RNS Number : 1792J
IDOX PLC
16 December 2015

16 December 2016

Idox plc

('Idox' or 'the Group' or 'the Company')

Final results for the year ended 31 October 2015

Financial highlights:

- Revenues up 3% to £62.6m (2014: £60.7m)
- Adjusted EBITDA* increased 11% to £18.2m (2014: £16.4m)
- Adjusted EBITDA* margin improved to 29.1% (2014: 27.0%)
- Adjusted profit before tax** was £14.5m up 14% (2014: £12.7m)
- Profit before tax was 29% higher at £9.8m (2014: £7.6m)
- Adjusted EPS** 3.28p up 17% (2014: 2.80p)
- Net debt as at 31 October 2015 stood at £23.1m (31 October 2014 £15.8m; £10.6m cost of the two acquisitions in the second half of the financial year)
- Proposed final dividend of 0.525p (2014: 0.425p) making a total of 0.85p (2014: 0.75p), an increase of 13% for the financial year

Operational highlights:

- Strong performance from Public Sector Software (PSS):
  - Represented 78% of Group revenues
  - Organic growth - won both more managed services and market share
  - Absorbed impact of lower elections revenues
  - 14 new local authority customers - 92% of all local authorities now customers
  - Strong and improved margins
- Acquisitions:
  - Cloud Amber and Reading Room enhanced the Group's capabilities
  - Digital Spirit made a strong contribution to earnings
- Engineering (EIM) de-risked having absorbed in the year headwinds:
  - Double digits margins, costs rebased for current volumes
- Group potential strengthened with appointment of Laurence Vaughan as Chairman and Andrew Riley as Chief Operating Officer

Current trading:

- For the first time in three years, there is a stable outlook in all our markets
- Our expectations for the Group's financial performance are unchanged

** Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition, corporate finance and share option costs*

*** Adjusted profit before tax and adjusted EPS excludes amortisation on acquired intangibles, restructuring and acquisition costs*

Richard Kellett-Clarke, Chief Executive said:

"Idox has achieved results in line with market expectations with improved margins due to well controlled costs and realisation of synergies across the Group. The Group continued to benefit from its diversified business model and sources of earnings which helped mitigate challenges in some of our markets.

"Overall, the outlook for Idox in the coming years is very encouraging. Interesting opportunities are opening up in our core markets and internationally through recent acquisitions. With the enhanced team and closer operational integration, the business is in a strong position and we are looking forward to a successful year ahead."

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About Idox plc

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

Its Public Sector Software Division is the leading applications provider to UK local government for core functions relating to land, people and property, such as its market leading planning systems and election management software. Over 90% of UK local authorities are now customers. The Division provides public sector organisations with tools to manage information and knowledge, documents, content, business processes and workflow as well as connecting directly with the citizen via the web, and providing elections management solutions. It also supplies in the UK and internationally, decision support content such as grants and planning policy information and corporates compliance services.

The Engineering Information Management Division delivers engineering document control, project collaboration and facility management applications to many leading companies in industries such as oil & gas, architecture and construction, mining, utilities, pharmaceuticals and transportation in North America and around the world.

The Group employs over 660 staff located in the UK, the USA, Canada, Europe, India and Australia.

www.idoxgroup.com

CHAIRMAN'S STATEMENT

Overview

I am delighted to present Idox's first set of results since I joined as non-Executive Chairman in August 2015. Idox performed well in the year reporting further organic growth in its local government businesses (excluding elections) and first time contributions from acquisitions completed in the year; this performance was achieved despite continued headwinds in energy related markets and fluctuating exchange rates. In particular the Group has made strategic progress towards positioning itself as a key partner for its customers to achieve significant efficiencies through the use of digital technologies.

Results

The Group has achieved results in line with market expectations with improved margins due to well controlled costs and realisation of synergies across the Group. Revenue grew by 3.1% while adjusted EBITDA was ahead 11.1%. The Group continued to benefit from its diversified business model and sources of earnings which helped mitigate challenges in some of our markets.

88% (2014: 87%) of Idox's annual revenues were derived either from recurring contracts with customers or from repeat customers from whom the Group had derived revenues in the prior year; this gives the Group significant revenue visibility and is evidence of Idox's strong relationships and focus on customer service.

A summary of our financial key performance indicators is presented below:

	2015	2014	Change
Revenue	62,575	60,677	3.1%
Adjusted EBITDA*	18,215	16,393	11.1%
Adjusted EBITDA* margin	29.1%	27.0%	2.1%
Adjusted EPS**	3.28p	2.80p	17.1%

**Adjusted EBITDA is defined as earnings before depreciation, amortisation, restructuring, acquisition, corporate finance and share option costs*

***Adjusted EPS excludes amortisation on acquired intangibles, restructuring and acquisition costs*

Group strategy

Idox is a highly regarded company with market leading positions in many segments of the public sector software market in the United Kingdom and Europe. The Group is also increasingly well positioned as a key partner with its customers to achieve efficiency savings through the use of digital technology.

Our intention is to continue Idox's transformation into a much larger business that is a market leader in its core markets. This will be achieved via a combination of organic and acquisitive growth, funded from the Group's cash flows and financial facilities. This is intended to deliver double digit annual growth with a short to medium term objective to grow the Group from its current £63m in annual revenue to £100m at sustainable margins.

Over the last ten years Idox has grown its revenues from £7m to £63m through organic growth and contributions from acquired businesses, a compound annual growth rate of 24.5%; the Board is therefore confident that the Group has the experience and track record to grow revenues from £63m to £100m in the coming years.

