

# 2007

## interim report

**IDOX plc**

**Interim Report & Accounts 2007**

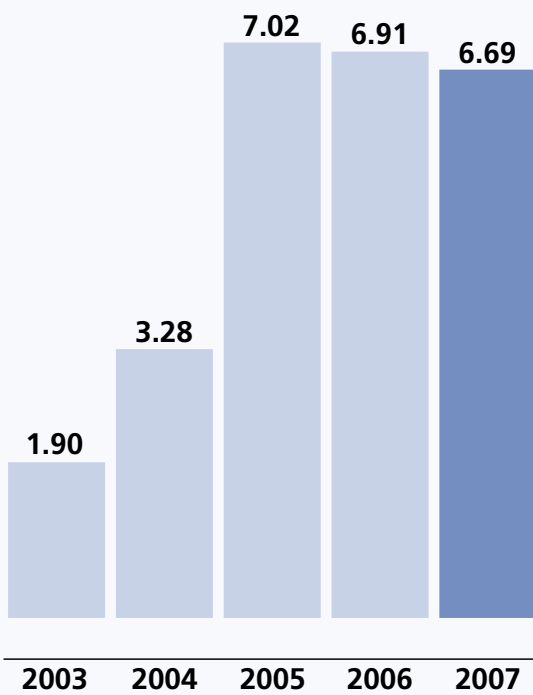
# Financial and Operational Highlights

For the six months ended 30 April 2007

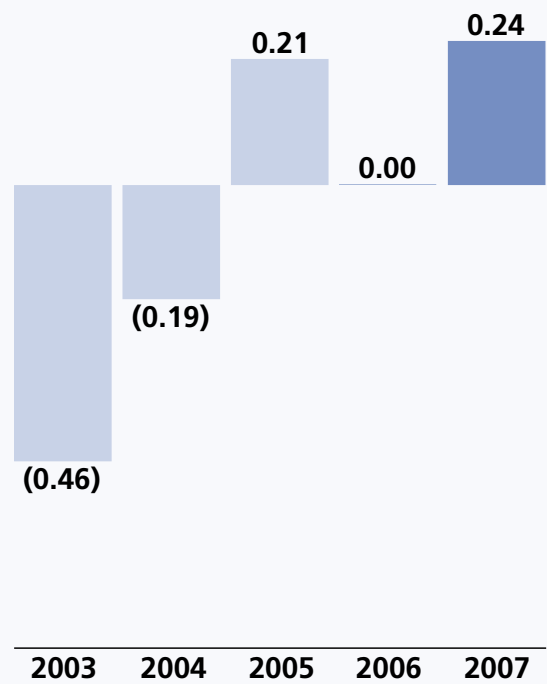
- **Successful turnaround with profit before tax £0.24m** (2006 £nil)
- **Cash balances up 15% to £6.19m** (2006 £5.38m)
- **Earnings per share 0.24p** (2006 loss per share 0.07p)
- **Maiden dividend paid**
- **Core Software business achieved double digit revenue growth of 15% with continuing significant contract wins**
- **Improved gross margins in the Information Solutions business**
- **Slowly improving trading in the Recruitment business.**



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 2007

IDOX made a good trading recovery in the first half of the year compared to the same period last year and as a result Group profitability was in excess of that achieved in the first half of 2005. This was accompanied by further improvements in cash flow.

This was principally due to an excellent improvement in revenue growth in our core software business, as well as maintenance of revenues in our information solutions business and a turnaround in profitability. There was a slow recovery in the contract recruitment revenues from the low point in the second half of last year, but it still remains at a level below the same period last year.

As a result, whilst gross margins have improved, the headline Group revenue number was slightly below the 2006 figure. The recruitment business is scheduled for divestment in the second half of the year.

The transforming acquisition of CAPS Solutions Ltd (CAPS) was completed on 7 June 2007 for a consideration of £21m before costs. This acquisition consolidates our position and makes us the leading provider of Land and Property software and solutions in the UK local authority market. The transaction was funded through a combination of a placing, which was heavily oversubscribed, debt, and through existing cash resources.

This acquisition more than doubles the size of the Group. A new combined

management team drawn from both CAPS and IDOX, and an integration plan which will yield significant cost benefits is at an advanced stage of consultation prior to implementation during the summer months.

The acquisition also cements our stated intention at the end of the last financial year, of a renewed focus on the local authority software business as the best way of rebuilding and enhancing shareholder value.

We have completed the first steps of the integration process ahead of schedule and have already completed the actions necessary to deliver the forecast £1.5m of annual cost savings and have identified further savings which will yield a higher total, on completion of consultation on further reorganisation and the rationalisation of property assets.

