

# Idox Software Limited

## ANNUAL REPORT & ACCOUNTS 2020

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Company Number: 02933889

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## Company details

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Directors: D Meaden  
R Paterson  
I Noble  
R Grubb  
J Legdon (appointed 1 February 2020)

Secretary: R Paterson

Registered office 2<sup>nd</sup> Floor  
1310 Waterside  
Arlington Business Park  
Theale  
Reading  
RG7 4SA

Company registration number: 02933889

## Strategic report

For the year ended 31 October 2020

### Our business model

The principal activity of the Company is the development and supply of computer software and related consulting services. Idox Software Limited provides public sector organisations with solutions which deliver real efficiency savings benefits whilst transforming their ability to access and manage information and knowledge, documents and content, business processes and workflow as well as connecting directly with the citizen via the web.

### Business review and future developments

On 1 August 2020, the trade and assets of Tascomi Limited, a fellow Idox plc subsidiary, were hived in to Idox Software Limited. On 1 September 2020, the trade and assets of McLaren Software Limited, a fellow Idox plc subsidiary, were hived in to Idox Software Limited. Both hive ins are in line with the Group's overall corporate simplification strategy.

The profit for the year after taxation amounted to £6,994,524 (2019: £1,382,841).

During the year the Company paid interim dividends of £7,000,000 (2019: £Nil) to its parent company, Idox plc.

The Directors do not recommend the payment of a final dividend.

Revenue has increased in the year due to the addition of Tascomi Limited, which has been rebranded as Idox Cloud, and McLaren Software Limited in the latter part of the year coupled with improved sales governance and strategic focus on recurring and cloud based revenues. There has been an increased focus on cost reductions and synergies as part of the corporate simplification exercises which has resulted in greater gross margin and EBITDA margin in the year. The increase in EBITDA margin is also driven by the implementation of IFRS 16 in the year.

Key financial performance indicators, including the management of profitability and working capital, monitored on an ongoing basis by management are set out below.

	2020	2019	Measure
<b>Turnover (£000)</b>	45,803	39,374	
<b>Profitability Ratios</b>			
Gross Margin	76%	70%	Gross profit as a percentage of turnover
Adjusted EBITDA margin	31%	19%	Profit before interest, tax, depreciation, amortisation, share option costs and restructuring costs as a percentage of turnover
<b>Liquidity ratio</b>			
Current ratio	1.13	1.26	Assets due < 1 year divided by current liabilities.
Debtor days	33	31	Year-end trade debtors divided by turnover, multiplied by 365 days.

### IFRS 16

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted.

The Company adopted IFRS 16 Leases with effect from 1 November 2019 using the modified retrospective basis which:

- Requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

The Company has recognised £2,696,000 of right-of-use assets and £2,696,000 of lease liabilities upon transition to IFRS 16. The difference of £Nil is recognised in retained earnings.

## Strategic report (continued)

For the year ended 31 October 2020

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### **Financial risk management objectives and policies**

The Company uses various financial instruments which include cash and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company performs a regular review of short, medium and long-term cash forecasting to ensure our anticipated levels of cash are sufficient to meet both near-term requirements and longer-term strategic objectives. The Company carefully manages cash receipts and payments with customers and suppliers to ensure cash is delivered in line with agreed obligations.

The main risk arising from the Company's financial instruments is credit risk. The Directors review this risk on an ongoing basis. This policy has remained unchanged from previous years.

### **Credit risk**

The Company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors. This risk is mitigated due to the nature of the customers.

In order to manage credit risk, management review the debt ageing on an ongoing basis, together with the collection history and third party credit references where appropriate.

### **Liquidity risk**

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

### **Exchange rate risk**

The Company monitors its exposure to exchange rate risk on an ongoing basis. The Company has limited exposure to foreign exchange risk as a result of natural hedges arising between sales and cost transactions.

### **Principal risks and uncertainties**

#### *Covid-19 pandemic*

The Company continues to monitor the impact of the Covid-19 pandemic. Idox is well placed because of the Company's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home.


Further details of our assessment of the impact of the Covid-19 pandemic on the Group is included in the Going Concern disclosures in the Directors' Report on pages 4 to 5.

