

2005

**IDOX plc**

Interim Report & Accounts 2005

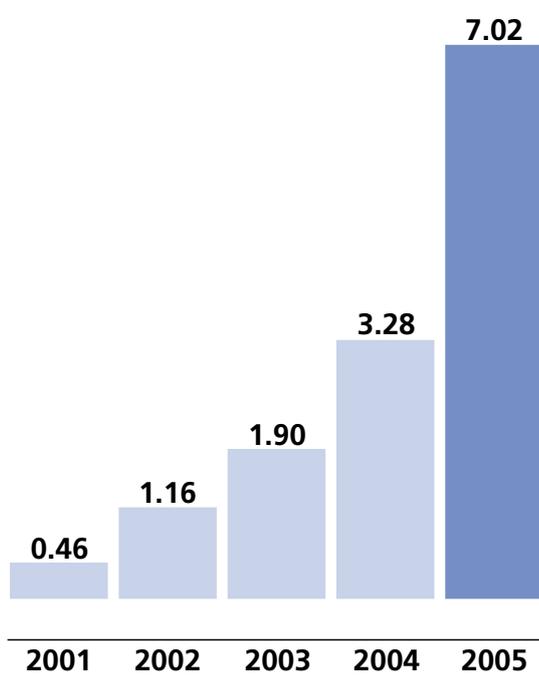
# Financial and Operational Highlights

For the six months ended 30 April 2005

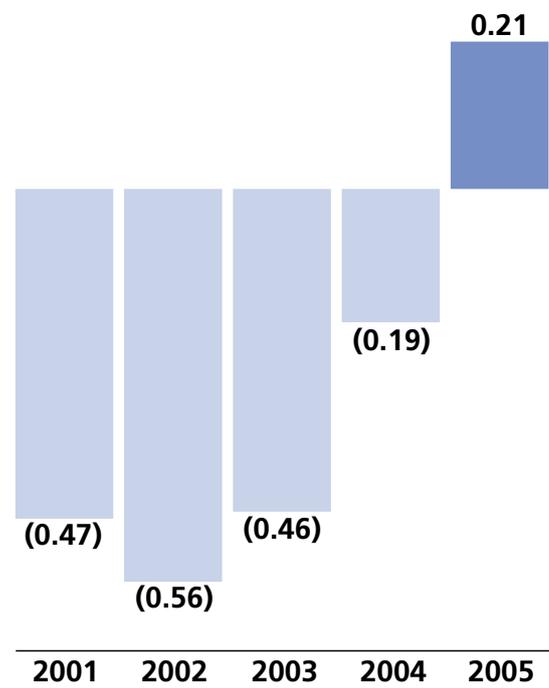
- **Turnover up 114% to £7.02m** (2004: £3.28m)
- **A £0.4m turnaround in profit before tax to £0.21m** (2004: loss £0.19m)
- **Cash up 54% to £3.72m** (2004: £2.41m)
- **Earnings per share rose to 0.12p** (2004: 0.03p)
- **Continued new client wins and successful expansion of services amongst existing client base**
- **We expect the Group's performance in the second half of the year to be in line with market expectations.**



Turnover (£m)\*



Profit/(loss) before tax (£m)\*



\*Unaudited per six month period to 30 April

# Chairman's Statement

For the six months ended 30 April 2005

I am pleased to report good progress for the first six months of the financial year, which puts us in a strong position for the remainder of this year to meet market expectations.

Our efforts in the first half of the year have focused on improving the Group's cash generation through ensuring that top line improvements flow to the bottom line. Our success in this area has been encouraging, as shown by the good progress achieved in the Group's earnings per share and strong cash generation. Our achievements in this domain will allow IDOX to enhance value to shareholders in the short term and extend its strategic options thereafter.

