IDOX

2006

IDOX plc

Interim Report & Accounts 2006

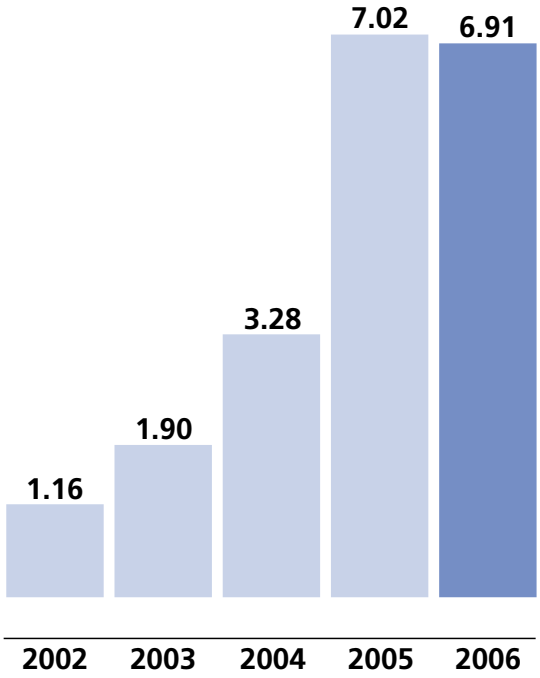
software • information solutions • recruitment

Financial and Operational Highlights

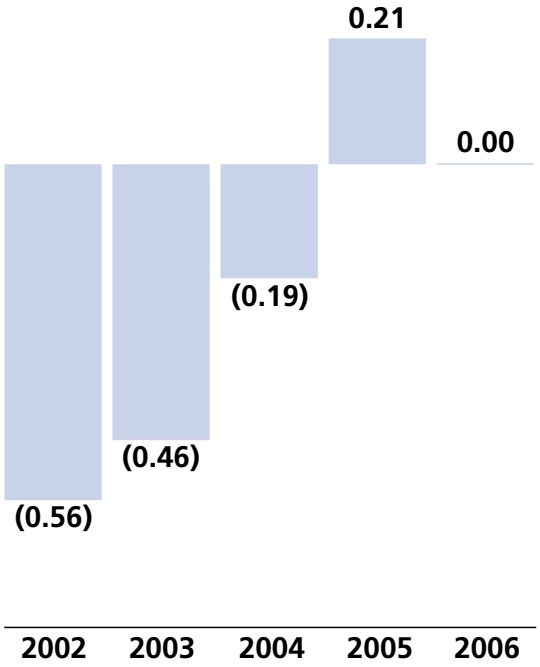
For the six months ended 30 April 2006

- **Revenue £6.91m** (2005: £7.02m)
- **Breakeven position before tax** (2005: £0.21m)
- **Cash up 45% to £5.38m** (2005: £3.72m)
- **(Loss)/earnings per share (0.07)p** (2005: 0.12p)
- **Strong cash generation and working capital discipline during a challenging first half**
- **Major contract wins in a competitive market.**

Turnover (£m)*



Profit/(loss) before tax (£m)*



*Unaudited per six month period to 30 April

Chairman's and Chief Executive's Statement

For the six months ended 30 April 2006

As announced in our trading statement on 5 May 2006, revenues for the first six months to 30 April 2006 are at the level of the corresponding period of 2005. This is due to a combination of factors: competitive trading conditions in the Software market; a change in sales mix of Recruitment revenues, a flat performance in the evolving Information Solutions business, and the loss of key sales staff at the beginning of the period. Some appropriate restructuring together with the appointment of new market facing personnel have given us the capability to win and deliver more projects in the coming months.

In spite of these factors, we have closed a number of sizeable contracts demonstrating IDOX's ability to attract larger assignments. These large contracts are more complex and take longer to complete. We have continued to secure contracts in our traditional planning business, and in addition we have also extended into other Council departments, such as revenues & benefits, as we become increasingly recognised as a corporate-wide solutions provider.