### **Section 172 (1) statement**

As the Board is embedded within the wider Idox plc Group board and executive management team, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 (s172) have been considered to an appropriate extent by the Group board in relation both the Group and to this entity.

An explanation of how the Group board has considered the matters set out in s172 is set out on pages 24 to 27 of the Group's annual report.

This report was approved by the Board on 22 March 2021 and signed on its behalf.



**R Grubb**  
Director

## Directors' report

For the year ended 31 October 2020

The Directors present their report together with financial statements for the year ended 31 October 2020. A review of business and future developments is included in the Strategic Report.

### Directors

The Directors who served during the year were:

D Meaden  
R Paterson  
I Noble  
R Grubb  
J Legdon (appointed 1 February 2020)

None of the Directors hold an interest in the shares of the Company.

The interests of the Directors in the shares of the parent company, Idox plc, are disclosed in that company's financial statements.

### Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Research and development

The Company continues to invest in software development in order to provide new services to customers. This forms part of the Company's growth strategy.

### Health, safety and environmental policies

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

## Directors' report (continued)

For the year ended 31 October 2020

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### **Anti-slavery and human trafficking**

Pursuant to Section 54 of the Modern Slavery Act 2015, Idox plc (parent company of Idox Software Limited) has published a Slavery and Human Trafficking Statement for the year ended 31 October 2020. The statement sets out the steps that the Company has taken to address the risk of slavery and human trafficking occurring within its own operations and supply chains. The Company follows the procedures noted in this statement, which can be found on the Group's corporate website: <https://www.idoxgroup.com/about-us/corporate-responsibility/>.

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled employees should, as far as possible be identical with that of other employees.

### **Employee consultation**

During the year ended 31 October 2020 the Group recorded an employee engagement net promoter score increase of 33 points on the prior year's results. While the NPS is now at 0, we are confident that as we embed our employee engagement programme we will continue to see this score improve over time. The Board continues to monitor these initiatives, the impact on our people and employee churn metrics more generally.

An Employee Share Investment Trust is in place to allow employees a tax efficient way of investing in the parent company. The Company purchases matching shares which become the property of the employee after a three year vesting period.

### **Stakeholder statements**

As the Board is embedded within the wider Idox plc Group board and executive management team, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 (s172) have been considered to an appropriate extent by the Group board in relation both to the Idox Group and to this entity.

An explanation of how the Group board has considered the matters set out in s172 is set out on pages 24 to 27 of the Group's annual report.

#### *Employees*

The board has carried out its duties in respect of the Company's employees, including engagement and having proper regard to their interests and the effect of any principal decisions taken by the Company during the financial year.

#### *Other stakeholders*

Similarly, the board has carried out its duties in respect of the Company's other stakeholders, focussing on the need to foster business relationships with suppliers, customers and others, and having proper regard to their interests and the effect of any principal decisions taken by the Company during the financial year.

### **Going concern**

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Company has adequate resources to continue in business for the foreseeable future. In making this assessment, which covers a minimum period of twelve months from approval of these accounts, the Directors have considered the Company's trading budget, cash flow forecasts, available headroom and projected financial covenants on the banking facility, and levels of recurring revenue.

In December 2019 the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The facilities, which comprise a single revolving credit facility of £35,000,000, are committed until December 2022, with an option to extend this commitment for a further two years.

## Directors' report (continued)

For the year ended 31 October 2020

### Going concern (continued)

#### *Covid-19 pandemic impact on Going Concern assessment*

Idox along with most companies has been impacted by the Covid-19 pandemic and recurring national lockdowns, however the impact on our Group has in the main been limited to the initial disruption of the early stages of the emerging challenges, including restrictions on physical movement. We have largely seen our operations return to their pre-Covid-19 pandemic levels across our Company.

We remain cautious in respect of the ongoing impact of the Covid-19 pandemic and the recurring national lockdowns. From our experience of the impact of the Covid-19 pandemic since March 2020, we are confident we are fundamentally resilient to the challenges of the Covid-19 pandemic due to the Company's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Company retains significant liquidity.

