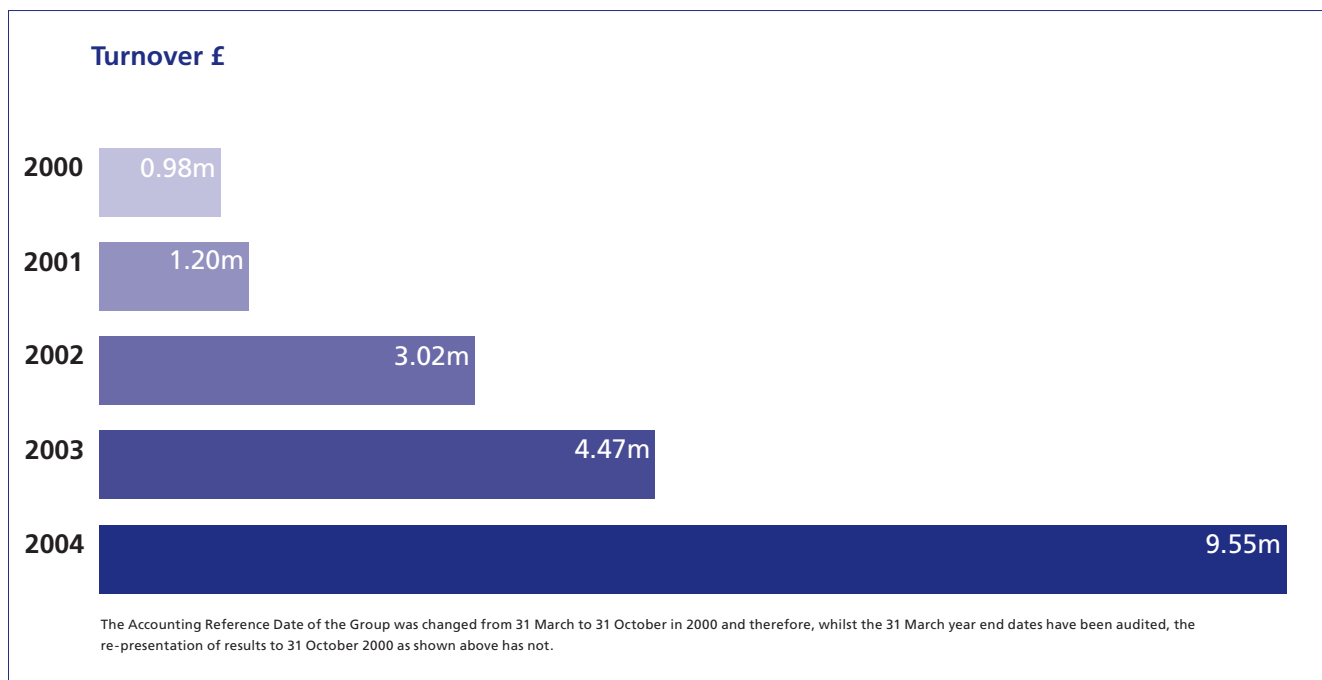
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## Highlights

For the year ended 31 October 2004

### Financial and Operating Highlights

- Turnover increased by 113% to £9.55 million (2003: £4.47 million)
- Moved into profitable trading, in line with projection
- Profit before tax £0.09 million (2003: loss of £0.59 million)
- Profit after tax of £0.38 million (2003: loss of £0.59 million)
- Cash of £2.79 million as at 31 October 2004 (2003: £2.65 million)
- Strengthened market position through additional products and services, new client wins and expansion within local authorities
- Successful acquisition and integration of TFPL Limited, enabling the delivery of a broader range of services to new and existing clients
- £2.30 million raised in May 2004 from new and existing shareholders.



## Contents

Highlights	1	Report of the Independent Auditors	11
Chairman's Statement	2	Consolidated Profit and Loss Account	12
Chief Executive's Report	3	Consolidated Balance Sheet	13
Board of Directors	6	Company Balance Sheet	14
Directors' Report	7	Consolidated Cash Flow Statement	15
Report on Remuneration	8	Notes to the Accounts	16
Corporate Governance Report	9		

## Chairman's Statement

For the year ended 31 October 2004

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I am pleased to announce the results for the year ended 31 October 2004. Overall the Group has achieved its first full year of pre-tax and after-tax profitability.

IDOX plc (IDOX) has achieved a successful transformation from a software development specialist to a comprehensive service company, focused on information and knowledge management provision, predominantly in the public sector. The Group now has a unique capability, offering clients an extensive range of knowledge, information and records management services through its advisory, people, content, software and managed services offerings. As a result we are winning projects which encompass our complete portfolio of services. I am pleased to report that IDOX's latest acquisition, TFPL Limited (TFPL), has been integrated within the Group and has proved highly successful with its revenues and profits exceeding our expectations.

IDOX is now positioned as a leading provider of information management software and services in the United Kingdom public sector. In addition, 13% of our revenues are now from the private sector. The Group's revenues for the financial year to 31 October 2004 increased by 113% to £9.55 million (2003: £4.47 million). Excluding the effect of the acquisition of TFPL half way through the year, the revenue growth rate was 43%.

The Group made a pre-tax profit of £0.09 million (2003: loss of £0.59 million) and recorded an after-tax profit of £0.38 million (2003: loss of £0.59 million). Cash reserves stood at £2.79 million as at 31 October 2004 compared with £2.65 million as at 31 October 2003. Ongoing discussions with the Inland Revenue, and the consequent uncertainty over the recoverability of a Research and Development tax credit of around £0.16 million in respect of the year ended 31 October 2003, means that the after-tax profit announced is less than it would have been had this tax credit been received, since we account for such credits on a cash basis. If we are successful in receiving all or part of this claim it will be accounted for in a later period.

Despite the lack of receipt of the tax credit, the Group has achieved results in line with expectations for the year. The balance of those revenues and the profitability between different business lines has changed in comparison with our expectations at the time of our acquisition of TFPL in May 2004. Our software business, while continuing to grow rapidly, has accounted for a lower share of revenues than expected, while our services business has accounted for a higher share. This trend has led us to revise the average margin that we expect in the next financial year, as there is a higher cost of sales in our services business than in our software business.

In line with our stated policy, earnings in the foreseeable future will be fully re-invested to finance the ongoing growth of the business. The Directors, therefore, do not recommend the payment of a dividend.

In May 2004, I informed the Board of my decision to step down as Non-Executive Chairman of the Group as soon as a suitable successor could be identified. This process is still underway and an announcement will be made in due course.

Finally, I would like to extend my sincere thanks to all our customers, shareholders, employees and suppliers who have all contributed greatly to our success and ability to grow in the 10 years that I have been Chairman of the Group.

**John Wisbey**

Chairman

10 December 2004

# Chief Executive's Report

For the year ended 31 October 2004

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## Financial Review

The Group's revenues increased from £4.47 million to £9.55 million, an increase of 113%, for the year ended 31 October 2004. The recorded profit after tax was £0.38 million. This equates to earnings per share of 0.23 pence (2003: loss of 0.42 pence). The Group recorded a pre-tax profit of £0.09 million for the year to 31 October 2004 against a loss of £0.59 million for the year to 31 October 2003. The gross margin for the period was 72%, down from 86% in 2003 as a result of different gross profit margins in newly acquired business streams. Net cash at 31 October 2004 amounted to £2.79 million (2003: £2.65 million). These results include 6 months trading for TFPL Limited (TFPL) which was acquired in May 2004. Turnover excluding TFPL grew 43% to £6.4 million. We are pleased to report that the Group traded profitably for 7 months out of the 12 month period under review.

## Acquisition

In May 2004, IDOX announced that it had agreed to acquire TFPL, a leading knowledge and information management consulting firm, for a consideration of up to £4 million. Of this amount approximately £2 million was paid (in cash and shares) upon completion, with the remainder being payable (in shares) contingent upon gross profit targets being met during the periods to 31 October 2006. Funding for the transaction was arranged via a placing of 23,000,000 ordinary shares of 1p each, raising £2.3 million before issue expenses, at a price of 10p per share.