IDOX has continued to extend its presence in the public sector through offering additional products and services that have a solid record of capability and dependability. We have concluded, in revisiting our strategy, that local government continues to be the Group's core market with further considerable opportunities. With nearly 200 clients, this sector provides IDOX with a solid platform on which to display its increasingly resource-efficient information and knowledge management solutions. As a consequence, IDOX is becoming recognised for its complete portfolio of services and the value enhancing benefits that it delivers across the length and breadth of the sector. We are also excited by opportunities now becoming available in the wider government marketplace,

particularly for IDOX's advisory, recruitment and training services.

In addition to underlining our presence in the public sector, the Group's skills and capabilities are also increasingly applicable to some of the key private sector industries such as professional services and finance, as well as the not for profit sector, where opportunities are emerging.

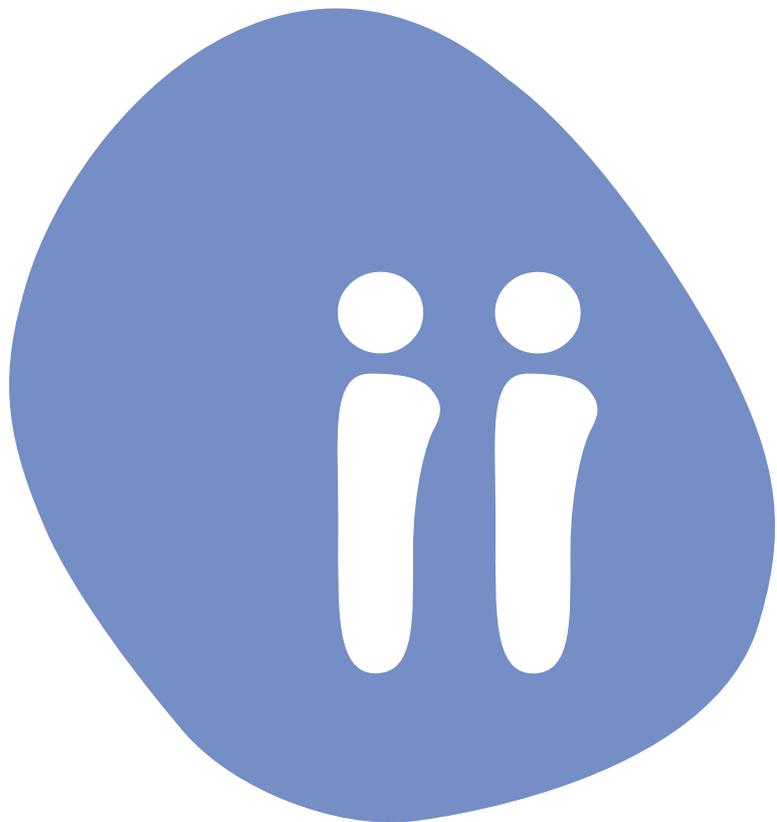
Apart from sharpening its strategic focus, IDOX is also working on strengthening its senior management, in preparation for the next phase of the Group's development. In relation to this we will be updating our remuneration policies to align the interests of senior managers and all other employees with those of our shareholders. Furthermore, we will be paying particular attention to improving our risk management and resilience as a consequence of our becoming a larger and more complex organisation with a considerable pool of valuable intellectual property to protect. We will report further progress on all these matters by the financial year end.

Finally, I would like to express my excitement in assuming the role as the new chairman and look forward to closely working with the Board, our customers and very talented staff.

**Martin Brooks**  
Chairman  
17 June 2005



We expect the Group's performance in the second half of the year to be in line with market expectations.



# Chief Executive's Report

For the six months ended 30 April 2005



## Financial Review

IDOX revenues increased from £3.28 million to £7.02 million, an increase of 114%, for the six months ended 30 April 2005. Profit before tax amounted to £0.21 million (2004: loss of £0.19 million). Earnings per share was 0.12 pence (2004: 0.03 pence). The gross margin for the period was 63%, down from 85% in 2004, as anticipated after the TFPL acquisition.