Acquisitions

During the financial year, two acquisitions were completed in line with our strategy, both of which contributed to the year's financial performance whilst expanding our capabilities and providing cross selling opportunities; the Group has a strong track record of acquisition integration and achieving earnings, enhancing contributions from such transactions. The recent acquisitions were:

- Cloud Amber in July 2015 broadened our capability to address the opportunities around enabling integrated traffic management systems and enhanced the international character of our product range.

- Reading Room in October 2015 added consultancy expertise in the area of digital change.
- In addition, there was a strong contribution from the acquisition of Digital Spirit, completed just prior to the previous year end in October 2014.

The addition of the two new businesses means that across all its specialist areas the Group is able to address the delivery of content, domain specific solutions, managed and hosted services, and now web services to improve processes, productivity and customer engagement.

Dividends

The Board is pleased to propose, subject to shareholder approval at the Group's Annual General Meeting, a final dividend of 0.525p, bringing the total for the year to 0.85p. This represents an increase of 13% over the previous year total of 0.75p, and is consistent with both our improved performance and our progressive dividend policy to grow dividends in line with earnings growth.

The Board

I took over as Chairman from Martin Brooks on 1 August 2015, having previously been Chairman of a number of public and private companies including Civica and Sytner Group. I would like to take this opportunity to thank Martin on behalf of the employees and shareholders for his contribution in growing the business substantially during his ten year tenure.

In July 2015 Andrew Riley joined the Board as Chief Operating Officer to focus on bringing the business together. Andrew's promotion to the Board is part of Idox's growing trend of leadership development, with Andrew becoming the second Director on the current Idox Board as a result of an internal promotion. He was previously chief executive of Idox's Public Sector Software Division having joined the Group in 2000.

I am sorry to announce that Professor Dame Wendy Hall will be leaving the Board as a non-Executive Director due to her increasing other commitments and imminent move to take up a visiting post at the Library of Congress in Washington DC. The Group is currently seeking a replacement for Wendy.

Outlook

I have joined the Group at an exciting period in its development as it steps up its emphasis on delivering customer facing solutions. Our potential has been enhanced by recent Board and senior management changes which will allow for greater focus on strategic initiatives to help deliver the Group's target to reach annual revenues of £100m.

Innovation is a key ingredient for Idox's growth and success. The product launch in December 2015 of our digital services platform, with its first product release of iApply, a national register for planning, building control and licensing services, opens up exciting new revenue opportunities and the ability to streamline and improve customer services and engagement.

For the first time in three years, there is a stable outlook in all our markets. We believe the continued political focus on delivering savings in the public sector will benefit our Public Sector Software business as its products are focused on delivering those savings. Engineering is well positioned to benefit from any recovery in its markets. We expect full year contributions from our two recent acquisitions will add approximately 20% to our pro forma annual revenues. In addition, we believe the business as a whole is capable of delivering around 3-5% organic revenue growth. Although we anticipate slightly lower margins due to a different mix of business in the coming year, our expectations for the Group's financial performance are unchanged.

Overall, the outlook for Idox in the coming years is therefore very encouraging. Interesting opportunities are opening up in our core markets and internationally through recent acquisitions and via potential partnerships. With the enhanced team and closer operational integration the Directors believe that the business is in a strong position and we are looking forward to a successful year ahead.

Laurence Vaughan
Chairman

OPERATIONAL AND FINANCIAL REVIEW

Introduction

We are pleased to report that we delivered profit growth in line with market guidance and were able to absorb the headwinds created by the slowdown in the global engineering and project market primarily as a result of the difficult environment in the energy sector. The year saw the continued development of our digital services platform, growth in all other parts of the business and the addition of new capabilities in traffic systems and Web and digital change consultancy. The main focus of management time and effort during the year has been in the digital services platform and driving efficiencies and performance across the Group.

Public Sector Software (PSS)

The Public Sector Software business, which represented 78% of Group revenues for the year, had a particularly strong performance with revenues up 14%, and continued to win both more managed services and market share. With 14 new local authority customers in the year our market share rose to a record 83% of the back office market and 92% of all local authorities when including grants, traffic and Facilities Management services are included.

The total number of new systems wins was close to double the previous year at 86 bringing the total wins over the past three years to more than 240. The division continues to expand its offering into managed and hosted solutions and we now manage more than 80 systems to give us a market share in excess of 20% which is a significant platform to encourage other local authorities to consider us as their managed service partner.

We won 14 new local authority customers during the year, including Middlesbrough and Plymouth in England, Monmouthshire and Swansea in Wales, and Aberdeen in Scotland.

The Grants business grew in double digits (16.7%) during the period and closed its largest ever grants claim in the year. In addition, the Grants business extended its customer base to provide its managed services to larger companies thus improving its trading margin through both an increase in the volume and the quality of the business closed. We continue to invest in the business to deliver further growth in 2016.

As mentioned at the half year the Digital Spirit compliance acquisition completed in October 2014 was successfully integrated and merged with our E-learning business based in Brussels, outperforming our initial expectations on acquisition. As a result revenues grew 174% year-on-year and the combined business is to be rebranded as Idox Compliance. Plans are well advanced to grow this further and to utilise the digital platform to provide the compliance solution on demand online for small to medium sized enterprises.

The Facilities Management business was removed from the engineering division at the start of the year to help improve its focus away from the engineering market. It was a logical move given its existing customer base in health and local government and its diversity of customers outside pure construction environments. As a result it grew top line revenues 10% and improved its profitability.