## The transforming acquisition of CAPS Solutions Ltd was completed on 7 June 2007

The acquisition allows us access to a combined customer base of over 320 local authority customers which provides the Group with the exciting opportunity to deliver software and solutions to some 70% of the local authorities in the UK.



#### **Financial Review**

Revenues for the half year were 3% below the same period last year, with the low gross margin contract recruitment revenues off-setting a strong performance in the software division, where revenues were 15% ahead.

The Group made a profit before taxation of £0.24m compared to a break-even position last year.

The Company paid a maiden dividend but, through continued strong cash management and a change in billing processes, ended the half year with cash of £6.19m compared to £5.38m at the same time last year.

#### **Operational Review**

##### **Software**

The division was reorganised in the last quarter of the 2006 calendar year and refocused on quality of service and product. It achieved early success in closing new Revenues and Benefits product sales and has gone on to successfully deliver and install them in record time.

The division's revenues grew strongly, up 15% on the same period last year and are

## This acquisition more than doubles the size of the Group

continuing to make similar progress in the second half. The gross margin fell slightly, down 3% to 84% due, in part, to a change in mix of sales. The sales organisation was strengthened with a greater emphasis on customer care and service with the introduction of more client managers and a focus into regional teams.

##### **Information Solutions**

Revenues for the first half were similar to the same period last year and the gross margin improved by 7% to 67%. This was due to a change in the mix of services provided. There have been some notable contract wins during the period, including one from one of the largest professional services organisations in the world and another from an international business information company.

##### **Recruitment**

Revenues in the first half were 24% lower than the same period last year. We previously reported a drop in contract

# Chairman's Statement cont'd

For the six months ended 30 April 2007

sales and a shift to direct billing. On a gross margin basis the first half of the year has improved 5% over the second half of last year but as yet has not returned to the same level as the first half of last year. With the change in mix of revenues the gross margin has improved by 4% from the same period last year to 43%.

## refocused on quality of service and product

### **Divestment of the Recruitment Business**

The Group has commenced the process of drawing up a short list of potential acquirers and circulating a sales memorandum. Discussions are on going with a number of parties.

### **Senior Management and Succession**

Last summer I indicated to the Board that I was prepared to take on the role of interim chief executive in addition to that of chairman to undertake a process of reorganisation and recovery, and to reset the strategic direction of the business. This has now been largely accomplished, and on completion of the CAPS acquisition, I have handed over the role of chief executive to Steve Ainsworth, formerly managing director of CAPS, a year to the day since I took it on.

Steve will now run the enlarged Group and I am very pleased that he and his team from CAPS are now joining us.

I have reverted to my former role as chairman. I would also like to thank Richard Kellett-Clarke who now assumes the additional role of Chief Operating Officer as well Chief Financial Officer, for all his dedication and professionalism in achieving this with me.

### **Strategy**

The acquisition of CAPS marks the first decisive step in the restatement of strategy we made last year namely; a renewed focus on the IDOX core business of providing software, solutions and services to government, particularly local government and related bodies. The local government sector, in particular, accounts for the largest proportion of public sector ICT spend and we believe the outlook for future expenditure remains reasonable in a consolidating supplier market. We aim to continue developing our business with this market in mind and to take advantage of these consolidating opportunities.

## a renewed focus on the IDOX core business of providing software, solutions and services to government



#### **Outlook**

The immediate outlook for the combined IDOX and CAPS business continues to be encouraging. Since the half year end new business wins have continued. We have recently won a significant software contract combining both the CAPS and IDOX product offerings at Newcastle City Council. Other software contracts already won in the current half year include Clackmannanshire County Council and West Berkshire District Council. In addition the information solutions business has just concluded a long-term consultancy agreement with the Countryside Commission for Wales (CCW).

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The Group has also been short listed as a potential supplier for the Scottish Executive's planning system project.

We expect the enlarged Group's performance in the second half of the year, following the acquisition of CAPS, to be in line with market expectations.

#### **Conclusion**

It has been a privilege to serve as chief executive during this past year, and I look forward to the continued progress of the Group during the coming years.

I would like to thank our staff for their professionalism and support during this past year, and look forward to the opportunities that the newly enlarged Group will offer them in the coming months and years.

#### **Martin Brooks**

Chairman  
6 July 2007

This announcement was approved by the Board of Directors on 6 July 2007.