Net cash at 30 April 2005 amounted to £3.72 million (2004: £2.41 million). We are pleased to report that the Group traded profitably for 4 out of the 6 months under review (2004: 3 out of 6 months). IDOX Software and Information Services increased its annualised recurring revenue from £2.4 million at the end of April 2004 to £2.7 million at 30 April 2005.

## Client Wins and Market Dynamics

The Group continued to increase its market share within local government and, through its acquisitions, is developing relationships within central government departments, other public agencies and some private sector organisations.

In the local authority market we have contracted 12 new software clients since October 2004 and provided information, advisory, training and recruitment services to many others. The Group has extended its penetration within existing clients and now has 190 local authority clients out of a possible 468 in the UK.

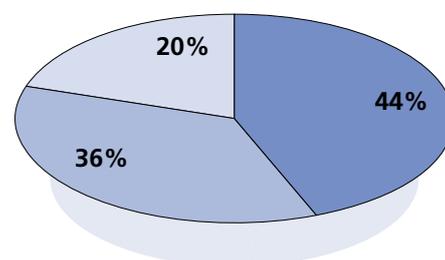
In the six month period the Group has provided knowledge and information management advisory, training and interim management services to over 60 central government departments and agencies.

As a result of our acquisition strategy, 80% of IDOX's revenue has been derived from the public sector (including local authorities). The Group believes that it has the potential to continue to expand its offering in the local authority market. This expansion will be through both our existing customer base and into new clients where there are large numbers of information projects and systems still to be procured. Our strong presence in this market will enable us to continue to win work.

The drive for efficiency and effectiveness, the Freedom of Information Act, the Children's Bill, Priority Service Outcomes, the e-Government deadlines and other similar initiatives will all continue to create opportunities for the Group in local authorities and the wider public sector. The recent approval of our Records Management Software product by The National Archives will further strengthen our position in local authorities and open new opportunities in other government departments and agencies.

We believe that the strength of our knowledge and information management

Group Revenue Split by Market  
(April 2005)



- Local Authorities
- Other Public Sector
- Private Sector

capability, combined with our technical expertise, will provide IDOX with a solid platform from which to further extend its innovative solutions in the public and, where appropriate, the private sector.

#### **Product and Service Offerings**

The Group's respective divisions have made considerable progress during the period. We are particularly pleased with The National Archives approval of IDOX's Records Management Software product. In addition, our recent acquisitions have allowed us to benefit from the development of a new content management and audit service.

The Group's capability now includes advisory services, specialist information recruitment and training, content provision, information and records management software and managed

services. This unique blend has earned the Group recognition as a major information and knowledge management specialist within local government departments and public sector agencies.

#### **Product and Services Development**

IDOX believes that its new Records Management Software will open new market segments such as central government. This product will provide IDOX's customers with the capability of meeting the Public Records Offices' 2002 specification concerning compliance with the Freedom of Information Act and other related legislation. To date there are less than 10 companies in the country with this accreditation. This state of the art J2EE application, designed using the very latest software development techniques, provides significant technical and operational benefits to our clients.

IDOX is now positioned as a leading provider of information management services and software in the UK public sector.

# Chief Executive's Report cont'd

For the six months ended 30 April 2005

Our outsourced library service is now enabling us to create and manage specialist web-based libraries for a range of public sector clients. To date, 17 local authorities now outsource to us the processing and presentation of their planning applications on the web.

In response to client demand we have combined our consultancy expertise in content management and information architecture with our technical capability to develop a new web and content management audit service. Our team has developed specialist tools and techniques to identify and collect large quantities of content in many different platforms, clean it, structure it and migrate it to new platforms, making it easier to access.

## Strategic Alliances

The Group will continue to develop strategic partnerships, where appropriate, in order to widen its offering to other markets. IDOX has entered into such a partnership with CAPS Solutions Ltd (a subsidiary of ESRI (UK) Ltd). Discussions are regularly held with other potential partners.