The two acquisitions made in the second half of the year - Cloud Amber and Reading Room - are complementary to our ambitions to provide solutions for Smart Cities of tomorrow and to provide user solutions which are based around ease of use, self-taught, solutions:

- Cloud Amber through its data collection, aggregation, analytics and multiple reporting options allows consumers, fleet managers, and local government traffic managers to more efficiently handle accidents, road works, congestion and air quality and to redirect or make informed travel routing for cars, buses, taxis and other modes of transport to enable the Smart Cities of the future.

- Reading Room extends our reach into existing markets in the charities and government sector as well as the private sector. As architects of digital change the business has successfully provided consulting services across a broad range of customers to deliver operational improvements using digital technology and design as part of the solution to drive efficiency, productivity or a better user experience. We expect this addition to be complementary to our ambition to expand our digital services platform and apply it across a wide range of opportunities.

Both businesses are being rapidly integrated within the Group and, to date, have traded in line with our expectations and are expected to enhance earnings in a full year of ownership.

The results in our Election business partly reflected the expected lower level of activity in the election cycle during the year - with only the UK General Election - compared with 2014 as well as some unexpected delays beyond our control. However, the current financial year has started well with a contract to deliver local government elections in Scotland for early 2017.

Engineering Information Management (EIM)

We started the year with expectations of growth across all parts of Idox, but it became increasingly clear there was not going to be a quick rebound in the engineering markets as had happened in previous cyclical market downturns.

The Board quickly took the decision to address this head-on and successfully absorbed a considerable down shift in activity within the year. As a result although EIM revenues were down 21% on the prior year, our actions to reduce the cost base helped mitigate the impact to profitability. Given the strong recurring revenues and the spread between utilities, energy, and construction we now expect to maintain the business at this level and for it to continue to contribute in line with previous years. We continue to work on productivity and performance improvements and retain the flexibility to benefit from any market recovery.

EIM represented 22% of Group revenues during the year; on a pro forma basis assuming full year contributions from our recent acquisitions, EIM's revenues would have accounted for 18% of the Group total.

Technology

The core focus in the year was completing the first phase of a three year journey to deliver an improved managed services and digital services cloud platform. The first step was to re-engineer our products and the way they operated so they could be hosted more cost effectively and be applicable to both large and small authorities.

The second step was to deliver a national cloud platform that could assemble and integrate documents and data from any system and deliver an easily configurable platform to deliver applets for both citizens and business users in a more intuitive and easy to use format chargeable on a pay as you use or sponsored basis.

On 1 December 2015 the Group launched iApply, its national planning, building control and licensing portal for the UK with the ability to action and pay online for the filing of planning, building control and licensing applications nationally. This innovation streamlines the planning process and injects the applications into our back office systems. As a result we are developing additional services to complement this capability in partnership with our customers.

Markets

The Group continues to operate successfully and had grown in challenging markets with continued pressure on local government expenditure and grant funding and more recently the flattening in demand in engineering. Our diversity of offerings and tight integration of businesses into a single management structure allows us to take advantage of and respond to challenges in our markets as demonstrated by this year's performance.

We see no change in outlook for our core markets. Recent announcements concerning public sector savings over the next three years are in line with our planning and expectations and should drive take-up of our new cost saving solutions. Our broad portfolio of relevant and cost effective engineering solutions, where we address construction, energy and utility markets also gives us some resilience in an uncertain world as these markets develop at varying growth rates.

Growth strategy

Due to the continued pressure on public sector finances we believe the future revenue model needs to evolve as a 'pay as you go' sponsorship model for services rendered and increasingly business systems need smaller lightweight integration of documents and data to drive the efficient and cost effective execution of single actions.

The platform is an extension of our communication and forms technology sitting on top of our managed services infrastructure that can be adapted to help customers change their processes and streamline their actions by the application of digital services.

In addition to this publishing and transaction processing we hope the assembled data sets can be marketed to help customers with market intelligence and drive other actions. The acquisition of Reading Room, a web consultancy which specialises in digital change and web publishing, is expected to help drive wider consultancy services in the future.

In the first half of the year we completed the partial restructuring of the operational and supervisory board and the first stage of an integration of engineering into a profit center rather than a separate division within the Group. The first steps in a move towards broadening our offering in our core markets and reorienting the business to deliver front office, pay as you go solutions created with an emphasis on the user interface, mobility and ease of use.

FINANCIAL REVIEW

Group revenues grew by 3% to £63m (2014: £61m) due to the impact of one acquisition made during 2014 and two acquisitions in 2015 and also as a result of organic growth in the PSS division. The Group maintained the geographical split of its revenues with 34% generated outside of the UK (2014: 31%). Gross profit earned was 4% higher at £56m (2014: £54m) and the Group maintained gross margin at 89%. Earnings before amortisation, depreciation, restructuring, acquisition, corporate finance and share option costs ("Adjusted EBITDA") increased by 11% to £18.2m (2014: £16.4m) with Adjusted EBITDA margins of 29% (2014: 27%).

Performance by segment

The PSS division, which accounted for 78% of Group revenues (2014: 71%), delivered revenues of £49m (2014: £43m). Local authority revenue grew organically by 7% to £30.4m (2014: £28.3m) driven by further market share gains and a significant number of local council contract wins for managed services and hosting. Election revenue decreased from £4.9m to £2.6m due to less election activity during the year. In 2015 election revenue was only generated from the UK General Election, whereas in 2014 revenue was generated from the Scottish Referendum, European elections and the Individual Electoral Registration project. The Grants business in the UK and Netherlands saw double digit growth on the prior period with revenues of £6.5m (2014: £5.8m). The Compliance business in Europe saw significant growth on the prior year with the addition of Digital Spirit acquired in October 2014, with revenues of £6.1m (2014: £2.2m). Facilities management was transferred from the EIM division to PSS in the year and saw 10% growth in revenues to £2.3m (2014: £2.1m). The 2015 acquisitions of Cloud Amber (July 2015) and Reading Room (October 2015) respectively added £0.6m and £0.5m revenues to the division.