## IDOX Product and Service Offerings

IDOX plc (IDOX) has evolved into a well-established, information and knowledge management company providing a wide spectrum of products and services. This has been achieved by blending the right skills, experience and brands. Originally selling document management software to the planning departments of local authorities, the Group has now considerably expanded both its client base and offerings. The Group's capability now includes advisory services, recruitment services and training, content provision, knowledge sharing, information and records management software and managed services for all sectors: public and private.

## Advisory

TFPL's advisory team works with clients in all areas of knowledge, information, library, records and web content management. In recent months they have helped many public sector clients prepare for the imminent implementation of the Freedom of Information Act (FoI) in January 2005 through information and records audits, strategy and process development, procedures and awareness seminars and training sessions. This is in addition to regular assignments assisting clients to develop information architectures, taxonomies and metadata for internal information systems, portals, websites and intranets.

## People

TFPL's recruitment services include executive search and the placement of permanent, interim management and contract personnel in all positions requiring knowledge, information, library, records or web content management skills and experience. Executive search clients have recently included universities, pharmaceutical companies and law firms. Senior interim management candidates have been placed in many public sector organisations, such as the Learning and Skills Council, HM Treasury and the Parliamentary and Health Services Ombudsman. Since its acquisition by IDOX, TFPL has won new clients in the local authority marketplace, for example, the London Borough of Ealing where we helped to define the requirements of a new knowledge and information unit, to draw up job specifications and to recruit the entire team.

TFPL's training team provides both open and in-house courses in all aspects of knowledge, information and records management. We also develop bespoke awareness and learning programmes for groups of clients. In recent months we have won a number of assignments to help local authorities to prepare for FoI by running awareness seminars across the organisation and providing targeted training programmes for the teams responsible for implementing the regulations.

## Content

The IDOX Information Service is used by central and local government, professional firms and organisations and is one of the foremost information providers on community, economic, environmental, and physical regeneration and development in the United Kingdom. This encompasses everything from forward planning and development control issues, to the e-Government and Modernisation Agenda, from enterprise development to lifelong learning, and from social inclusion issues to health and housing. In 2000, The British Library assessed our information as better than their own or that held by the former London Research Centre. This service complements and adds capacity to in-house research and information gathering.

## Software

IDOX Software focuses on the areas of electronic document and records management, online forms, workflow and web-based information capture and distribution. This suite of software was initially developed for the planning departments of local authorities but has been developed to meet the needs of other specialised departments and entire organisations. IDOX has recently established a partnership with planning and Geographical Information Systems (GIS) software vendor CAPS/ESRI, through which we have already won contracts with Stockton-on-Tees Borough Council, Bath and North East Somerset Council, and City of Bradford. This formal agreement strengthens our relationship with CAPS/ESRI which had previously led to five new local authority clients, prior to a formal agreement. IDOX has also extended its offering with CAPS/ESRI, with the provision of a solution to enable local authorities to better meet the requirements of the Licensing Act which comes into force on 7 February 2005.

Social Services departments will be a key focus for the coming year as pressure is placed on local authorities to deliver the Electronic Social Care Record. IDOX is well placed to take advantage of projected significant spend in this area as two IDOX Software systems have already been implemented within Social Services departments in the United Kingdom.

## Chief Executive's Report (continued)

For the year ended 31 October 2004

Increasingly, there has been a demand for the software product outside the local authority marketplace, with other vendors and major consulting firms expressing interest. The Group is looking to further expand its offering into these areas, giving it greater opportunity and a stronger and more diverse client base.

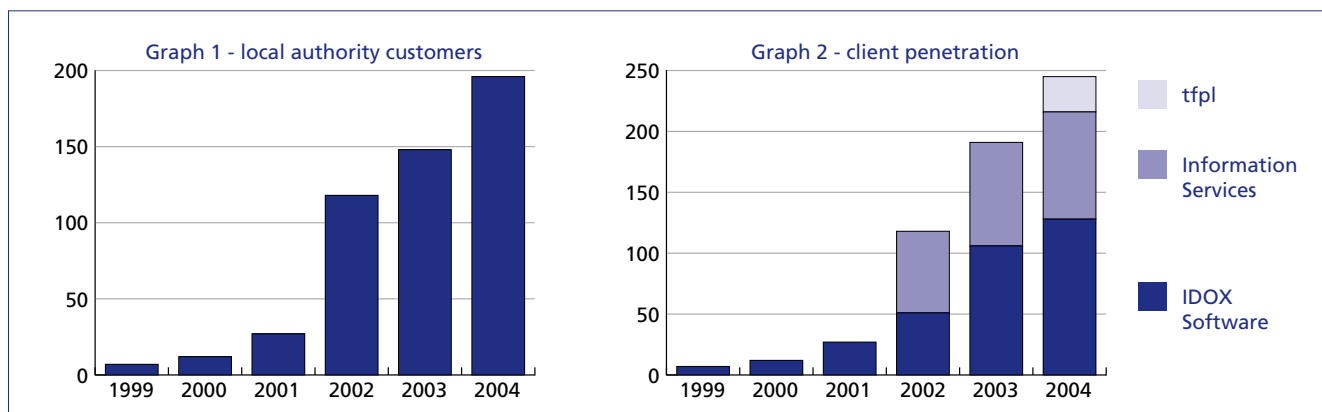
The FoI Act implementation deadline is 1 January 2005. From this date, members of the public will be able to request records from public bodies within a given timescale of 20 working days. IDOX has designed a programme of products and services that help local authorities and the wider public sector meet the deadline for FoI. It is apparent from research into the sector that most local authorities are not prepared and, even where departments have taken steps, corporate implementations are scarce. Although the deadline is the start of the year, it is clear that there is scope for selling the FoI programme well into 2005.

### Managed Services

IDOX's Managed Services expertise has grown by working in partnership with our local authority clients. The public sector recognises that it is not realistic to undertake certain tasks within the organisation - especially when resources are in short supply. UKPlanning is designed to provide Planning & Building Control departments with an efficient means of realising e-Government targets quickly, whilst taking the stress and risk out of administering applications, both on and offline. IDOX hosts planning portals for 16 councils including Wandsworth Council, Aberdeenshire County Council, Ashford Borough Council, London Borough of Richmond-upon-Thames and Hastings Borough Council. Planning applications are scanned and indexed using IDOX Software and displayed on the councils' websites, and on the UKPlanning website, for public review and comment. Applications can also be made online. As part of this managed service, access to the IDOX Information Service is provided.

### Contract Wins

IDOX continued to increase its market share with 21 new local authority software clients contracted since October 2003. In the four years since flotation (see Graph 1) the Group has continued to strengthen its presence and develop business relationships with 196 local authorities from a total of 468. With representation in more than 40% of local authorities, IDOX is a significant supplier. Recent acquisitions have increased our penetration of the local authority market. Graph 2 illustrates the different business units' client penetration, some of which overlap within the same client. The traditional software business has continued its growth trend within this sector.



### Market Place and Market Dynamics

The market for local authority software solutions continues to grow, especially with the implementation deadline for e-Government initiatives and the implications of FoI. IDOX is ideally positioned as an established supplier providing information management services and software.

The average time taken by councils to evaluate tenders continues to increase due to volume and responses. Although the delay in decision-making does have some impact on the Group, we continue to believe that we are well-placed to gain significant additional contracts from the remainder of the United Kingdom local authorities, as well as additional business from existing local authority customers.

The importance of the local authority market is still very significant for IDOX, however the acquisitions have broadened our client base and will help us to have less reliance on a single market sector.

With 39% of our revenue being derived from the Public Sector (other than local authorities) we believe we have strong potential to continue to expand in this market. This will be assisted by the successful approval of our Records Management software product by The National Archives, anticipated in the first half of the new financial year, and the requirement for an FoI solution in all public sector departments.