Financial Review

Revenue for the six months ended 30 April 2006 were flat at £6.91m (2005: £7.02m). Profit before tax was breakeven (2005: £0.21m). The Group has remained strongly cash positive with cash rising by £1.66m to £5.38m at the half year (2005: £3.72m) which translates into 2.7p per share.

The Local Authority market remained the Group's key focus, representing 44% of the Group's revenue. The wider public sector, is now 29%, and the private sector 27% of Group revenue.

The Group's recurring revenue is £3.2m representing 9.6% growth on 2005. The Software division's first half performance has resulted in its largest ever order backlog being carried into the second half.

Revenues in the Group's Information Solutions division remained flat during the first six months, due to staff shortages and recurring revenues have remained constant at approximately £0.9m. The situation has since been remedied and the outlook is improving. The division made a first half loss and steps have been taken to rectify this.

Revenue in the Recruitment division was broadly unchanged. Although revenue from permanent recruitment increased by 63% on the previous year, revenues from contract recruitment were down as a result of a number of contracts converting to permanent placements and direct billing. This resulted in unchanged revenue at £2.54m (2005 £2.56m) but with an increase in profitability. We expect the contract run rate to be built back up over the summer to historic levels.

Operational Review

Software

The Local Authority market remains the primary market for our Software business. The first half has seen a number of significant contract wins with new and existing customers. New contracts at Leeds City Council, Glasgow City Council,

Aylesbury Vale District Council and the New Forest Park Authority amount to more than £0.8m of new business alone. The Group is also extending its contracts into other Council departments and is increasingly being recognised as a corporate-wide solutions provider, securing contracts with Kings Lynn & West Norfolk Borough Council, Oadby & Wigston Borough Council, as well as an important contract extension for its new Records Management System with Colchester Borough Council. The initial implementations here total more than £0.4m.

However, the performance in the first half of the financial year has been below expectations and steps are being taken to regain the initiative and focus the business on the bottom line performance.

Information Solutions

Despite flat revenues during the first half, IDOX's recognised expertise in knowledge and information management, combined with its technical capability, provides a solid platform from which to extend its innovative information solutions. This allows us to open up opportunities in the wider Public, Government and Private sectors.

Recruitment

The permanent recruitment business has grown strongly as has the Recruitment division's gross margin, as the roles being filled have become more specialised. The department has a focus on business development, recruitment of new staff and improvements in systems and processes.

Recent developments

Since the period end, Andrew Fraser has resigned as Chief Executive and Director of IDOX after seven years with the Group. I have assumed the additional role of Chief Executive for an interim period. The Board would like to thank Andrew for his considerable contribution to the growth of the Group and wish him every success in the future.

Outlook

The Board is in the process of refining the focus of each division and addressing key operational issues. These actions are not expected to have any impact on the current financial year. Trading for the full year is now expected to be close to the level of the prior year. New sales staff appointments have been made and while trading conditions will possibly remain challenging, the outlook for the Group is encouraging.

The Board has confidence in the business going forward and anticipates the declaration of a dividend.

Martin Brooks
Chairman and Chief Executive Officer
16 June 2006

This announcement was approved by the Board of Directors on 16 June 2006.

Consolidated Profit and Loss Account

For the six months ended 30 April 2006

	Note	6 months to 30 April 2006 (unaudited) £000	6 months to 30 April 2005 (unaudited) £000	12 months to 31 October 2005 (audited) £000
Turnover	(2)	6,912	7,024	14,155
External charges		(2,604)	(2,613)	(5,048)
		4,308	4,411	9,107
Staff costs		(2,902)	(2,874)	(5,665)
Other operating charges		(1,471)	(1,371)	(2,685)
Operating (loss)/profit		(65)	166	757
Net interest		66	48	119
Profit on ordinary activities before taxation		1	214	876
Tax on profit on ordinary activities	(3)	(130)	-	700
(Loss)/profit for the period transferred (from)/to reserves		(129)	214	1,576
(Loss)/earnings per share				
Basic and diluted	(4)	(0.07)p	0.12p	0.83p