Recurring revenues within the PSS division were 41% (2014: 48%). Divisional Adjusted EBITDA increased by 24% to £16.0m (2014: £12.9m), delivering a 33% margin, a 3% increase on 2014 (30%) due to cost efficiencies and a change in mix of revenues.

The EIM division accounted for 22% of Group revenues (2014: 29%) and reported a revenue decline of 21% to £13.6m (2014: £17.3m). The proportion of recurring revenues in the EIM business from maintenance and Software-as-a-Service ("SaaS") were 56% (2014: 47%). Divisional Adjusted EBITDA for the EIM division declined 37% to £2.2m (2014: £3.5m), 12% of the Group total with margins down at 16% (2014: 20%).

Profit before tax

Adjusted EBITDA increased 11% to £18.2m (2014: £16.4m). Cost of sales were down 5% excluding acquisitions due to less print costs associated with election activity. Administrative expenses decreased 1% to £45.3m (2014: £45.8m), or excluding acquisitions in the year by 11%. Staff costs decreased by 7% on a like for like basis with EIM staff costs decreasing by 27% due to restructuring of the division. Other overheads decreased by 19% on a like-for-like basis with cost efficiencies achieved through reduction in travel costs and office rationalisation.

Financing costs were in line with the prior year at £1.2m (2014: £1.1m) and included interest payable of £0.7m (2014: £0.7m) and bank charges of £0.4m (2014: £0.4m).

Reported profit before tax was up 29% to £9.8m (2014: £7.6m). Amortisation of intangibles decreased £0.9m to £3.7m (2014: £4.6m) due to intangibles from prior acquisitions becoming fully amortised. Amortisation on Research and Development was £1.0m (2014: £0.9m) and amortisation on software licences increased to £0.7m (2014: £0.5m). Restructuring charges of £1.0m (2014: £0.4m) relate to the internal reorganisation of the EIM division and the integration of Digital Spirit.

The Group continues to invest in developing innovative technology solutions and has incurred capitalised Research and Development costs of £1.2m (2014: £1.0m). Research and Development costs expensed in the period were £4.1m (2014: £5.4m).

Taxation

The effective tax rate for the period was 19.80% (2014: 22.91%). Work performed during 2015 resulted in a large overprovision which was reversed during the year. This work related primarily to the group R&D tax claim which lowered the final tax liability on 2014 profits, reflected in a lower effective tax rate for 2015. The higher effective tax rate in 2014 was due to a higher proportion of UK profits being subjected to tax following the unwind of all UK trading losses in 2013, alongside partial derecognition of deferred tax assets in the US. Other factors decreasing the tax rate in 2015 include an increase in the R&D provision following detailed work performed during the year and non-provided tax repayments received in the UK and the US of £166,000 relating to historic loss carry backs.

Earnings per share and dividends

Adjusted earnings per share increased by 17% to 3.28p (2014: 2.80p). Adjusted diluted earnings per share increased by 17% to 3.13p (2014: 2.68p).

Basic earnings per share increased by 34% to 2.21p (2014: 1.65p). Diluted earnings per share increased by 32% to 2.10p (2014: 1.59p).

The Board proposes a final dividend 0.525p, an increase of 24% on the previous final dividend, giving a total dividend for the year of 0.85p and a 13% growth for the full year. This is in line with our progressive dividend policy for our dividends to track our earnings per share. Subject to shareholder approval at the forthcoming Annual General Meeting, the final dividend is expected to be paid on the 22nd April 2016 to shareholders on the register at 8th April 2016.

Balance sheet and cashflows

The Group's balance sheet continued to strengthen during the period and at 31 October 2015 net assets were £53.6m compared to £48.6m at 31 October 2014.

Cash generated from operating activities before tax as a percentage of Adjusted EBITDA was 53%, down from 81% in the previous year. This was partly due to a significant number of orders and longer term contracts closed and delivered in October resulting in a large increase in debtors and accrued income at the year end. The change in mix in revenues this year has also had an impact with election revenues decreasing on the prior year.

The Group ended the period with net debt of £23.1m (2014: £15.8m) after utilising the facility for the acquisition of Cloud Amber (£3.75m paid in cash and a further £1.2m which will be utilized in the next financial year) and Reading Room (£5.6m). The Group's total signed debt facilities at 31 October 2015 stood at £40m, a combination of a £17m term loan and £23m revolving credit facility, split £25m with the Royal Bank of Scotland and £15m with the Silicon Valley Bank.

Deferred income, representing invoiced maintenance and SaaS contracts yet to be recognised in revenue, stood at £14.6m at 31 October 2015 (2014: £13.3m). Accrued income, representing future cash flows from local authority longer term contracts increased to £13.2m (2014: £8.8m).