### Product and Service Development

With the acquisition of IDOX Information Services Limited (previously The Planning Exchange), Nettgain Solutions Limited (known as Mandoforms) and TFPL Limited successfully completed and integrated, IDOX offers a range of products and services to provide for the comprehensive assessment of a client's information and knowledge management requirements and to implement them.

## Chief Executive's Report (continued)

For the year ended 31 October 2004

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A noticeable transformation has been in the 'intellectual' capability of the company to generate creative practical solutions from current product developments, and thus take advantage of market opportunities quickly. This is evidenced through the concept of joining Mandoforms and IDOX Software, which has delivered a product ideally suited to managing the requests for information from the public and thus assisting with the challenges of Fol. Discussions with partners and resellers have also given us encouragement that exploiting our products in other markets through such channels is possible.

The exploitation of existing relationships in the private sector and wider public sector markets are opportunities which will have a significant positive impact on the business.

### Recent Developments

In the last 6 months the company changed its name from i-documentsystems group plc to IDOX plc. This change reflected the continuing evolution of the company from a single service provider of document management software to a full service provider. Known informally throughout the marketplace as "IDOX", the new name represented the ideal choice to retain client loyalty and maintain market recognition.

In September 2004 IDOX moved its London team into the same building as TFPL. This co-location has enabled further integration and the development of closer working relationships between the operating teams. This has already led to new cross-selling opportunities which will continue as we move forward.

### Personnel

The Group's employees totalled 140 at 31 October 2004, compared with 94 at 31 October 2003. The Group now possesses a team and infrastructure capable of delivering and managing rapid business growth. The anticipated higher revenue flows can be accommodated within a stable cost base.

In addition to a team of over 30 of the United Kingdom's most experienced knowledge and information consultants, TFPL also has access to over 100 interim managers, 50 trainers and over 600 specialist contract staff who have an extensive range of information skills and experience.

As an Investor in People company, we continue to focus on human resources and the development and training of all our personnel. In 2005 we are planning a company-wide management and leadership programme.

In recent months we have been actively looking for a suitable replacement for John Wisbey in his capacity as Chairman. This has been a considerable task and we are very grateful for John's continued support throughout this process.

### Strategy and Outlook

As a Group we now have the capability to deliver an integrated range of sophisticated information and knowledge management products and services to the public and private sector.

We have an established expertise and presence in the local authority market and we will continue to develop our strengths in this market, fostering new and deeper relationships with local authority clients. We anticipate significant revenues from this area. Through our acquisitions and product development, we have a growing presence in the wider public sector and also in the private and not-for-profit sectors. We plan to remain active in these sectors and to look for opportunities to win new business where appropriate; in particular in the area of managed services.

We will continue to strengthen our partnership arrangements, and seek opportunities that will allow us to gain further market penetration in areas where the Group has limited skill and reference ability.

The Group believes that a combination of: **software** designed to manage the unstructured data for organisations; the delivery of strategic **content** through the same software user interface; and the supply of **specialist information skills** and resources to assist or provide the day to day management of content for organisations is a unique proposition. We aim to reduce the cost of processing information and increase the consistency and reliability of the content to help organisations make more informed and intelligent decisions. This combination is gaining some early acceptance though it will take time to develop and build credibility; but it should deliver larger longer term contracts.

The organic business has continued to grow as IDOX gains market share through winning new business. The Group will continue to seek to increase its market share, revenue and profitability through organic growth and appropriate accretive acquisitions. We believe that IDOX is strongly positioned with a clear strategy to continue its success and we remain optimistic about future growth plans.

**Andrew Fraser**  
Chief Executive  
10 December 2004

## Board of Directors

For the year ended 31 October 2004

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### **Non-Executive Chairman: John Wisbey (Aged 48)**

John Wisbey has been Chairman of IDOX since its formation in 1994. He is also Chairman and Group CEO of Lombard Risk Management plc, the holding company of a group he founded in 1988. He was previously employed by Kleinwort Benson in various commercial banking and trading positions that included being head of option trading and a Director of the Swaps Group of Kleinwort Benson Securities.



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### **Chief Executive Officer: Andrew Fraser (Aged 47)**

Andrew Fraser was appointed CEO of IDOX early in 1999. He has held senior sales and marketing positions with a number of multinational blue-chip IT companies including Wang, Unisys and Honeywell. Andrew has considerable IT knowledge and experience, having been involved in information technology since the 1970s.



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### **Chief Financial Officer & Chief Operating Officer: Tim Bowen (Aged 40)**

Tim Bowen joined IDOX in June 2000 and is responsible for the finance and operational functions within the Group. Tim has held Board positions in fast growing IT service related businesses (public and private) since 1995. He is a graduate of Accounting and Financial Management and a Fellow of the Chartered Institute of Management Accountants.



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### **Non-Executive Director: Christopher Wright (Aged 47)**

Christopher Wright was Global Head of Dresdner Kleinwort Capital (1995-2002) and subsequently Senior Adviser to Allianz Private Equity until June 2003. He is now a Director of Merifin Capital and Advisory Director of Campbell Lutyens and Co. He is also a Non-Executive Director of Lombard Risk Management plc, Roper Industries Inc and other public and private companies in the USA and elsewhere.



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### **Non-Executive Director: Rt. Hon. Peter Lilley MP (Aged 61)**

Peter Lilley, MP for Hitchin and Harpenden, held two major cabinet posts in the last Conservative Government. He was Parliamentary Private Secretary to Ministers for Local Government from 1983-84. He was appointed Secretary of State for Trade and Industry from 1990-92, becoming Secretary of State for Social Security from 1992-97. He was previously a Director of Greenwell Montagu Limited. He is currently a Non-Executive Director of JP Morgan Flemings Claverhouse Investment Trust and a Member of the Advisory Board of the School of Management at the University of Southampton.



# Directors' Report

For the year ended 31 October 2004

The Directors are pleased to submit their report and audited accounts for the year ended 31 October 2004.

## Principal Activities and Review of Business

The Company is a holding company. The principal activities of the Group are the development and supply of information and knowledge management products and services. A more detailed review of the business can be found in the Chairman's Statement and Chief Executive's Report on pages 2 to 5.

## Results and Dividends

The audited accounts for the year ended 31 October 2004 are set out on pages 12 to 28. The Group's profit for the year after tax amounted to £381,000 (2003: loss £595,000). The Directors do not propose a dividend for the year.

## Directors and their Interests

The Directors who served during the year and their beneficial interests in the Company's ordinary share capital were as follows:

	31 October 2004	1 November 2003
J M Wisbey*	16,918,212	26,918,212
A G Fraser	14,688,300	14,655,300
T J E Bowen	2,334,000	2,300,000
C Wright	222,222	222,222
Rt. Hon. P B Lilley MP	33,000	Nil

\*11,266,666 of these shares are held in a trust in which John Wisbey is a beneficiary and 5,601,546 are held by Lombard Risk Management plc, a company in which John Wisbey has a major shareholding.

In addition to the shareholdings listed above, Tim Bowen and Andrew Fraser have been granted options over ordinary shares. Full details of these options are given in the Report on Remuneration on page 8.

In accordance with the articles of association, Tim Bowen and Christopher Wright retired by rotation and were re-elected at the Annual General Meeting held on 18 March 2004. Andrew Fraser and Peter Lilley are due to retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

Details of the Directors' service contracts can be found in the Report on Remuneration on page 8.

## Charitable and Political Donations

The Group made charitable donations of £1,000 and no political donations during the year (2003: nil).

## Payment of Creditors

It is the Group's practice to agree credit terms with all suppliers and to pay all approved invoices within these agreed terms. The average trade creditor days for the year was 39 days (2003: 41 days).