We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the ongoing impacts.

As part of the preparation of our FY20 results, the Company has carefully assessed if any ongoing impact of the Covid-19 pandemic creates any material uncertainty in our going concern assessment. We have performed detailed financial forecasting, as well as severe stress-testing in our financial modelling, but have not identified any credible scenarios that would cast doubt on our ability to continue as a going concern.

Therefore, this supports the going concern assessment for the business.

### Auditor

No auditor has been appointed for the year ending 31 October 2020 as the Company is entitled to exemption from audit under section 479A of the Companies Act 2006.

### Greenhouse gas (GHG) emissions reporting

Idox seeks to minimise the impact of our operations on the environment and is committed to reducing its greenhouse gas (GHG) emissions. Key sources of energy, primarily electricity to power our offices, are monitored by the Company to allow us to be continually mindful of our energy consumption. The Company applies a set of global environmental standards to all of our activities and our environmental and energy management systems are certified to ISO 14001. These certifications provide a framework against which we have developed comprehensive environmental procedures and monitoring systems. These processes have allowed us to measure our environmental performance and focus our activities on delivering improvements.

The table below shows the total gross GHG emissions in tonnes of CO<sub>2</sub> (tCO<sub>2</sub>e) in the year ended 31 October 2020:

Scope 1 – Emissions from combustion of oil and gas	4
Scope 1 – Emissions from combustion of fuel for transport purposes	-
Scope 2 – Emissions from purchased electricity (location-based)	56
Scope 2 – Emissions from purchased electricity (market-based)	-
Scope 3 – Emissions from business travel	140
<b>Total gross emissions (tCO<sub>2</sub>e)</b>	<b>200</b>
 Total turnover (£000)	 45,803
<b>Carbon intensity ratio (tCO<sub>2</sub>e/£000)</b>	<b>0.0044</b>



## Directors' report (continued)

For the year ended 31 October 2020

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### **Methodology**

Scope 1, include direct emissions from the combustion of oil and gas noted in litres and cubic metres respectively, converting these values to tCO<sub>2</sub>e using Department of Energy conversion factors. Scope 2, indirect emissions, include consumption of purchased electricity in kWh (220,000 kWh), converting these values to tCO<sub>2</sub>e using Department of Energy conversion factors. Scope 3 emissions relates to business travel in rental cars or employee-owned vehicles where Idox is responsible for purchasing the fuel.


Using an operational approach, the Company identified its population to ensure that all activities and facilities are being recorded and reported in line with the mandatory GHG protocol corporate accounting and reporting standard. Relevant data is analysed and used to calculate the GHG for the Group. Emissions are calculated as activity data multiplied by emissions factor (sourced from Government greenhouse gas reporting conversion factors).

The Company uses total turnover to calculate the intensity ratio as this allows emissions to be monitored over time taking into accounts changes in the size of the Company. This factor provides the greatest degree of accuracy and is the metric best aligned to business growth.

### **Energy efficiency**

For more detail on how the Board have had regard to the environment in key strategic decisions in the year (for the group and this entity), see the stakeholder engagement report on pages 24 to 27 of the group's annual report, which does not form part of this report.

This report was approved by the Board on 22 March 2021 and signed on its behalf.



**R Grubb**  
Director

Idox Software Limited

Statement of comprehensive income

For the year ended 31 October 2020

	Note	2020 £	2019 £
<b>Turnover</b>	3	<b>45,803,019</b>	<b>39,373,706</b>
Cost of sales		<u>(10,974,439)</u>	<u>(11,810,993)</u>
<b>Gross profit</b>		<b>34,828,580</b>	<b>27,562,713</b>
Administrative expenses		(26,048,301)	(23,961,219)
Impairment Charge		-	-
Restructuring costs	4	(1,096,835)	(1,427,321)
<b>Profit from operations</b>		<b>7,683,444</b>	<b>2,174,173</b>
Interest receivable and similar income	6	741,125	786,165
Interest payable and similar charges	7	(454,567)	(771,610)
<b>Profit on ordinary activities before taxation</b>		<b>7,970,002</b>	<b>2,188,728</b>
Tax (charge)/credit on profit on ordinary activities	8	(975,478)	(805,887)
<b>Profit for the financial year</b>		<b>6,994,524</b>	<b>1,382,841</b>
Other comprehensive income for the financial year, net of tax			
<b>Total comprehensive income for the financial year</b>		<b>6,994,524</b>	<b>1,382,841</b>

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

The accompanying accounting policies and notes (pages: 10 to 25) form an integral part of these financial statements.