Consolidated Statement of Comprehensive Income for the year ended 31 October 2015

	Note	2015 £000	2014 £000
Revenue	2	62,575	60,677
Cost of sales		(6,684)	(6,413)
Gross profit		**55,891**	**54,264**
Administrative expenses		(45,347)	(45,774)
Operating profit		**10,544**	**8,490**
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, corporate finance costs and share option costs		**18,215**	**16,393**
Depreciation		(785)	(813)
Amortisation		(5,480)	(5,953)
Restructuring costs		(1,025)	(365)
Acquisition costs		34	(148)
Corporate finance costs		-	(157)
Share option costs		(415)	(467)
Finance income		445	233
Finance costs		(1,226)	(1,144)
Profit before taxation		**9,763**	**7,579**

Income tax expense	3	(1,934)	(1,736)
Profit for the year		7,829	5,843
Other comprehensive income for the year			
Items that will be reclassified subsequently to profit or loss:			
Exchange losses on retranslation of foreign operations		(276)	(107)
Other comprehensive income for the year, net of tax		(276)	(107)
Total comprehensive income for the year attributable to owners of the parent		**7,553**	**5,736**
Earnings per share attributable to owners of the parent during the year			
Basic	4	2.21p	1.65p
Diluted	4	2.10p	1.59p

Consolidated Balance Sheet
At 31 October 2015

	2015 £000	**Restated 2014 £000**	**2014 £000**
ASSETS			
Non-current assets			
Property, plant and equipment	1,077	1,449	1,449
Intangible assets	74,812	66,794	66,794
Deferred tax assets	1,649	1,570	1,570
Other receivables	4,956	3,256	2,262
Total non-current assets	82,494	73,069	72,075
Current assets			
Trade and other receivables	26,713	17,852	18,846
Cash and cash equivalents	4,084	5,855	5,855
Total current assets	30,797	23,707	24,701
Total assets	113,291	96,776	96,776
LIABILITIES			
Current liabilities			
Trade and other payables	7,109	4,788	4,788
Other liabilities	19,083	16,649	16,649
Provisions	29	18	18
Current tax	1,815	1,003	1,003
Borrowings	2,428	7,397	7,397
Total current liabilities	30,464	29,855	29,855
Non-current liabilities			
Deferred tax liabilities	4,357	4,038	4,038
Borrowings	24,831	14,293	14,293
Total non-current liabilities	29,188	18,331	18,331
Total liabilities	59,652	48,186	48,186
Net assets	53,639	48,590	48,590
EQUITY			
Called up share capital	3,587	3,587	3,587
Capital redemption reserve	1,112	1,112	1,112
Share premium account	11,741	11,741	11,741
Treasury reserve	(1,271)	(1,001)	(1,001)
Share options reserve	1,900	1,636	1,636
Merger reserve	1,294	1,294	1,294
ESOP trust	(242)	(213)	(213)
Foreign currency retranslation reserve	(238)	38	38
Retained earnings	35,756	30,396	30,396
Total equity	53,639	48,590	48,590

Consolidated Statement of Changes in Equity
At 31 October 2015

	Called up share capital	Capital redemption reserve	Share premium account	Treasury reserve	Share options reserve	Merger reserve	ESOP trust	Foreign currency retranslation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 November 2013	**3,493**	**1,112**	**10,355**	**(12)**	**1,955**	**1,294**	**(142)**	**145**	**26,486**	**44,686**
Issue of share capital	94	-	1,386	-	-	-	-	-	-	1,480
Share options granted	-	-	-	-	365	-	-	-	-	365
Transfer on exercise of share options	-	-	-	8	(684)	-	-	-	663	(13)
Purchase of treasury shares	-	-	-	(997)	-	-	-	-	-	(997)
Deferred tax movement on share options	-	-	-	-	-	-	-	-	(21)	(21)
ESOP trust	-	-	-	-	-	-	(71)	-	-	(71)
Equity dividends paid	-	-	-	-	-	-	-	-	(2,575)	(2,575)
Transactions with owners	**94**	**-**	**1,386**	**(989)**	**(319)**	**-**	**(71)**	**-**	**(1,933)**	**(1,832)**
Profit for the period	-	-	-	-	-	-	-	-	5,843	5,843
Other comprehensive income										
Exchange gains on retranslation of foreign operations	-	-	-	-	-	-	-	(107)	-	(107)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(107)**	**5,843**	**5,736**
Balance at 31 October 2014	**3,587**	**1,112**	**11,741**	**(1,001)**	**1,636**	**1,294**	**(213)**	**38**	**30,396**	**48,590**
Share options granted	-	-	-	-	309	-	-	-	-	309
Exercise of share options	-	-	-	-	(45)	-	-	-	-	(45)
Purchase of treasury shares	-	-	-	(270)	-	-	-	-	-	(270)
Deferred tax movement on share options	-	-	-	-	-	-	-	-	199	199
ESOP trust	-	-	-	-	-	-	(29)	-	-	(29)
Equity dividends paid	-	-	-	-	-	-	-	-	(2,668)	(2,668)
Transactions with owners	**-**	**-**	**-**	**(270)**	**264**	**-**	**(29)**	**-**	**(2,469)**	**(2,504)**
Profit for the period	-	-	-	-	-	-	-	-	7,829	7,829
Other comprehensive income										
Exchange gains on retranslation of foreign operations	-	-	-	-	-	-	-	(276)	-	(276)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(276)**	**7,829**	**7,553**
At 31 October 2015	**3,587**	**1,112**	**11,741**	**(1,271)**	**1,900**	**1,294**	**(242)**	**(238)**	**35,756**	**53,639**

Consolidated Cash Flow Statement
For the year ended 31 October 2015

	2015	2014
	£000	**£000**
Cash flows from operating activities		
Profit for the period before taxation	9,763	7,579
Adjustments for:		
Depreciation	785	813
Amortisation	5,480	5,953
Acquisition costs	(156)	-
Finance income	(135)	(48)
Finance costs	892	856
Interest rate swap liability	-	(66)
Debt issue costs amortisation	100	233
Share option costs	309	365
Movement in receivables	(7,070)	(1,300)
Movement in payables	(225)	(1,078)
Cash generated by operations	9,743	13,307