## Substantial Shareholdings

As at 28 November 2004 the Company was aware of the following interests in 3% or more of its issued share capital:

Shareholder	Number of shares	% Holding
A G Fraser	14,688,300	8.07
Herald Investment Trust plc	14,666,667	8.06
Baronsmead VCTs	13,337,334	7.33
Advanced Technology Trust	11,266,666	6.19
Lion Trust	11,275,000	6.19
Invesco Perpetual Smaller Company Core Fund	7,500,000	4.12
Merifin Capital N.V.	6,520,833	3.58
Nova Capital Management	6,366,667	3.50
Singer and Friedlander Investment Management	6,125,188	3.36
Lombard Risk Management plc	5,601,546	3.08

## Health, Safety and Environmental Policies

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

## Employee Consultation

The policy of informing and consulting with employees is maintained by means of regular team briefs and meetings as well as a monthly update report. Employees are encouraged to present their views and suggestions in respect of the Group's performance. In addition, the Group has an intranet which facilitates faster and more effective communication.

## Post Balance Sheet Events

No circumstances have arisen since the balance sheet date in respect of matters which would require adjustment or disclosure in the accounts.

## Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the Directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

A resolution to reappoint Grant Thornton UK LLP as auditors and to authorise the Directors to agree their remuneration will be placed before the forthcoming Annual General Meeting of the Company.

## By order of the Board

John McNicol  
Company Secretary  
10 December 2004

## Registered office

17-18 Britton Street  
London  
EC1M 5TL

# Report on Remuneration

For the year ended 31 October 2004

## Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises the Non-Executive Chairman and the two other Non-Executive Directors. It is chaired by Peter Lilley.

## Remuneration Policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key staff. The packages are designed to be competitive in value to those offered to the Directors of similar sized public companies in related sectors.

The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions and benefits in kind. The benefits include car allowance, private medical cover, life cover and critical illness cover. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee. The criteria include targets for turnover and profits as well as for cash balances. Included in bonuses paid to Andrew Fraser and Tim Bowen were amounts of £20,000 each which were awarded in respect of the acquisition of TFPL Limited and the share placing in May 2004.

## Directors' Remuneration

	Salary £000	Bonus £000	Benefits £000	Total 2004 £000	Total 2003 £000	Pension 2004 £000	Pension 2003 £000
<b>Executive Directors</b>							
Andrew Fraser	118	40	11	169	182	4	4
Tim Bowen	98	40	11	149	170	3	3
<b>Non Executive Directors</b>							
John Wisbey	33	-	-	33	33	-	-
Ian Peacock*	-	-	-	-	4	-	-
Christopher Wright	16	-	-	16	16	-	-
Peter Lilley	16	-	-	16	17	-	-
	<u>281</u>	<u>80</u>	<u>22</u>	<u>383</u>	<u>422</u>	<u>7</u>	<u>7</u>

\* resigned 31 January 2003

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

## Non-Executive Directors

The Board, based on a recommendation by the Non-Executive Chairman or, in the case of the Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors. The Non-Executive Directors are not eligible to join the pension scheme.

## Service Contracts

The Executive Directors have entered into service contracts with the Group that are terminable by either party on not less than six months prior notice.

## Share Options

The Directors believe it is important to incentivise key management and employees. Due principally to the forthcoming International Accounting Standards, it is less likely that IDOX will issue further share options and the Directors are actively reviewing the effectiveness of alternative incentive schemes.

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

Director	At start of year	Granted during the year	Exercised	At end of year	Exercise price	Exercise date From	Exercise date To
Tim Bowen	1,500,000	-	-	1,500,000	12.75p	Nov 2001	Jun 2010
Tim Bowen	500,000	-	-	500,000	11p	Apr 2004	Oct 2012
Andrew Fraser	500,000	-	-	500,000	11p	Apr 2004	Oct 2012
Tim Bowen	-	5,000,000	-	5,000,000	10p	Sep 2004	May 2014

The mid market price of the Company's shares at close of business on 31 October 2004 was 11.5p and the high and low share prices during the year were 13.5p and 8.5p respectively.

## Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 7.

# Corporate Governance Report

For the year ended 31 October 2004

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## Combined Code

The Group is committed to applying the highest principles of corporate governance commensurate with its size. The Group complies with the principles of the Combined Code 1998 annexed to the Listing Rules of the FSA except in relation to:

- Code provision A.2.1 and A.3.2 whereby given the small size of the Board, the Group has not identified a senior independent Non-Executive Director
- Code provision B.2.1 whereby given the small size of the Board the Remuneration Committee be comprised of independent Non-Executive Directors
- Code provision D.3.1 whereby given the small size of the Board the Audit Committee comprises two Non-Executives rather than three as recommended.

The Board is reviewing the new Combined Code and will report on compliance next year.

## Internal Controls

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially of financial control, can only provide reasonable, not absolute, assurance that no material loss or misstatement has occurred.

The key features of the system of internal control are set out below:

- IDOX plc has established an operational management structure with clearly defined responsibilities and regular performance reviews
- The Group operates a financial reporting system, where actual results are monitored against budgets, forecasts and other performance indicators with action dictated accordingly at least monthly
- A structured approval process based on assessment of risk and value delivered
- Sufficient resource is focused to maintain and develop internal control procedures and information systems, especially in financial management
- The Group has an ongoing process for identifying, evaluating and managing the significant risks that it faces. This process has been in place for the year and is periodically reviewed by the Board.

The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties which need

to be disclosed in the accounts. The Board has considered the need for an internal audit function and concluded that there is no current need for such a function within the Group. Following publication of Internal Control: Guidance for Directors on the Combined Code (the "Turnbull Guidance"), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board and is consistent with the Turnbull Guidance.

## Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with United Kingdom company law. They are also responsible for ensuring that the Annual Report includes information required by the AIM Market Rules.

The maintenance and integrity of the Group's web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the accounts since they were initially presented on the web site.

## Corporate Governance Report (continued)

For the year ended 31 October 2004

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Legislation in the United Kingdom governing the preparation and the dissemination of the accounts and other information included in annual reports may differ from legislation in other jurisdictions.

### Accounting Policies

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies and estimation techniques are appropriate in particular in relation to income recognition, research and development and deferred expenses.

The Board has commenced work on the implementation of International Financial Reporting Standards, in accordance with the European Union requirements. A fuller statement regarding their adoption will be included in next year's Annual Report and Accounts.

### Board of Directors

The Board, comprising two Executive Directors, a Non-Executive Chairman and two Non-Executive Directors, is responsible for the overall strategy and direction of IDOX plc as well as for approving potential acquisitions, major capital expenditure items and financing matters. The Board has a formal schedule of business reserved to it and meets regularly during the year. The Board is supplied in a timely manner with information in a form and of a suitable quality appropriate to enable it to discharge its duties. Advice from independent sources is available if required. The Board monitors exposure to key business risks and reviews the strategic direction of the Group, the annual budgets as well as their progress against those budgets.

The Board members and their roles are described on page 6. The Executive Directors have service contracts which are terminable upon six month's notice. In accordance with the Company's Articles of Association, one third of the Directors are required to retire by rotation at the Annual General Meeting.

### Shareholder Relations

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

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

IDOX plc strives to give a full, timely and realistic assessment of its business in a balanced way, in all price-sensitive reports and presentations.

### Audit Committee

The Audit Committee is formally constituted with terms of reference. The Committee is chaired by Christopher Wright, who is a Non-Executive Director, and the other member is John Wisbey who is Non-Executive Chairman of the Group. The Committee meets at least three times a year and receives reports from the Group's auditors. The Committee also reviews the interim and final accounts prior to approval by the Board. Additionally the Committee also ensures the independence and objectivity of the external auditors and also reviews the provision of non-audit services by external auditors.

### The Nomination Committee

The Nomination Committee is chaired by Peter Lilley and comprises all Non-Executive Directors.

### The Remuneration Committee

The Remuneration Committee is chaired by Peter Lilley and comprises all Non-Executive Directors. This Committee determines the remuneration and benefits packages for the Executive Directors and any changes to their service contracts. The Committee also approves any share related incentive schemes within the Group.