# Consolidated Profit and Loss Account

For the six months ended 30 April 2007

	Note	6 months to 30 April 2007 (unaudited) £000	6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
<b>Turnover</b>	(2)	6,686	6,912	13,031
External charges		(2,153)	(2,604)	(4,473)
		4,533	4,308	8,558
Staff costs		(2,935)	(2,902)	(5,931)
Exceptional staff costs	(3)	-	-	(299)
Other operating charges		(1,455)	(1,471)	(2,992)
<b>Operating profit/(loss)</b>		143	(65)	(664)
Interest receivable		96	66	149
<b>Profit/(loss) on ordinary activities before taxation</b>		239	1	(515)
Tax on profit/(loss) on ordinary activities	(4)	223	(130)	(472)
<b>Profit/(loss) on ordinary activities after taxation</b>		462	(129)	(987)
<b>Earnings/(loss) per share (pence)</b>				
Basic and diluted	(5)	0.24p	(0.07)p	(0.51)p



# Consolidated Balance Sheet

At 30 April 2007

	Note	At 30 April 2007 (unaudited) £000	At 30 April 2006 (unaudited) £000	At 31 October 2006 (audited) £000
<b>Fixed assets</b>				
Intangible assets		3,735	4,313	4,024
Tangible assets		423	511	433
		<u>4,158</u>	<u>4,824</u>	<u>4,457</u>
<b>Current assets</b>				
Debtors		3,609	3,863	3,019
Cash at bank and in hand		6,189	5,384	4,830
		<u>9,798</u>	<u>9,247</u>	<u>7,849</u>
<b>Creditors: amounts falling due within one year</b>		<u>(5,071)</u>	<u>(4,790)</u>	<u>(3,899)</u>
<b>Net current assets</b>		<u>4,727</u>	<u>4,457</u>	<u>3,950</u>
<b>Total assets less current liabilities</b>		<u>8,885</u>	<u>9,281</u>	<u>8,407</u>
<b>Creditors: amounts falling due after more than one year</b>		<u>-</u>	<u>(10)</u>	<u>-</u>
<b>Net assets</b>		<u>8,885</u>	<u>9,271</u>	<u>8,407</u>
<b>Capital and reserves</b>				
Called up share capital	(7)	1,953	1,953	1,953
Capital redemption reserve	(8)	1,112	1,112	1,112
Share premium account	(8)	820	8,982	820
Shares options reserve	(8)	128	-	-
Other reserves	(8)	1,294	1,294	1,294
ESOP trust	(8)	(100)	(90)	(96)
Profit and loss account	(8)	3,678	(3,980)	3,324
<b>Shareholders' funds</b>		<u>8,885</u>	<u>9,271</u>	<u>8,407</u>

# Consolidated Cash Flow Statement

For the six months ended 30 April 2007

	Note	6 months to 30 April 2007 (unaudited) £000	6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
Net cash inflow from operating activities	(9)	1,704	926	554
Returns on investments and servicing of finance				
Interest received		96	66	149
Net cash inflow from returns on investments and servicing of finance		96	66	149
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(139)	(319)	(378)
Purchase of investment (ESOP trust)		(4)	(11)	(17)
Net cash outflow from capital expenditure and financial investment		(143)	(330)	(395)
Equity dividends paid		(98)	-	-
Acquisitions				
Deferred consideration paid		(200)	-	(200)
Net cash outflow from acquisitions		(200)	-	(200)
Increase in cash	(10)	1,359	662	108

# Notes on the Interim Report

For the six months ended 30 April 2007

## 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 2006 annual report and financial statements. The policies remain as stated in the annual report for the year ended 31 October 2006 with the exception of the adoption of FRS 20 'Share Based Payments'. This has resulted in a charge to the current period results of £128,000. There was no impact on the results for prior periods as a result of adopting FRS 20. 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 2006 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 this Interim Report.

## 2 SEGMENTAL ANALYSIS

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

	6 months to 30 April 2007 (unaudited) £000	*6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
Turnover			
Software Solutions	3,054	2,661	5,204
Information Solutions	1,703	1,711	3,271
Recruitment	1,929	2,540	4,556
	<u>6,686</u>	<u>6,912</u>	<u>13,031</u>
Operating profit/(loss)			
Software Solutions	665	411	286
Information Solutions	86	(278)	(436)
Recruitment	(191)	91	64
	<u>560</u>	<u>224</u>	<u>(86)</u>
Share options charge	(128)	-	-
Goodwill amortisation	(289)	(289)	(578)
	<u>143</u>	<u>(65)</u>	<u>(664)</u>
Net assets			
Software Solutions	2,352	1,908	1,750
Information Solutions	1,312	1,227	1,100
Recruitment	1,486	1,823	1,533
	<u>5,150</u>	<u>4,958</u>	<u>4,383</u>
Goodwill	3,735	4,313	4,024
	<u>8,885</u>	<u>9,271</u>	<u>8,407</u>

\* Results for the 6 months to 30 April 2006 have been restated to be in line with segmental analysis for other periods.