Tax on profit paid	(1,670)	(1,807)
Net cash from operating activities	8,073	11,500
Cash flows from investing activities		
Acquisition of subsidiaries	(9,350)	(1,586)
Cash acquired on acquisition of subsidiaries	433	93
Purchase of property, plant and equipment	(559)	(909)
Purchase of intangible assets	(1,826)	(1,647)
Finance income	135	48
Net cash used in investing activities	(11,167)	(4,001)
Cash flows from financing activities		
Interest paid	(579)	(892)
New loans	13,000	22,000
Loan related costs	(178)	(532)
Loan repayments	(7,538)	(23,337)
Equity dividends paid	(2,668)	(2,575)
Purchase of own shares	(344)	(1,084)
Sale of own shares	-	1,483
Net cash flows from financing activities	1,693	(4,937)
Net movement on cash and cash equivalents	(1,401)	2,562
Cash and cash equivalents at the beginning of the period	5,855	3,399
Exchange gains on cash and cash equivalents	(370)	(106)
Cash and cash equivalents at the end of the period	4,084	5,855

Notes to the announcement
For the year ended 31 October 2015

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities, being derivatives at fair value through profit or loss.

The financial information set out in the announcement does not constitute the group's statutory accounts for the year ended 31 October 2015 within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 October 2014 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 31 October 2015 are expected to be finalised on the basis of the financial information presented by the directors in this preliminary announcement.

Restatement of comparative figures

The Group have restated the 2014 balance sheet to reflect a change in the amounts recoverable on contracts which are receivable in greater than one year. Amounts recoverable on contracts are included in trade and other receivables and represent revenue recognised in excess of payments on account. The Group have reclassified £994k from current assets into non-current assets following a review of the 2014 balances.

The Group have revised the adjusted earnings per share calculation to conform to common practice within the industry. The calculation now adjusts for amortisation on acquired intangibles, acquisition costs, restructuring costs and the tax effect on these. The impact of this is a reduction in the 2014 adjusted EPS from 3.25p to 2.80p and a reduction in the adjusted diluted EPS from 3.11p to 2.68p.

During 2015, the Facilities Management team was transferred from the EIM division to the PSS division. As a result of this, the comparative figures for 2014 have been restated to show Facilities Management results within the PSS division within segmental analysis. This resulted in a transfer of segment profit of £927,000 from EIM to PSS for 2014.

2 SEGMENTAL ANALYSIS

As at 31 October 2015, the Group is primarily organised into two main operating segments, which are detailed below.

Financial information is reported to the chief operating decision maker, which comprises the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, monthly on a business unit basis with revenue and operating profits split by business unit. Each business unit is deemed an operating segment as each offers different products and services.

- Public Sector Software (PSS) - provides public sector organisations with tools to manage information and knowledge, documents, content, business processes and workflow as well as connecting directly with the citizen via the web, and providing elections management solutions. It also supplies in the UK and internationally, decision support content such as grants and planning policy information and corporates compliance services.
- Engineering Information Management (EIM) - delivers engineering document control, project collaboration and facility management applications to many leading companies in industries such as oil & gas, architecture and construction, mining, utilities, pharmaceuticals and transportation in North America and around the world

During 2015 the Facilities Management team was transferred from the EIM division to the PSS division. As a result of this, the comparative figures for 2014 have been restated to show Facilities Management results within the PSS division. This resulted in a transfer of segment profit of £927,000 from EIM to PSS for 2014.

Segment revenue comprises sales to external customers and excludes gains arising on the disposal of assets and finance income. Segment profit reported to the Board represents the profit earned by each segment before the allocation of taxation, Group interest payments and Group acquisition costs. The assets and liabilities of the Group are not reviewed by the chief operating decision maker on a segment basis.

The Group does not place reliance on any specific customer and has no individual customer that generates 10% or more of its total Group revenue.

The segment revenues by geographic location are as follows:

	2015 £000	**2014 £000**
Revenues from external customers		
United Kingdom	41,463	41,628
USA	6,987	10,051
Europe	12,804	7,519
Australia	617	595
Rest of World	704	884
	62,575	60,677

Revenues are attributed to individual countries on the basis of the location of the customer.

	2015 £000	2014 £000
Revenues by type		
Recurring revenues	27,613	29,173
Non-recurring revenues	34,962	31,504
	62,575	60,677

The segment results by business unit for the year ended 31 October 2015 are as follows:	PSS £000	EIM £000	Total operations £000
Revenues from external customers	48,969	13,606	62,575
Cost of sales	(5,022)	(1,662)	(6,684)
Gross profit	43,947	11,944	55,891
Administrative expenses	(27,974)	(9,702)	(37,676)
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs and restructuring costs	15,973	2,242	18,215
Depreciation	(656)	(129)	(785)
Amortisation	(4,124)	(1,356)	(5,480)
Restructuring	(610)	(415)	(1,025)
Acquisition costs	34	-	34
Share option costs	(422)	7	(415)
Profit before interest and taxation	10,195	349	10,544
Finance income	(23)	428	405
Finance costs	(214)	(8)	(222)
Segment profit (see reconciliation below)	9,958	769	10,727

The segment results by business unit for the year ended 31 October 2014 are as follows:	Restated	Restated	Restated
	PSS £000	EIM £000	Total operations £000
Revenues from external customers	43,336	17,341	60,677
Cost of sales	(4,739)	(1,674)	(6,413)
Gross profit	38,597	15,667	54,264
Administrative expenses	(25,699)	(12,172)	(37,871)
Profit before interest, tax, depreciation, amortisation, share option costs, acquisition costs and restructuring costs	12,898	3,495	16,393
Depreciation	(671)	(142)	(813)
Amortisation	(4,695)	(1,258)	(5,953)
Restructuring	(183)	(182)	(365)
Acquisition costs	(144)	(4)	(148)
Share option costs	(322)	(145)	(467)
Profit before interest and taxation	6,883	1,764	8,647
Finance income	45	3	48
Finance costs	114	(86)	28
Segment profit (see reconciliation below)	7,042	1,681	8,723