### Going Concern

The Directors have reviewed the Group's budget and cash flows for 2005 and the medium term plan produced to the year 2006 and are satisfied that it is appropriate to prepare the accounts on a going concern basis.

# Report of the Independent Auditors

to the members of IDOX plc

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We have audited the financial statements of IDOX plc for the year ended 31 October 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report, including the Corporate Governance Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Report, the Report on Remuneration and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

## Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 October 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LONDON  
10 December 2004

## Consolidated Profit and Loss Account

For the year ended 31 October 2004

	Note	2004 £000	2003 £000
<b>Turnover</b>			
Continuing		6,403	4,472
Acquisitions		3,152	-
	2	<u>9,555</u>	<u>4,472</u>
External charges			
Continuing		(836)	(611)
Acquisitions		(1,800)	-
		<u>(2,636)</u>	<u>(611)</u>
Staff costs			
Continuing		(4,065)	(3,224)
Acquisitions		(713)	-
	4	<u>(4,778)</u>	<u>(3,224)</u>
Other operating charges			
Continuing		(1,667)	(1,306)
Acquisitions		(467)	-
		<u>(2,134)</u>	<u>(1,306)</u>
<b>Operating profit/(loss)</b>			
Continuing		(165)	(669)
Acquisitions		172	-
	3	<u>7</u>	<u>(669)</u>
Interest receivable			
		<u>82</u>	<u>74</u>
<b>Profit/(loss) on ordinary activities before taxation</b>			
		89	(595)
Tax on profit/(loss) on ordinary activities			
	5	<u>292</u>	<u>-</u>
<b>Profit/(loss) for the period transferred to/(from) reserves</b>			
	16	<u>381</u>	<u>(595)</u>
<b>Profit/(loss) per share (pence)</b>			
	7	0.23p	(0.42)p

All operations are attributable to continuing operations.

There are no recognised gains or losses other than those set out above.

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

## Consolidated Balance Sheet

At 31 October 2004

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible assets	8	5,265	1,703
Tangible assets	9	247	256
		<u>5,512</u>	<u>1,959</u>
<b>Current assets</b>			
Debtors	11	3,312	1,531
Cash at bank and in hand		2,797	2,647
		<u>6,109</u>	<u>4,178</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,266)</u>	<u>(2,841)</u>
<b>Net current assets</b>		<u>2,843</u>	<u>1,337</u>
<b>Total assets less current liabilities</b>		8,355	3,296
<b>Creditors: amounts falling due after more than one year</b>	13	(20)	(30)
<b>Net assets</b>		<u>8,335</u>	<u>3,266</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,821	1,537
Capital redemption reserve	16	1,112	1,112
Share premium account	16	7,614	5,159
Shares to be issued	16	2,000	-
Other reserves	16	1,294	1,294
ESOP trust	16	(79)	(28)
Profit and loss account	16	(5,427)	(5,808)
<b>Shareholders' funds</b>	16	<u>8,335</u>	<u>3,266</u>

The accounts were approved by the Board of Directors on 10 December 2004.

Andrew Fraser  
Chief Executive Officer

Tim Bowen  
Chief Financial Officer &  
Chief Operating Officer

The ESOP trust, as stated in the accounting policy note, under basis of preparation has been restated for the prior year in accordance with the newly issued UITF 38.

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

# Company Balance Sheet

At 31 October 2004

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Investments	10	7,200	2,386
<b>Current assets</b>			
Debtors due after more than one year	11	5,396	5,471
<b>Creditors: amounts falling due within one year</b>	12	-	-
<b>Net current assets</b>		<u>5,396</u>	<u>5,471</u>
<b>Total assets less current liabilities</b>		<u>12,596</u>	<u>7,857</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,821	1,537
Capital redemption reserve	16	1,112	1,112
Share premium account	16	7,614	5,159
Shares to be issued	16	2,000	-
Profit and loss account	16	<u>49</u>	<u>49</u>
<b>Shareholders' funds</b>	16	<u>12,596</u>	<u>7,857</u>

The accounts were approved by the Board of Directors on 10 December 2004.

Andrew Fraser  
Chief Executive Officer

Tim Bowen  
Chief Financial Officer &  
Chief Operating Officer

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



## Consolidated Cash Flow Statement

For the year ended 31 October 2004

	Note	2004 £000	2003 £000
<b>Net cash outflow from operating activities</b>	18	(801)	(624)
<b>Returns on investments and servicing of finance</b>			
Interest received		82	72
<b>Net cash inflow from returns on investments and servicing of finance</b>		82	72
<b>Tax credit received</b>		244	-
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(240)	(211)
Sale of tangible fixed assets		12	3
Purchase of investment (ESOP trust)		(51)	-
<b>Net cash outflow from capital expenditure and financial investment</b>		(279)	(208)
<b>Acquisitions</b>			
Purchase of companies during the year		(1,668)	(90)
Deferred consideration		(10)	-
Net cash balances acquired with the company		380	(230)
<b>Net cash outflow from acquisitions</b>		(1,298)	(320)
<b>Financing</b>			
Issue of shares		2,300	1,219
Costs for issue		(98)	(30)
<b>Net cash inflow from returns on investments and servicing of finance</b>		2,202	1,189
<b>Increase in cash</b>	19	150	109

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

# Notes to the Accounts

For the year ended 31 October 2004

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## 1 ACCOUNTING POLICIES

### Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The policies have remained unchanged from the previous period except for the reclassification of shares held in an employee share ownership plan. Under UITF 38, the shares in IDOX plc held by i-documentsystems Trustees Limited, which were previously included within investments, are now disclosed as a deduction to shareholders' funds. The previous year's figures have been restated to reflect this.

### Basis of Consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings (see note 10) drawn up to 31 October. The Group's subsidiary, i-documentsystems Limited, has been consolidated using merger accounting in accordance with FRS 6. All other acquisitions of subsidiaries are dealt with by the acquisition method of accounting. All inter-company balances and transactions are eliminated on consolidation.

### Turnover

Turnover represents the amounts receivable in respect of goods and services provided during the year, stated net of value added tax. Analysis of turnover by geographical market is not disclosed because in the opinion of the Directors the majority of the turnover arises in the United Kingdom and overseas sales are not material.

The Group derives its revenue streams from information management solutions and information management recruitment services. Information management solutions can be further analysed into software, content and managed services. Software revenue is recognised over the period of implementation. Maintenance revenue is spread over the period of the agreement, which is typically one year. Revenue derived from the provision of content is recognised over the life of the subscription, which is typically one year. Revenue from projects is recognised over the life of the project. Revenue from managed services is recognised on a usage basis as the service is performed.

Information management recruitment revenue from permanent placements is recognised in the month when the placement starts. Revenue from contract recruitment is recognised as the service is performed.

### Goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over a period of 10 years, being its estimated useful life.

### Tangible Fixed Assets and Depreciation

Depreciation is provided using the following rates and bases so as to write off the cost or valuation of tangible fixed assets over their expected useful lives. The rates generally applicable are:

Computer hardware	50% straight line
Computer software	100% straight line
Fixtures, fittings and equipment	25% straight line
Library books and journals	33 1/3% straight line
Motor vehicles	25% straight line

### Investments

Investments are included at cost less the amounts written off.

## Notes to the Accounts (continued)

For the year ended 31 October 2004

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### Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

### Contributions to Defined Contribution Pension Schemes

Contributions paid to private pension plans of certain employees are charged to the profit and loss account in the period in which they become payable. Contributions paid to the group personal pension plans of employees are charged to the profit and loss account in the period in which they become payable.

### Research and Development

Research and development costs are written off to the profit and loss account immediately.

### Financial Instruments

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

### Government Grants

Where government grants are received in respect of capital expenditure, these are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets when it is reasonably certain that they will not become repayable.

Where government grants are received in respect of revenue expenditure, these are credited to the profit and loss account in the same period as the related expenditure when it is reasonably certain that they will not become repayable.