Consolidated Balance Sheet

At 30 April 2006

	Note	At 30 April 2006 (unaudited) £000	At 30 April 2005 (unaudited) £000	At 31 October 2005 (audited) £000
Fixed assets				
Intangible fixed assets		4,313	4,976	4,602
Tangible assets		511	246	325
		4,824	5,222	4,927
Current assets				
Stock		4	-	-
Debtors		3,859	3,804	4,132
Cash at bank and in hand		5,384	3,724	4,722
		9,247	7,528	8,854
Creditors: amounts falling due within one year		(4,790)	(4,182)	(3,960)
Net current assets		4,457	3,346	4,894
Total assets less current liabilities		9,281	8,568	9,821
Creditors: amounts falling due after more than one year		(10)	(20)	(10)
Net assets		9,271	8,548	9,811
Capital and reserves				
Called up share capital	(5)	1,953	1,873	1,873
Capital redemption reserve	(6)	1,112	1,112	1,112
Share premium account	(6)	8,982	8,162	8,162
Shares to be issued	(6)	-	1,400	1,300
Other reserves	(6)	1,294	1,294	1,294
ESOP trust	(6)	(90)	(79)	(79)
Profit and loss account	(6)	(3,980)	(5,214)	(3,851)
Shareholders' funds		9,271	8,548	9,811

Consolidated Cash Flow Statement

For the six months ended 30 April 2006

	Note	6 months to 30 April 2006 (unaudited) £	6 months to 30 April 2005 (unaudited) £	12 months to 31 October 2005 (audited) £
Net cash inflow from operating activities	(7)	926	1,000	2,126
Returns on investments and servicing of finance				
Interest received		66	48	119
Net cash inflow from returns on investments and servicing of finance		66	48	119
Taxation		-	-	-
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(319)	(121)	(320)
Purchase of investment (ESOP trust)		(11)	-	-
Net cash outflow from capital expenditure and financial investment		(330)	(121)	(320)
Acquisitions & Disposals		-	-	-
Financing		-	-	-
Increase in cash	(8)	662	927	1,925

Notes on the Interim Report

For the six months ended 30 April 2006

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 2005 annual report and financial statements. The policies remain as stated in the annual report for the year ended 31 October 2005. Recent accounting standards issued in the United Kingdom do not have a material impact on the Group. 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 2005 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 (loss)/profit and net assets by class of business are set out below:

	6 months to 30 April 2006 (unaudited) £000	6 months to 30 April 2005* (unaudited) £000	12 months to 31 October 2005* (unaudited) £000
Turnover			
Software	2,661	2,784	5,748
Information Solutions	1,711	1,680	3,322
Recruitment	2,540	2,560	5,085
	6,912	7,024	14,155
Operating (loss)/profit			
Software	411	393	1,243
Information Solutions	(278)	29	(37)
Recruitment	91	33	114
	224	455	1,320
Goodwill amortisation	(289)	(289)	(563)
	(65)	166	757
Net Assets			
Software	5,433	3,848	5,121
Information Solutions	(624)	(514)	(288)
Recruitment	149	238	376
	4,958	3,572	5,209
Goodwill	4,313	4,976	4,602
	9,271	8,548	9,811

* The segmental analysis has been expanded to provide more detailed information of the divisional performance.

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge/(credit) is made up as follows:

	6 months to 30 April 2006 (unaudited) £000	6 months to 30 April 2005 (unaudited) £000	12 months to 31 October 2005 (audited) £000
Current tax			
UK corporation tax	-	-	2
Adjustment in respect of prior periods	41	-	-
Total current tax	41	-	2
Deferred tax - origination and reversal of timing differences	89	-	(702)
Tax on profit on ordinary activities	130	-	(700)