Reconciliations of reportable profit	2015 £000	2014 £000
Total profit for reportable segments	10,727	8,723
Corporate finance costs	-	(157)
Net financial costs	(964)	(987)
Profit before taxation	9,763	7,579

NET FINANCIAL COSTS RELATE TO GROUP BANK LOAN INTEREST, BANK FACILITY FEE AMORTISATION AND FAIR VALUE GAIN ON FINANCIAL DERIVATIVES WHICH HAVE NOT BEEN INCLUDED IN REPORTABLE SEGMENTS. CORPORATE FINANCE COSTS ARE IN RELATION TO

THE BANKING FACILITY WHICH WAS OPENED DURING 2014.

3 INCOME TAX

The tax charge is made up as follows:

	2015 £000	2014 £000
Current tax		
UK corporation tax on profits for the period	2,310	1,439
Foreign tax on overseas companies	498	489
Over provision in respect of prior periods	(259)	(75)
Total current tax	2,549	1,853
Deferred tax		
Origination and reversal of temporary differences	(555)	(4)
Adjustment for rate change	-	(104)
Adjustments in respect of prior periods	(60)	(9)
Total deferred tax	(615)	(117)
Total tax charge	1,934	1,736

The differences between the total tax charge above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax, together with the impact on the effective tax rate are as follows:

	2015 £000	% ETR movement	2014 £000	% ETR Movement
Profit before taxation on continuing operations	9,763		7,579	
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014: 21.83%)	1,953	20.00	1,654	21.83
Effects of:				
Share option deduction	84	0.86	(325)	(4.29)
International losses not recognised	3	0.03	166	2.19
Other timing differences	150	1.54	222	2.93
Expenses not deductible for tax purposes	103	1.06	52	0.69
Prior year over-provision	(330)	(3.38)	(77)	(1.02)
Non-taxable income	(46)	(0.47)	(4)	(0.05)
Adjustment for tax rate differences in foreign jurisdictions	85	0.86	40	0.53
R&D enhanced relief	(99)	(1.01)	(6)	(0.08)
Foreign tax suffered	31	0.31	14	0.18
	1,934	19.80	1,736	22.91

The effective tax rate for the period was 19.80% (2014: 22.91%). Work performed during 2015 resulted in a large overprovision which was reversed during the year. This work related primarily to the Group R&D tax claim which lowered the tax liability on 2014 profits, reflected in a lower effective tax rate for 2015. The higher effective tax rate in 2014 was due to higher anticipated tax on UK profits following the unwind of all UK trading losses in 2013, alongside partial derecognition of deferred tax assets in the US. Another factor decreasing the tax rate in 2015 is an increase in the R&D provision following detailed work performed during the year.

Movement on trading losses during 2015 are as follows:

Recognised trading losses	**UK unrelieved trading losses £000**	**Foreign unrelieved trading losses £000**	**Total unrelieved trading losses £000**	**Tax effect £000**
As at 1 November 2014	-	3,289	3,289	658
Recognised during the year	397	(693)	(296)	(58)
Utilised during the year	(397)	(315)	(712)	(142)
	-	2,281	2,281	456

Unrecognised trading losses

Losses not recognised	-	(131)	(131)	(26)
	-	(131)	(131)	(26)

As noted above, no UK trading losses were brought forward to 2015. Additional losses were uncovered on finalisation of the 2014 UK corporation tax returns following an increase in identified R&D qualifying expenditure. This resulted in additional losses of £397,000, all of which were utilised in 2015. The foreign losses utilised during the year of £315,000 occurred mainly in France with a small element utilised in the US. The foreign losses derecognised in the year of £693,000 all relate to the US. The decision was made to derecognise these assets following uncertainty over their future utilisation. Across the year the total deferred tax asset in respect of unrelieved trading losses has decreased from £658,000 to £456,000.

4 EARNINGS PER SHARE

The earnings per ordinary 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:

	2015 **£000**	**2014** **£000**
Profit for the year	7,829	5,843
Basic earnings per share		
Weighted average number of shares in issue	354,730,817	353,448,442
Basic earnings per share	2.21p	1.65p
Weighted average number of shares in issue	354,730,817	353,448,442
Add back:		
Treasury shares	2,863,552	1,005,841
ESOP shares	1,139,245	1,263,989
Weighted average allotted, called up and fully paid share capital	358,733,614	355,718,272
Diluted earnings per share		
Weighted average number of shares in issue used in basic earnings per share calculation	354,730,817	353,448,442
Dilutive share options	17,234,828	15,015,960
Weighted average number of shares in issue used in dilutive earnings per share calculation	371,965,645	368,464,402
Diluted earnings per share	2.10p	1.59p

Adjusted earnings per share	**2015** **£000**	**Restated** **2014** **£000**
Profit for the year	7,829	5,843
Add back:		
Amortisation on acquired intangibles	3,778	4,569
Acquisition costs	(34)	148
Restructuring costs	1,025	365
Tax effect	(961)	(1,036)
Adjusted profit for year	11,637	9,889
Weighted average number of shares in issue - basic	354,730,817	353,448,442
Weighted average number of shares in issue - diluted	371,965,645	368,464,402

Adjusted earnings per share	3.28p	2.80p
Adjusted diluted earnings per share	3.13p	2.68p

5 ACQUISITIONS

Cloud Amber Limited

On 7th July 2015 the Group acquired the entire share capital of Cloud Amber Limited for a total consideration of £4.95m in cash. Cloud Amber is a provider of solutions delivering integrated intelligence for the Management and control of Traffic and Public Transport networks. The product suite is focused on strategic highway control, local transport network management, public transport information and fleet management systems. The acquisition is complementary to Idox's solution in support of highways planning and will provide a more comprehensive solution to new and existing customers of the Group.