### Operating Leases

Amounts paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 2 SEGMENTAL ANALYSIS

Turnover, operating profit and net assets by class of business are set out below:

	2004 Continuing £000	2004 Acquisitions £000	2003 Continuing £000	2003 Acquisitions £000
<b>Turnover</b>				
Information management solutions	6,403	739	4,472	-
Information management recruitment	-	2,413	-	-
	<u>6,403</u>	<u>3,152</u>	<u>4,472</u>	<u>-</u>
<b>Operating profit/(loss)</b>				
Information management solutions	14	97	(587)	-
Information management recruitment	-	275	-	-
	<u>14</u>	<u>372</u>	<u>(587)</u>	<u>-</u>
Goodwill amortisation	(179)	(200)	(82)	-
	<u>(165)</u>	<u>172</u>	<u>(669)</u>	<u>-</u>
<b>Net assets</b>				
Information management solutions	2,338	78	1,563	-
Information management recruitment	-	654	-	-
	<u>2,338</u>	<u>732</u>	<u>1,563</u>	<u>-</u>
Goodwill	1,490	3,775	1,703	-
	<u>3,828</u>	<u>4,507</u>	<u>3,266</u>	<u>-</u>

### 3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit/(loss) on ordinary activities is stated after charging:

	2004 £000	2003 £000
Auditors' remuneration:		
Audit services	35	28
Non-audit services (review of the interim report and tax advice)	12	8
Goodwill amortisation	379	82
Loss/(gain) on foreign exchange translation	5	-
Operating lease rentals – buildings	250	126
Research and development	1,184	1,051
Depreciation:		
Tangible fixed assets, owned	256	217
Loss/(profit) on disposal of fixed assets	1	(1)
and after crediting:		
Government grants	(67)	(266)

In addition, during the year the auditors provided services in connection with the acquisition of the share capital of TFPL Limited totalling £25,000. This amount was capitalised as part of the cost of acquiring the investment.

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2004	2003
	£000	£000
Wages and salaries	4,214	2,854
Social security costs	466	295
Pension costs	98	75
	<u>4,778</u>	<u>3,224</u>

The average number of employees of the Group during the year was 124 (2003: 86):

	2004	2003
	No	No
Office and administration (including Directors of the Company and its subsidiary undertakings)	22	15
Sales and marketing	27	16
Software development	22	17
Training	2	2
Support	13	11
Information services	35	25
Advisory	3	-
	<u>124</u>	<u>86</u>

Remuneration in respect of Directors was as follows:

	2004	2003
	£000	£000
Emoluments	383	422
Pension contributions	7	7
	<u>390</u>	<u>429</u>

Included within these amounts were bonuses of £40,000 which were awarded in respect of the acquisition of TFPL Limited and the share placing in May 2004.

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

	2004	2003
	£000	£000
Emoluments	169	182
Pension contributions	4	4
	<u>173</u>	<u>186</u>

Details of the remuneration for each Director are included in the Report on Remuneration which can be found on page 8 but which do not form part of the audited accounts.

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The tax credit is made up as follows:

	2004	2003
	£000	£000
Current tax		
UK corporation tax	(27)	-
Research and development tax credit	(244)	-
Total current tax	<u>(271)</u>	<u>-</u>
Deferred tax – origination and reversal of timing differences	(21)	-
Tax on profit/(loss) on ordinary activities	<u>(292)</u>	<u>-</u>

Unrelieved trading losses of £3,337,000 (2003: £4,493,000) which, when calculated at the standard rate of corporation tax in the United Kingdom of 30%, amounts to £1,001,000 (2003: £1,348,000). These remain available to offset against future taxable trading profits. During the year £1,514,000 of tax losses relating to prior periods (years ended 31 October 2001 and 31 October 2002) were surrendered in exchange for the research and development tax credit. The tax credits in relation to the year ended 31 October 2002 may be subject to claw back by the Inland Revenue but if this occurred 2/3 of the tax losses surrendered in respect of that year would be reinstated.

Factors affecting the tax credit in the period:

	2004	2003
	£000	£000
Profit/(loss) on ordinary activities before taxation	<u>89</u>	<u>(595)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30%	27	(178)
Effects of:		
Expenses not deductible for tax purposes	22	4
Depreciation in excess of capital allowances	72	23
Other timing differences	19	6
Difference in tax rates	(4)	-
Research and development tax credit	(244)	-
(Decrease)/increase in tax losses	<u>(163)</u>	<u>145</u>
	<u>(271)</u>	<u>-</u>

Total unrecognised deferred tax asset amounts to £1,110,000 (2003: £1,385,000). The Directors consider that it is unlikely that this deferred tax asset will crystallise in the foreseeable future.

### 6 PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was nil (2003: nil).

### 7 PROFIT/(LOSS) PER SHARE

The profit per ordinary share is calculated by reference to the profit/(loss) attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period, as follows:

	2004	2003
	£000	£000
Profit/(loss) for the year	381	(595)
Weighted average number of shares in issue	166,384,328	142,805,965
Profit/(loss) per share (pence)	0.23p	(0.42)p

The share options are anti dilutive under FRS 14.

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 8 INTANGIBLE FIXED ASSETS

The Group	Purchased goodwill £000
Cost	
At 1 November 2003	1,815
Additions	3,975
Adjustment	(34)
At 31 October 2004	<u>5,756</u>
Amortisation	
At 1 November 2003	112
Provided in the year	379
At 31 October 2004	<u>491</u>
Net book amount at 31 October 2004	<u>5,265</u>
Net book amount at 31 October 2003	<u>1,703</u>

The additions to purchased goodwill relate to the acquisition of TFPL Limited as set out in note 21. The adjustment to purchased goodwill relates to the acquisition of Nettgain Solutions Limited which took place during the year ending 31 October 2003.

### 9 TANGIBLE FIXED ASSETS

The Group	Computer hardware £000	Computer software £000	Fixtures, fittings and equipment £000	Library books and journals £000	Motor vehicles £000	Total £000
Cost						
At 1 November 2003	616	69	161	164	-	1,010
Assets of business acquired	44	-	75	-	20	139
Additions	101	40	34	65	-	240
Disposals	(3)	-	-	-	(20)	(23)
At 31 October 2004	<u>758</u>	<u>109</u>	<u>270</u>	<u>229</u>	<u>-</u>	<u>1,366</u>
Depreciation						
At 1 November 2003	495	55	98	106	-	754
Assets of business acquired	39	-	75	-	5	119
Provided in the year	140	38	31	44	3	256
Disposals	(2)	-	-	-	(8)	(10)
At 31 October 2004	<u>672</u>	<u>93</u>	<u>204</u>	<u>150</u>	<u>-</u>	<u>1,119</u>
Net book amount at 31 October 2004	<u>86</u>	<u>16</u>	<u>66</u>	<u>79</u>	<u>-</u>	<u>247</u>
Net book amount at 31 October 2003	<u>121</u>	<u>14</u>	<u>63</u>	<u>58</u>	<u>-</u>	<u>256</u>

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 10 INVESTMENTS

The Group

Investment in own shares are now disclosed as a deduction to shareholders' funds in accordance with UITF 38.

The Company	Shares in group undertakings £000
Cost	
At 1 November 2003	2,386
Additions	4,848
Adjustment	(34)
At 31 October 2004	<u>7,200</u>
Amounts written off	
At 1 November 2003 and 31 October 2004	<u>-</u>
Net book amount	
At 31 October 2004	<u>7,200</u>
At 31 October 2003	<u>2,386</u>

The Directors consider that the carrying values of the shares in the Group undertakings have not been impaired. The addition is in respect of the acquisition of TFPL Limited, and in respect of the acquisition of 643,669,000 new ordinary 0.1p shares in Nettgain Solutions Limited. The adjustment is a reduction in the investment of Nettgain Solutions Limited to reflect the previously capitalised earnout bonuses which were not paid. On 28 October 2004, the assets and liabilities of Nettgain Solutions Limited were transferred to i-documentssystem Limited. As of 29 October 2004, the business of Nettgain Limited has been incorporated into that of i-documentssystem Limited.