## 3 EXCEPTIONAL STAFF COSTS

Exceptional costs of £299,000 in the 12 months to October 2006 relate to the implementation of the Group's announced policy of restructuring and refocusing the business.

# Notes on the Interim Report cont'd

For the six months ended 30 April 2007

## 4 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	6 months to 30 April 2007 (unaudited) £000	6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
Current tax			
UK corporation tax	28	-	43
Adjustment in respect of prior periods	-	41	-
Total current tax	28	41	43
Deferred tax - origination and reversal of timing differences	(251)	89	429
Tax (credit)/charge on profit on ordinary activities	(223)	130	472

During the period, £624,000 of tax losses surrendered in exchange for the research and development tax credits in respect of the year ended 31 October 2003 were reinstated. Unrelieved trading losses of £1,394,000 (30 April 2006: £1,683,000), which when calculated at the standard rate of corporation tax in the United Kingdom of 30%, amounts to £418,000 (30 April 2006: £505,000). These remain available to offset against future taxable trading profits.

The deferred tax asset recognised is as set out below:

	At 30 April 2007 (unaudited) £000	At 30 April 2006 (unaudited) £000	At 31 October 2006 (audited) £000
Accelerated capital allowances	61	105	75
Other timing differences	60	19	28
Tax losses carried forward	418	505	185
	539	629	288

There were no unprovided deferred tax assets or liabilities at 30 April 2007, 30 April 2006 or 31 October 2006.

## 5 EARNINGS/(LOSS) PER SHARE

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

	6 months to 30 April 2007 (unaudited) £000	6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
Profit/(loss) for the period	462	(129)	(987)
Weighted average number of shares in issue	194,229,779	190,479,843	192,517,399
Basic and diluted earnings/(loss) per share	0.24p	(0.07)p	(0.51)p

The share options are anti dilutive under FRS 22.

## 6 DIVIDENDS

	6 months to 30 April 2006 (unaudited) £000	6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
Final dividend paid in respect of the year ended 31 October 2006	108	-	-
Pence per ordinary share	0.05p	-	-

# Notes on the Interim Report cont'd

For the six months ended 30 April 2007

## 7 SHARE CAPITAL

	At 30 April 2006 (unaudited) £000	At 30 April 2006 (unaudited) £000	At 31 October 2006 (audited) £000
Authorised: 297,000,000 ordinary shares of 1p each	<u>2,970</u>	<u>2,970</u>	<u>2,970</u>
Allotted, called up and fully paid 195,260,900 ordinary shares of 1p each	<u>1,953</u>	<u>1,953</u>	<u>1,953</u>

## 8 SHARE PREMIUM ACCOUNT AND RESERVES

	Issued share capital £000	Capital redemption reserve £000	Share premium £000	Share options reserve £000	Other reserves £000	ESOP trust £000	Profit and loss account £000	Total £000
At 1 November 2006	1,953	1,112	820	-	1,294	(96)	3,324	8,407
Share options granted	-	-	-	128	-	-	-	128
Equity dividends paid	-	-	-	-	-	-	(108)	(108)
ESOP trust	-	-	-	-	-	(4)	-	(4)
Profit for the period	-	-	-	-	-	-	462	462
At 30 April 2007	<u>1,953</u>	<u>1,112</u>	<u>820</u>	<u>128</u>	<u>1,294</u>	<u>(100)</u>	<u>3,678</u>	<u>8,885</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 exchange for one ordinary 1p share. Other reserves relate to the issued share capital and share premium account in the Company's subsidiary undertaking, IDOX Software Limited, and has been treated in accordance with FRS 6 under merger accounting. The share options reserve relates to the charge arising under FRS 20 in relation to the 4.5 million share options granted in the period.

## 9 NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months to 30 April 2007 (unaudited) £000	6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
Operating profit/(loss)	143	(65)	(664)
Depreciation	149	133	270
Goodwill amortisation	289	289	578
Share options charge	128	-	-
(Increase)/decrease in debtors	(339)	139	642
Increase/(decrease) in creditors	1,334	430	(272)
Net cash inflow from operating activities	<u>1,704</u>	<u>926</u>	<u>554</u>

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

	6 months to 30 April 2007 (unaudited) £000	6 months to 30 April 2006 (unaudited) £000	12 months to 31 October 2006 (audited) £000
Increase in cash in the period, being movement in net funds in the period	1,359	662	108
Net funds at 1 November 2006	4,830	4,722	4,722
Net funds at 30 April 2007	<u>6,189</u>	<u>5,384</u>	<u>4,830</u>

# Notes on the Interim Report cont'd

For the six months ended 30 April 2007

## 11 POST BALANCE SHEET EVENTS

On 31 May 2007, the Group purchased 123,328 ordinary shares in the Company at a price of 9p as part of the IDOX share investment plan. Of the shares purchased, half relates to the matching shares purchased by the Group.