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

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets	491	1,802	2,293
Property, plant and equipment	4	(3)	1
Trade receivables	1,075	(107)	968
Other receivables	163	-	163
Cash at bank	347	-	347
TOTAL ASSETS	2,080	1,692	3,772
Trade payables	(758)	-	(758)
Other liabilities	(294)	-	(294)
Deferred income	(334)	(240)	(574)
Social security and other taxes	(167)	-	(167)
Deferred tax liability	-	(373)	(373)
TOTAL LIABILITIES	(1,553)	(613)	(2,166)
NET ASSETS			1,606
Purchased goodwill capitalised			3,344
Total consideration			4,950

Satisfied by:

Cash to vendor	3,750
Earn out consideration	1,200
Total consideration	4,950

The fair values stated above are provisional based on management's best estimate. The fair value adjustment for the intangible assets includes £1,861,000 in relation to customer relationships, trade names and software. A related deferred tax liability has also been recorded as a fair value adjustment. Adjustments were also processed to align Company policies with Idox Group policies. These included £59,000 in respect of intangible assets and £3,000 in relation to property, plant and equipment.

The fair value of trade debtors is equal to the gross contractual amounts receivable. An initial review of trade debtors has indicated a fair adjustment of £107,000 for bad debt provision.

The revenue included in the consolidated statement of comprehensive income since 7th July 2015, contributed by Cloud Amber was £565,000. Cloud Amber also made a loss of £133,000 for the same period. If Cloud Amber had been included from 1 November 2014, it would have contributed revenue of £2,242,000 and a loss after tax of £483,000.

The earn out period is 1 December 2014 to 30 November 2015. The earn out arrangement requires the Group to pay the former owners of Cloud Amber an amount to be determined by revenue in the earn out period, up to a maximum of £1,200,000 in cash. £1,200,000 has been recognised at the date of acquisition, which represents the fair value of the contingent consideration. At the reporting date, management's best estimate is that the full contingent consideration will be payable.

Reading Room Limited

On 8th October 2015 the Group acquired the entire share capital of Reading Room Limited for a total consideration of £5.6m in cash. Reading Room is an international digital consultancy with a reputation for digital innovation, strategy and delivery. Reading Room services are centred on digital change and range from full enterprise strategy development to projects related to specific aspects of digital business. The acquisition supports the Group's strategy of expansion into sector neutral content and digital platforms.

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

	Book value £000	Provisional fair value adjustments £000	Fair value £000
Intangible assets	238	3,616	3,854
Property, plant and equipment	329	-	329
Trade receivables	1,245	-	1,245
Other receivables	1,326	-	1,326
Cash at bank	86	-	86
TOTAL ASSETS	3,224	3,616	6,840
Trade payables	(384)	-	(384)
Other liabilities	(1,113)	-	(1,113)
Social security and other taxes	(597)	-	(597)
Deferred tax liability	-	(723)	(723)
TOTAL LIABILITIES	(2,094)	(723)	(2,817)
NET ASSETS			4,023
Purchased goodwill capitalised			1,577
Total consideration			5,600

Satisfied by:

Cash to vendor	5,600
Earn out consideration	-
Total consideration	5,600

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

The fair value of trade debtors is equal to the gross contractual amounts receivable. An initial review of trade debtors has not indicated any recoverability issues.

The revenue included in the consolidated statement of comprehensive income since 8 October 2015, contributed by Reading Room was £518,000. Reading Room also made a loss of £9,000 for the same period.   If Reading Room had been included from 1 November 2014, it would have contributed revenue of £9,531,000 and a loss after tax of £179,000.

There is no earn out period for Reading Room.

Acquisition costs of £50,000 have been written off in the consolidated statement of comprehensive income.

Digital Spirit GmbH

During the period there have been several fair value adjustments in respect of the acquisition of Digital Spirit GmbH on 22 October 2014. The adjustments totalled £300,000.

A number of adjustments were processed to align Company policies with Idox Group policies. These included £239,000 in respect of intangible assets, £24,000 in respect of property, plant and equipment, £98,000 in respect of the bad debt provision, and the release of a £102,000 guarantee provision.

There were adjustments totalling £41,000 processed in respect of pre-acquisition trading, including £48,000 for a pre-acquisition management charge.

During the period the deferred consideration relating to the acquisition was released to acquisition costs in the statement of comprehensive income as the consideration conditions were not met.

Acquisition cash flows

Acquisition cash flows in the year are as follows:

Subsidiaries acquired during the year:	Net cash outflow £000
Cloud Amber Limited	3,403
Reading Room Limited	5,514
	8,917

No additional fair value adjustments have been made in the year in respect of prior year acquisitions.

6 FURTHER COPIES

Copies of this announcement and, on finalisation, the full annual report and accounts will be available, free of charge, for a period of one month from the Company's Nominated Adviser and Broker N+1 Singer Advisory LLP, 1 Bartholomew Lane, London, EC2N 2AX, Tel: 020 7496 3000 or from IDOX plc, 2nd floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA. Copies of the full financial statements will be made available to shareholders in due course.

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