At 31 October 2004 the Company held more than 10% of the allotted share capital of the following companies:

	Country of registration	Class of share held	Proportion held	Nature of business
i-documentssystem Limited	England	Ordinary	100%	Software services
IDOX Information Services Limited	England	Ordinary	100%	Information services
IDOX Software Limited (formerly IDOX Limited)	England	Ordinary	100%	Dormant company
Information into Intelligence Limited	England	Ordinary	100%	Dormant company
The Planning Exchange Limited	England	Ordinary	100%	Dormant company
i-documentssystem Trustees Limited	England	Ordinary	100%	Corporate trustee of employee share ownership trust
Nettgain Solutions Limited	England	Ordinary	100%	Software services
Mandofoms Limited	England	Ordinary	100%	Dormant company
TFPL Limited	England	Ordinary	100%	Information services
Wastedocs Limited	Scotland	Ordinary	100%	Dormant company

All subsidiaries have been consolidated in the accounts.



## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 11 DEBTORS

	The Group 2004 £000	The Group 2003 £000	The Company 2004 £000	The Company 2003 £000
Trade debtors	3,062	1,368	-	-
Amounts owed by group undertakings	-	-	5,396	5,471
Deferred tax asset	15	-	-	-
Other debtors	100	8	-	-
Prepayments and accrued income	135	155	-	-
	<u>3,312</u>	<u>1,531</u>	<u>5,396</u>	<u>5,471</u>

Included in the above for the Company is £5,396,000 (2003: £5,471,000) which is due after more than one year. The Directors consider this loan to be recoverable.

### 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group 2004 £000	The Group 2003 £000	The Company 2004 £000	The Company 2003 £000
Trade creditors	417	400	-	-
Social security and other taxes	683	297	-	-
Other creditors	154	92	-	-
Deferred consideration	10	10	-	-
Accruals and deferred income	2,002	2,042	-	-
	<u>3,266</u>	<u>2,841</u>	<u>-</u>	<u>-</u>

Included in accruals and deferred income is £23,000 (2003: £91,000) of unamortised Government grants.

### 13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group 2004 £000	The Group 2003 £000	The Company 2004 £000	The Company 2003 £000
Deferred consideration	<u>20</u>	<u>30</u>	<u>-</u>	<u>-</u>

There is no interest payable on the deferred consideration.

### 14 FINANCIAL INSTRUMENTS

The Group does not trade in financial instruments. As permitted by FRS 13, short term debtors and creditors have been excluded from disclosures, other than the currency risk disclosures. The Group's objective in respect of financial instruments is to minimise risk through effective management of working capital, and placing surplus funds with major financial institutions.

#### Interest Rate Risk

	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets on which no interest is paid £000	Total financial assets £000
Sterling financial assets at 31 October 2004	<u>-</u>	<u>2,797</u>	<u>-</u>	<u>2,797</u>
Sterling financial assets at 31 October 2003	<u>-</u>	<u>2,647</u>	<u>-</u>	<u>2,647</u>

The benchmark interest rate for determining receipts for floating rate Sterling financial assets is the Bank of England base rate. Any funds over and above the current working capital requirements of the Group are invested in high interest deposit accounts.

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group has no financial liabilities other than short term creditors, accruals and deferred consideration.

### Currency Risk

There are no material net monetary assets or liabilities that are not denominated in Sterling. Fair values are not materially different from book values.

## 15 SHARE CAPITAL

	2004	2003
	£000	£000
Authorised:		
297,000,000 ordinary shares of 1p each	<u>2,970</u>	<u>2,970</u>
Allotted, called up and fully paid		
182,048,278 ordinary shares of 1p each (2003: 153,678,903)	<u>1,821</u>	<u>1,537</u>

### Movement in Issued Share Capital in the Year

On 12 May 2004, a total of 23,000,000 new ordinary 1p shares (New Ordinary Shares) were placed on behalf of the Company with new and existing institutional investors, at a price of 10p per share. The share issues were made to enable the Group to acquire TFPL Limited (see note 21) and to provide the Group with additional working capital. The difference between the total consideration of £2,300,000 and the total nominal value of £230,000 has been credited to the share premium account (£2,070,000). The New Ordinary Shares rank pari passu with the existing ordinary shares of the Company and represented 12.63 per cent of the enlarged issued share capital of the Company at that time. The new shares started trading on 12 May 2004 on the AIM Market of the London Stock Exchange.

On 18 May 2004, a total of 5,369,000 new ordinary 1p shares (New Ordinary Shares) were issued to the Vendors of TFPL Limited, at a price of 10p per share. This share issue was part of the initial consideration for the acquisition of TFPL Limited (see note 21). The difference between the total consideration of £537,000 and the total nominal value of £54,000 has been credited to the share premium account (£483,000). The New Ordinary Shares rank pari passu with the existing ordinary shares of the Company and represented 2.95 per cent of the enlarged issued share capital of the Company at that time. The new shares started trading on 18 May 2004 on the AIM Market of the London Stock Exchange.

### Share Options

Details of share options over 1p ordinary shares are as follows:

At start of year	Granted during year	Exercised	Lapsed in year	At end of year	Exercise price	Exercise date from	Exercise date to
1,500,000	-	-	-	1,500,000	12.75p	Nov 2001	Jun 2010
1,166,667	-	-	-	1,166,667	12.00p	Dec 2003	Dec 2013
1,666,667	-	-	-	1,666,667	12.00p	Jun 2002	Dec 2012
1,032,256	-	-	129,032	903,224	15.50p	Jul 2004	Jul 2014
1,032,258	-	-	-	1,032,258	15.50p	Jan 2003	Jul 2013
1,935,484	-	-	258,064	1,677,420	15.50p	Oct 2004	Feb 2015
2,727,273	-	-	-	2,727,273	11.00p	Apr 2004	Oct 2012
1,652,175	-	-	1,043,479	608,696	11.50p	Oct 2006	Oct 2016
-	1,463,415	-	975,610	487,805	10.25p	Oct 2006	Oct 2016
-	5,000,000	-	-	5,000,000	10.00p	Sep 2004	May 2014
<u>12,712,780</u>	<u>6,463,415</u>	<u>-</u>	<u>2,406,185</u>	<u>16,770,010</u>			

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 16 SHARE PREMIUM ACCOUNT AND RESERVES

	Issued share capital	Capital redemption reserve	Share premium account	Shares to be issued	Other reserves	ESOP trust	Profit and loss account	Total
The Group	£000	£000	£000	£000	£000	£000	£000	£000
At 1 November 2003	1,537	1,112	5,159	-	1,294	(28)	(5,808)	3,266
Additions	-	-	-	-	-	(51)	-	(51)
New shares issued	284	-	2,553	2,000	-	-	-	4,837
Costs for issue	-	-	(98)	-	-	-	-	(98)
Profit for the year	-	-	-	-	-	-	381	381
At 31 October 2004	<u>1,821</u>	<u>1,112</u>	<u>7,614</u>	<u>2,000</u>	<u>1,294</u>	<u>(79)</u>	<u>(5,427)</u>	<u>8,335</u>

	Issued share capital	Capital redemption reserve	Share premium account	Shares to be issued	Other reserves	ESOP trust	Profit and loss account	Total
The Company	£000	£000	£000	£000	£000	£000	£000	£000
At 1 November 2003	1,537	1,112	5,159	-	-	-	49	7,857
New shares issued	284	-	2,553	2,000	-	-	-	4,837
Costs for issue	-	-	(98)	-	-	-	-	(98)
Loss for the year	-	-	-	-	-	-	-	-
At 31 October 2004	<u>1,821</u>	<u>1,112</u>	<u>7,614</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>12,596</u>

The capital redemption reserve for the Group and the Company was created during 2003 when the entire deferred ordinary share capital was bought-in in exchange for one ordinary 1p share. Shares to be issued for the Group and the Company represents full provision for the amount payable in shares for the deferred contingent earnout consideration in respect of the acquisition of TFPL Limited. The ESOP trust relates to the shares in IDOX plc held by i-documentsystems Trustees Limited, which were previously included within Investments. Under UITF 38 this is now disclosed as a deduction to shareholders' funds. Other reserves relate to the issued share capital and share premium account in the Company's subsidiary undertaking, i-documentsystems Limited, and has been treated in accordance with FRS 6 under merger accounting.