On 7 June 2007, the acquisition of CAPS Solutions Limited was completed at a consideration of £21 million. CAPS Solutions Limited is a privately owned, profitable UK based company focused on the provision of software solutions, primarily to local authorities. In order to finance in part the acquisition, £11 million was raised (£9.6 million after expenses) by way of a Placing of 146,666,667 New Ordinary Shares of 1p each in the Company at 7.5p per share. The New Ordinary Shares rank pari passu with the existing ordinary shares of the Company. £12 million (£11.6 million after expenses) in bank debt has been raised, comprising of two term loans totalling £8 million and a revolving credit facility of £4 million. On completion of the acquisition, Martin Brooks stepped down as CEO of the Group to resume his role as Chairman and Steve Ainsworth (CEO of CAPS Solutions Limited) took over the role of CEO of the Group. On 7 June 2007 the Company granted options over 4.5 million shares of 1p each in the Company, at a price of 7.5p per share, to Steve Ainsworth on the recommendation of the Remuneration Committee. The options are granted under both the IDOX Plc enterprise management incentive scheme and the IDOX Plc Share Option Plan.

# 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 2007 which comprises the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 11. We have read the other information contained in the interim report which comprises only the Chairman's statement 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 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 International Standards of Auditing (UK & Ireland) 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 2007.

## GRANT THORNTON UK LLP

Chartered Accountants

London

6 July 2007

## Notes:

1. The maintenance and integrity of IDOX plc website is the responsibility of the directors: the interim review does not involve consideration of these matters and, accordingly, the company's reporting accountants accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of the interim report differ from legislation in other jurisdictions.

# 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, Management Reporting and Mobile, developed on a J2EE framework which can be installed independently or integrated with other systems.

Local government is IDOX Software's key market, whether installed in new or existing departments, as well as on an enterprise-wide basis. Our strong presence in Planning departments continues to bring major opportunities and our broadening range of software is providing additional growth from Revenues & Benefits, Housing and Social Services departments as well.

The acquisition of CAPS Solutions adds additional capabilities in local authority land and property departments by providing solutions for:

- Environmental Health
- Public Sector Housing
- Lands Charges
- Trading Standards
- Licensing
- Estates Management
- Contaminated Land

## information services

The IDOX Information Service provides a comprehensive information service 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 modernisation agenda, from economic development to lifelong learning and from social inclusion issues to health and housing. It is widely used by researchers, policy makers and practitioners in local and central government, regional development agencies, consultancies and local regeneration bodies.

It also manages specialist electronic 'reading rooms' and content management solutions for government and NGOs to facilitate better communication and to form electronic communities of interest.

## managed services

IDOX continues to work in partnership with its local authority clients extending 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](http://www.UKPlanning.com) for public review and comment.



## consultancy

Our experienced consultancy team works with management in the public and private sectors in all areas of enterprise content management, knowledge management, records management and library and information services. We work in partnership with clients and software providers and systems integrators. We provide advice on the current state of clients' information and knowledge assets and offer strategic guidance on future directions. This includes design policies and procedures, information architectures, taxonomies and metadata frameworks, implementation, data migration and project management expertise.

## recruitment

TFPL recruitment services include the UK and international placement of permanent, interim management and contract personnel for a range of positions requiring information, knowledge, records and web content management expertise. Increasingly there are also requests for the supply of technology, change management and content management professionals. With the boundaries between information management and information technology becoming more blurred, we specialise in finding staff that bridge these multi-disciplinary roles.

## training

TFPL's training team provides both open and in-house courses in:

- Knowledge and Information Management
- Information Architecture & Taxonomy
- Enterprise Content Management
- Records Management
- Library & Information Services

We develop bespoke awareness and learning programmes for our clients.

# Company Information

<b>Secretary and Registered Office:</b>	D J McNicol 2nd Floor 160 Queen Victoria Street London EC4V 4BF
<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>Company Registration Number:</b>	3984070

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<b>Financial Calendar:</b>	Announcement of 2007 Annual Report - December 2007
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