## Personnel

The Group's employees totalled 140 at 30 April 2005, compared with 93 at 30 April

2004. The Group possesses a team and infrastructure capable of delivering and managing rapid business growth.

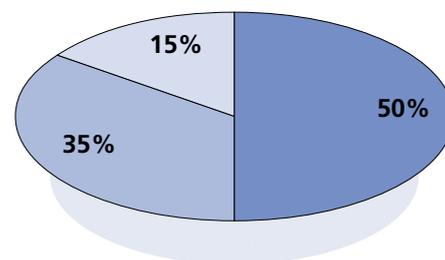
A number of small cost efficiencies have been implemented in the last few months. An example of this is the rationalisation of the software development team from three offices down to two. The Manchester office will continue to focus on electronic forms development, while all other software development will be carried out in our Glasgow office. This provides a more cost-effective and efficient software development team for the future.

We would also like to welcome Martin Brooks, our new chairman to the Board, who joined during the period.

## Strategy and Outlook

The acquisition strategy has helped to strengthen our sales proposition within the local authority sector and we have a growing presence in the wider public sector. We will continue to focus and develop our strengths in these strategic markets. The diversification of revenue and revenue opportunities from these acquisitions helps mitigate against the risks associated with our reliance on the local authority market and a single product line.

Group Revenue Split by Function  
(April 2005)



■ Advisory/People  
■ Software  
■ Managed Services/Content



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.

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 sectors.

The organic business has continued to grow as IDOX gains market share through winning new business. The Group will

endeavour to further expand 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  
17 June 2005

The Interim Report was approved by the Board of Directors on 17 June 2005.

IDOX has continued to build upon its achievements and we are pleased with the progress that the Group has delivered in this half year.

# Consolidated Profit and Loss Account

For the six months ended 30 April 2005

	Note	6 months to 30 April 2005 (unaudited) £000	6 months to 30 April 2004 (unaudited) £000	12 months to 31 October 2004 (audited) £000
<b>Turnover</b>		7,024	3,284	9,555
External charges		<u>(2,613)</u>	<u>(505)</u>	<u>(2,636)</u>
		4,411	2,779	6,919
Staff costs		<u>(2,874)</u>	<u>(2,068)</u>	<u>(4,778)</u>
Other operating charges		<u>(1,371)</u>	<u>(937)</u>	<u>(2,134)</u>
<b>Operating profit/(loss)</b>		166	(226)	7
Net interest		<u>48</u>	<u>33</u>	<u>82</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		214	(193)	89
Tax on profit/(loss) on ordinary activities	(3)	<u>-</u>	<u>244</u>	<u>292</u>
<b>Profit for the period transferred to reserves</b>		<u>214</u>	<u>51</u>	<u>381</u>
<b>Earnings per share</b>				
Basic and diluted	(4)	0.12p	0.03p	0.23p

# Consolidated Balance Sheet

At 30 April 2005

	At 30 April 2005 (unaudited) £000	At 30 April 2004 (unaudited) £000	At 31 October 2004 (audited) £000
<b>Fixed assets</b>			
Intangible fixed assets	4,976	1,590	5,265
Tangible assets	<u>246</u>	<u>279</u>	<u>247</u>
	5,222	1,869	5,512
<b>Current assets</b>			
Debtors	3,804	2,172	3,312
Cash at bank and in hand	<u>3,724</u>	<u>2,414</u>	<u>2,797</u>
	7,528	4,586	6,109
<b>Creditors: amounts falling due within one year</b>	<u>(4,182)</u>	<u>(3,159)</u>	<u>(3,266)</u>
<b>Net current assets</b>	3,346	1,427	2,843
<b>Total assets less current liabilities</b>	8,568	3,296	8,355
<b>Creditors: amounts falling due after more than one year</b>	<u>(20)</u>	<u>(30)</u>	<u>(20)</u>
<b>Net assets</b>	<u>8,548</u>	<u>3,266</u>	<u>8,335</u>
<b>Capital and reserves</b>			
Called up share capital	1,872	1,537	1,821
Capital redemption reserve	1,112	1,112	1,112
Share premium account	8,162	5,159	7,614
Shares to be issued	1,400	-	2,000
Other reserves	1,294	1,294	1,294
ESOP trust	(79)	(79)	(79)
Profit and loss account	<u>(5,213)</u>	<u>(5,757)</u>	<u>(5,427)</u>
<b>Shareholders' funds</b>	<u>8,548</u>	<u>3,266</u>	<u>8,335</u>