### 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Profit/(loss) for the financial year	381	(595)
Additions to ESOP trust	(51)	-
Prior year adjustment – ESOP trust (see note 1)	-	(28)
Shares issued	2,739	1,189
Shares to be issued	2,000	-
Net increase in shareholders' funds	<u>5,069</u>	<u>566</u>
Shareholders' funds at 1 November 2003	<u>3,266</u>	<u>2,700</u>
Shareholders' funds at 31 October 2004	<u>8,335</u>	<u>3,266</u>

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 18 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£000	£000
Operating profit/(loss)	7	(669)
Depreciation	256	217
Goodwill amortisation	379	82
Goodwill adjustment	34	-
Loss/(profit) on sale of fixed assets	1	(1)
Increase in debtors	(739)	(218)
Decrease in creditors	(739)	(35)
Net cash outflow from operating activities	<u>(801)</u>	<u>(624)</u>

### 19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004	2003
	£000	£000
Increase in cash in the year, being movement in net funds in the year	150	109
Net funds at 1 November 2003	<u>2,647</u>	<u>2,538</u>
Net funds at 31 October 2004	<u>2,797</u>	<u>2,647</u>

### 20 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 November	Cash flow	At 31 October
	2003		2004
	£000	£000	£000
Cash in hand and at bank	<u>2,647</u>	<u>150</u>	<u>2,797</u>

### 21 ACQUISITIONS

On 12 May 2004 the Group acquired the entire share capital of TFPL Limited for £1,440,000 in cash, £537,000 in newly issued ordinary shares and £2,000,000 in deferred, contingent earnout shares to be issued as detailed below. The purchase of the share capital of TFPL Limited has been accounted for by the acquisition method of accounting.

The assets and liabilities of TFPL Limited acquired were as follows:

	Book value	Fair value adjustment	Accounting policy adjustment	Fair value
	£000	£000	£000	£000
Tangible assets	40	-	(20)	20
Current assets	-	-	-	-
Debtors	1,053	(53)	-	1,000
Bank and cash	380	-	-	380
Total assets	<u>1,473</u>	<u>(53)</u>	<u>(20)</u>	<u>1,400</u>
Creditors				
Trade creditors	202	-	-	202
Deferred income	17	2	-	19
Accruals	289	30	-	319
Other creditors	197	-	-	197
Taxation	433	-	-	433
Total liabilities	<u>1,138</u>	<u>32</u>	<u>-</u>	<u>1,170</u>
Total net assets	<u>335</u>	<u>(85)</u>	<u>(20)</u>	<u>230</u>
Goodwill				<u>3,975</u>
				<u>4,205</u>

## Notes to the Accounts (continued)

For the year ended 31 October 2004

	£000
Satisfied by:	
Cash consideration	1,440
Share consideration	537
Expenses arising from acquisition	228
Sub total	<u>2,205</u>
Deferred contingent earnout share consideration	<u>2,000</u>
	<u>4,205</u>

Fair value adjustments were made to the assets and liabilities of the company at the date of acquisition. Accounting policy adjustments were made for changing the depreciation rates to be brought into line with the Group's accounting policies. Included within the expenses arising from the acquisition are amounts payable to two of the Directors of IDOX plc which are disclosed in the Report on Remuneration.

The consideration in deferred contingent earnout shares is dependent on the Directors of TFPL Limited meeting gross profit targets during the period ending 31 October 2004, and the years ending 31 October 2005 and 31 October 2006. This has been accrued for in full.

The results of TFPL Limited have been consolidated with effect from 1 May 2004.

The results of TFPL Limited, based on TFPL Limited's accounting policies under UK GAAP prior to acquisition and excluding fair value adjustments arising from the acquisition for the year to 31 December 2003 and for the pre-acquisition period from 1 January 2004 to 30 April 2004, are shown below:

	4 month period to 30 April 2004	Year ended 31 December 2003
	£000	£000
Turnover	1,655	5,208
Operating profit	(2)	128
Profit on ordinary activities before taxation	(1)	134
Taxation	-	(35)
Dividends	(40)	(32)
Retained (loss)/profit	(41)	67

There were no recognised gains or losses other than those set out above.

The company acquired during the year made the following contribution to, and utilisation of, Group cash flow.

	2004
	£000
Cash at bank and in hand acquired	380
Returns on investment and servicing of finance	<u>3</u>
Increase in cash	<u>383</u>

Analysis of net cash outflow in respect of the company acquired:

	2004
	£000
Net cash outflow from operating activities	(175)
Expenses arising from acquisition	(228)
Cash consideration	<u>(1,440)</u>
	<u>(1,843)</u>

## Notes to the Accounts (continued)

For the year ended 31 October 2004

### 22 OPERATING LEASE COMMITMENTS

Operating lease payments amounting to £226,000 (2003: £159,000) are due within one year. The leases to which these relate, expire as follows:

	2004	2004	2003	2003
	Land & building	Plant & machinery	Land & building	Plant & machinery
	£000	£000	£000	£000
Less than one year	19	-	45	4
Between two and five years	140	-	41	2
Greater than five years	67	-	67	-
	<u>226</u>	<u>-</u>	<u>153</u>	<u>6</u>

### 23 CAPITAL COMMITMENTS

The Company had no material capital commitments at 31 October 2004 or 31 October 2003.

### 24 CONTINGENT LIABILITIES

The Company has agreed to provide continuing financial support to its subsidiary undertakings, i-documentsystems Limited and IDOX Information Services Limited. There were no material Group contingent liabilities at 31 October 2004 or 31 October 2003. The deferred contingent consideration for the acquisition of TFPL Limited has been provided for fully in the accounts.

### 25 PENSIONS

Contributions paid to a Group Personal Pension plan, to which all qualifying employees are entitled to join, are charged to the profit and loss account in the period in which they become payable.

### 26 TRANSACTIONS WITH RELATED PARTIES

The following amounts were re-charged to the Group by Lombard Risk Management plc and its subsidiaries:

	2004	2003
	£000	£000
Management and service charges	<u>-</u>	<u>44</u>

The balance owed to Lombard Risk Management plc and its subsidiaries at 31 October 2004 was nil (2003: nil).

John Wisbey and Christopher Wright are both Directors of Lombard Risk Management plc with John Wisbey being a major shareholder of that company. Furthermore, Lombard Risk Management plc also holds a substantial shareholding in the Company.

### 27 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

## Company Information

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<b>Directors:</b>	J M Wisbey A G Fraser T J E Bowen C Wright Rt. Hon. P B Lilley MP
<b>Secretary and Registered Office:</b>	D J McNicol 17-18 Britton Street London EC1M 5TL
<b>Nominated Advisor and Broker:</b>	Noble & Company Limited 120 Old Broad Street London EC2N 1AR
<b>Auditors:</b>	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
<b>Corporate Solicitors:</b>	Memery Crystal 44 Southampton Buildings London WC2A 1AP
<b>Registrars:</b>	Park Circus Registrars James Sellars House 2nd Floor, 144 West George Street Glasgow G2 2HG
<b>Public Relations:</b>	Cardew Group 12 Suffolk Street London SW1Y 4HG
<b>Company Registration Number:</b>	3984070

## Financial Calendar

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<b>Annual General Meeting:</b>	February 2005
<b>Announcement of 2005 Interim Results:</b>	June 2005
<b>Announcement of 2005 Final Results:</b>	December 2005

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