Unrelieved trading losses of £1,683,000 (2005: £1,974,000) which, when calculated at the standard rate of corporation tax in the United Kingdom of 30%, amounts to £505,000 (2005: £592,000). These remain available to offset against future taxable trading profits. 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 (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated by reference to the (loss)/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 2006 (unaudited)	6 months to 30 April 2005 (unaudited)	12 months to 31 October 2005 (audited)
(Loss)/profit for the period (£000)	(129)	214	1,576
Weighted average number of shares in issue	190,479,843	182,949,266	185,229,865
Dilutive effect of share options	-	-	357,474
Total	190,479,843	182,949,266	185,587,339
Basic and diluted (loss)/earnings per share	(0.07)p	0.12p	0.85p

The share options are anti dilutive under FRS 14 in respect of the six months ended 30 April 2006 and 30 April 2005.

5 SHARE CAPITAL

	6 months to 30 April 2006 (unaudited) £000	6 months to 30 April 2005 (unaudited) £000	12 months to 31 October 2005 (audited) £000
Authorised:			
297,000,000 ordinary shares of 1p each	2,970	2,970	2,970
Allotted, called up and fully paid			
195,260,900 ordinary shares of 1p each (2005: 187,243,083)	1,953	1,873	1,873

Movement in Issued Share Capital in the Period

On 30 January 2006, a total of 8,017,817 new ordinary 1p shares (New Ordinary Shares) were issued to the Vendors of TFPL Limited, at a price of 11.225p. This share issue was part of the earnout for the acquisition of TFPL Limited. The difference between the total consideration of £900,000 and the total nominal value of £80,000, amounting to £820,000, has been credited to the share premium account. The New

Ordinary Shares rank pari passu with the existing ordinary shares of the Company and represented 4.11 per cent of the enlarged issued share capital of the Company at that time. The new shares started trading on the 30 January 2006 on the AIM Market of the London Stock Exchange.

6 SHARE PREMIUM ACCOUNT AND RESERVES

	Issued share capital £000	Capital redemption reserve £000	Share premium £000	Shares to be issued £000	Other reserves £000	ESOP trust £000	Profit and loss account £000	Total £000
At 1 November 2005	1,873	1,112	8,162	1,300	1,294	(79)	(3,851)	9,811
New shares issued	80	-	820	(900)	-	-	-	-
Adjustment	-	-	-	(400)	-	(11)	-	(411)
Loss for the period	-	-	-	-	-	-	(129)	(129)
At 30 April 2006	1,953	1,112	8,982	-	1,294	(90)	(3,980)	9,271

The adjustment in the shares to be issued represents a renegotiation of the earnout payable to the Vendors of TFPL Limited, with the final two tranches of £200,000 now payable in cash. This has therefore been reclassified as a liability, shown within creditors due within one year. The Group established a new HM Revenue & Customs approved, share investment plan for the benefit of employees during the period. This allows staff to purchase up to £1,500 of shares each year which will be matched by the Group. The matching shares are held in the ESOP Trust until a three year qualifying period has elapsed. At 30 April 2006, the value of matching shares held was £11,000 (2005: £Nil).

7 NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months to 30 April 2006 (unaudited) £000	6 months to 30 April 2005 (unaudited) £000	12 months to 31 October 2005 (audited) £000
Operating (loss)/ profit	(65)	166	757
Depreciation	133	122	242
Goodwill amortisation	289	289	563
Increase in stock	(4)	-	-
Decrease /(increase) in debtors	143	(492)	(118)
Increase in creditors	430	915	682
Net cash inflow from operating activities	926	1,000	2,126

8 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	6 months to 30 April 2006 (unaudited) £000	6 months to 30 April 2005 (unaudited) £000	12 months to 31 October 2005 (audited) £000
Increase in cash in the period, being movement in net funds in the period	662	927	1,925
Net funds at 1 November 2005	4,722	2,797	2,797
Net funds at 30 April 2006	5,384	3,724	4,722

9 POST BALANCE SHEET EVENTS

On 31 May 2006, the Group purchased 30,748 shares in the Company at a price of 8.75p and sold 495 shares at a price of 8.00p as part of the IDOX share investment plan. Of the shares purchased, half relates to the matching shares purchased by the Group. On 31 May 2006, the Group paid £200,000 in cash to the Vendors of TFPL Limited in satisfaction of the penultimate tranche of the earnout.