# Consolidated Cash Flow Statement

For the six months ended 30 April 2005

	Note	6 months to 30 April 2005 (unaudited) £000	6 months to 30 April 2004 (unaudited) £000	12 months to 31 October 2004 (audited) £000
<b>Net cash inflow/(outflow) from operating activities</b>	(5)	1,000	(185)	(801)
<b>Returns on investments and servicing of finance</b>				
Interest received		48	35	82
<b>Net cash inflow from returns on investments and servicing of finance</b>		48	35	82
<b>Taxation</b>		-	244	244
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(121)	(149)	(240)
Sale of tangible fixed assets		-	-	12
Purchase of investment		-	(51)	(51)
<b>Net cash outflow from capital expenditure and financial investment</b>		(121)	(200)	(279)
<b>Acquisitions</b>				
Purchase of companies		-	-	(1,668)
Net cash balances acquired with companies		-	-	380
Deferred consideration paid for previous acquisition		-	(127)	(10)
<b>Net cash outflow from acquisitions</b>		-	(127)	(1,298)
<b>Financing</b>				
Issue of shares		-	-	2,202
<b>Net cash inflow from financing</b>		-	-	2,202
<b>Increase/(decrease) in cash</b>		927	(233)	150

# Notes on the Interim Report

For the six months ended 30 April 2005

## 1 BASIS OF PREPARATION

The interim financial information has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The principal accounting policies of the Group are set out in the Group's 2004 annual report and financial statements. The policies remain as stated in the annual report for the year ended 31 October 2004. The financial information set out in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 31 October 2004 have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985. The interim financial statements have been reviewed by the Company's auditors. A copy of the auditors' review report is attached to the Interim Report.

## 2 SEGMENTAL ANALYSIS

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

	6 months to 30 April 2005 (unaudited) £000	6 months to 30 April 2004 (unaudited) £000	12 months to 31 October 2004 (audited) £000
<b>Turnover</b>			
Information Management Solutions	4,464	3,284	7,142
Information Management Recruitment	2,560	-	2,413
	<u>7,024</u>	<u>3,284</u>	<u>9,555</u>
<b>Operating profit/(loss)</b>			
Information Management Solutions	318	(137)	111
Information Management Recruitment	137	-	275
	<u>455</u>	<u>(137)</u>	<u>386</u>
Goodwill amortisation	(289)	(89)	(379)
	<u>166</u>	<u>(226)</u>	<u>7</u>
<b>Net assets</b>			
Information Management Solutions	3,014	1,676	2,416
Information Management Recruitment	558	-	654
	<u>3,572</u>	<u>1,676</u>	<u>3,070</u>
Goodwill	4,976	1,590	5,265
	<u>8,548</u>	<u>3,266</u>	<u>8,335</u>

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

The tax credit is made up as follows:

	6 months to 30 April 2005 (unaudited) £000	6 months to 30 April 2004 (unaudited) £000	12 months to 31 October 2004 (audited) £000
Current tax			
UK corporation tax	-	-	(27)
Research and development tax credits	-	(244)	(244)
Total current tax	<u>-</u>	<u>(244)</u>	<u>(271)</u>
Deferred tax - origination and reversal of timing differences	-	-	(21)
Tax on profit/(loss) on ordinary activities	<u>-</u>	<u>(244)</u>	<u>(292)</u>

# Notes on the Interim Report cont'd

For the six months ended 30 April 2005

During the year ended 31 October 2004, £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.

## 4 EARNINGS PER SHARE

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

	6 months to 30 April 2005 (unaudited) £000	6 months to 30 April 2004 (unaudited) £000	12 months to 31 October 2004 (audited) £000
Profit for the period	214	51	381
Weighted average number of shares in issue	182,949,266	153,324,507	166,384,328
Basic and diluted earnings per share	0.12p	0.03p	0.23p

The share options are anti dilutive under FRS 14.

## 5 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	6 months to 30 April 2005 (unaudited) £000	6 months to 30 April 2004 (unaudited) £000	12 months to 31 October 2004 (audited) £000
Operating profit/(loss)	166	(226)	7
Depreciation	122	124	256
Goodwill amortisation	289	89	379
Goodwill adjustment	-	-	34
Loss on sale of fixed assets	-	1	1
Increase in debtors	(492)	(643)	(739)
Increase/(decrease) in creditors	915	470	(739)
Net cash inflow/(outflow) from operating activities	<u>1,000</u>	<u>(185)</u>	<u>(801)</u>

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

	6 months to 30 April 2005 (unaudited) £000	6 months to 30 April 2004 (unaudited) £000	12 months to 31 October 2004 (audited) £000
Increase/(decrease) in cash in the period, being movement in net funds in the period	927	(233)	150
Net funds at 1 November 2004	2,797	2,647	2,647
Net funds at 30 April 2005	<u>3,724</u>	<u>2,414</u>	<u>2,797</u>

# Independent Review Report to IDOX plc

## Introduction

We have been instructed by the company to review the financial information for the six months ended 30 April 2005 which comprises the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 6. We have read the other information contained in the interim report which comprises only the Chairman's statement and Chief Executive's report and considered whether they contain any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company's members 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 and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

## Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. They are responsible for preparing the interim report and ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in

preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists primarily of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 April 2005.

**GRANT THORNTON UK LLP**  
CHARTERED ACCOUNTANTS

London  
17 June 2005

# IDOX plc Offering at a glance

## Advisory

TFPL's advisory team works with clients in all areas of knowledge, information, library, records and web content management. In recent months we have worked with many public sector organisations, helping them with a wide variety of projects including developing knowledge strategies, building communities, implementing electronic document and records management systems, complying with the Freedom of Information Act and meeting performance and e-Government targets. In addition we have collaborated with the technical teams to develop tools and techniques to audit and refine large volumes of content on intranets, portals and websites for clients in the public and private sectors. Our information architecture team has worked with clients such as the NHS, police forces and government departments to help them develop architectures, metadata frameworks and taxonomies that enable interoperability and the efficient flow of information within and between organisations.

## 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.

## 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.

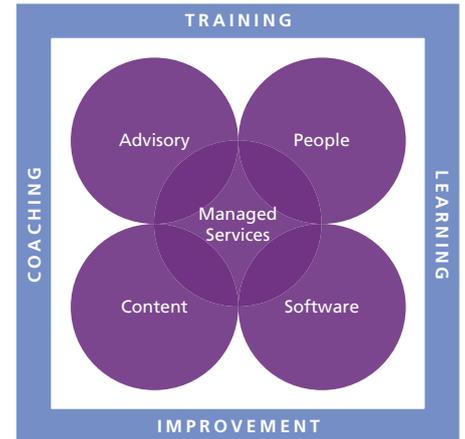
TFPL's training team provides both open and in-house courses in all aspects of knowledge, information and records management. We also develop bespoke awareness and learning programmes for groups of clients. In recent months we have won a number of assignments to help local authorities to comply with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

## 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 established a partnership with planning and Geographical Information Systems (GIS) software vendor CAPS/ESRI, through which we have won 15 contracts, including Bristol City Council, Hull City Council and Perth & Kinross Council. IDOX 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 came into force in February 2005. This has resulted in four new contracts.

## 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 17 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.



IDOX is becoming recognised for its complete portfolio of information & knowledge management services and products.

# Company Information

<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



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