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 2006 which comprises the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 9. We have read the other information contained in the interim report which comprises only the Chairman's and Chief Executive's statement and considered whether it contains 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 2006.

GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS
LONDON

16 June 2006

IDOX plc Offering at a glance

software

IDOX Software comprises nine web applications (Document Management, Records Management, Knowledge Management, Workflow, Web Access, Online XML Forms, XML Services and Management Reporting, Mobile) developed on a J2EE framework which can be installed independently or integrated with other systems.

IDOX Software's key market, local government, is installing the software in new and existing departments as well as on an enterprise-wide basis. Our strong presence in Planning departments continues to bring major opportunities and our breadth of software is providing opportunities for growth from Revenues & Benefits, Housing and Social Services departments. 2005 saw IDOX achieve the TNA2002 (The National Archives) accreditation for it's Records Management Module. Compliance with this stringent standard means that existing and new customers, have future-proofed their investment in our enterprise-wide Electronic Document and Records Management.

IDOX continues to work in partnership with its local authority clients to grow its Managed Services expertise. UKPlanning delivers Planning & Building Control departments with a cost effective, efficient and risk free means of administering applications and realising e-Planning targets quickly. Applications are scanned and indexed, or completed online, and published on the council's websites and www.UKPlanning.com for public review and comment.

information solutions

Our experienced advisory and implementation teams work with clients in the public and private sectors on projects in all areas of knowledge, information, library, records, web and content management. They work in partnership with clients to analyse systems and services, develop new strategies, policies and proceedures, build taxonomies and metadata frameworks, and to implement them in appropriate technology. They also apply tools and techniques to help clients clean up, integrate and migrate content from multiple information resources. Clients include many central government departments and agencies, the NHS, voluntary organisations and major companies in all sectors.

Our training courses cover all aspects of knowledge, information, content and records management. We also develop bespoke awareness and learning programmes for clients. The IDOX Information Service encompasses information on 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. This is used by central and local government, professional firms and organisations with an interest in local government governance and best practice. The content of the Information Library is available through membership but is also used to fulfil many different kinds of information provision and for structuring projects

In conclusion, the Information Solutions line of business combines our advisory, recruitment, training, software and content skills which deliver bespoke solutions on a project or managed service basis to organisations looking to build information services or portals for their users.

recruitment

TFPL 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.

In the past year the division has seen strong demand for records management professionals and has worked with a variety of organisations such as legal firms, Government departments and local authorities to supply senior management staff as well as complete teams with expertise in knowledge and content systems and services.

This year IDOX has expanded the recruitment services and TFPL now cover a wider range of e-roles provides advice on restructuring, career counselling, staff development and has recently built a new presence from the Manchester office.

Company Information

Secretary and Registered Office:	D J McNicol 2nd Floor, Times Square 160 Queen Victoria Street London EC4V 4BF
Nominated Advisor and Broker:	Noble & Company Limited 120 Old Broad Street London EC2N 1AR
Auditors:	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Corporate Solicitors:	Memery Crystal 44 Southampton Buildings London WC2A 1AP
Registrars:	Park Circus Registrars James Sellars House 2nd Floor, 144 West George Street Glasgow G2 2HG
Public Relations:	Cardew Group 12 Suffolk Street London SW1Y 4HG
Company Registration Number:	3984070

IDOX plc

2nd Floor, Times Square
160 Queen Victoria Street
London
EC4V 4BF

T 0870 333 7101
F 0870 333 7131

Tontine House
8 Gordon Street
Glasgow
G1 3PL

T 0141 574 1900
F 0141 574 1901

Williams House
Manchester Science Park
Lloyd Street North
Manchester M15 6SE

T 0161 226 9906

E find-out-more@IDOXplc.com
www.IDOXplc.com