Idox Software Limited

Balance sheet

At 31 October 2020

	Note	2020 £	2019 £
<b>Non-current assets</b>			
Tangible assets	9	1,049,931	813,930
Intangible assets	10	12,177,054	8,181,928
Right-of-use-assets	15	2,031,335	
Debtors due > 1 year	11	2,709,232	1,988,631
		<u>17,967,552</u>	<u>10,984,489</u>
<b>Current assets</b>			
Debtors due < 1 year	11	23,703,129	39,385,252
Cash at bank and in hand		23,047,338	3,149,919
		<u>46,750,467</u>	<u>42,535,171</u>
Creditors: amounts falling due within one year	12	(41,307,245)	(33,762,220)
<b>Net current assets</b>		<u><b>5,443,222</b></u>	<u><b>8,772,951</b></u>
Creditors: amounts falling due in more than one year	12	(2,639,520)	-
<b>Net assets</b>		<u><b>20,771,254</b></u>	<u><b>19,757,440</b></u>
<b>Capital and reserves</b>			
Called up share capital	13	2,111,853	2,111,853
Share premium account		1,294,745	1,294,745
Share option reserve		2,284,132	1,537,030
Capital contribution		4,554,857	4,554,857
Retained earnings		10,525,667	10,258,955
<b>Shareholders' funds</b>		<u><b>20,771,254</b></u>	<u><b>19,757,440</b></u>

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2021 and are signed on its behalf by:



**R Grubb**  
Director

The accompanying accounting policies and notes (pages: 10 to 25) form an integral part of these financial statements.

Company name: Idox Software Limited

Company number: 02933889

Idox Software Limited

Statement of changes in equity

At 31 October 2020

	Called up share capital £	Share premium account £	Share option reserve £	Capital Contribution £	Retained earnings £	Total £
<b>Balance at 1 November 2018</b>	<b>2,111,853</b>	<b>1,294,745</b>	<b>784,721</b>	<b>4,554,857</b>	<b>16,379,998</b>	<b>25,126,174</b>
Share option costs	-	-	840,563	-	-	840,563
Exercise / (lapses) of share options	-	-	(88,254)	-	88,254	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>752,309</b>	<b>-</b>	<b>88,254</b>	<b>840,563</b>
IFRS 15 opening adjustment	-	-	-	-	(9,221,469)	(9,221,469)
IFRS 15 Deferred Tax opening adjustment	-	-	-	-	1,629,331	1,629,331
Profit for the year	-	-	-	-	1,382,841	1,382,841
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,209,297)</b>	<b>(6,209,297)</b>
<b>At 31 October 2019</b>	<b>2,111,853</b>	<b>1,294,745</b>	<b>1,537,030</b>	<b>4,554,857</b>	<b>10,258,955</b>	<b>19,757,440</b>
Share option costs	-	-	1,019,290	-	-	1,019,290
Exercise / (lapses) of share options	-	-	(272,188)	-	272,188	-
Equity dividends paid	-	-	-	-	(7,000,000)	(7,000,000)
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>747,102</b>	<b>-</b>	<b>(6,727,812)</b>	<b>(5,980,710)</b>
Profit for the year	-	-	-	-	6,994,524	6,994,524
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,994,524</b>	<b>6,994,524</b>
<b>At 31 October 2020</b>	<b>2,111,853</b>	<b>1,294,745</b>	<b>2,284,132</b>	<b>4,554,857</b>	<b>10,525,667</b>	<b>20,771,254</b>

The comparative figures for FY19 have not been restated as a result of the adoption of IFRS 16.

The accompanying accounting policies and notes (pages: 10 to 25) form an integral part of these financial statements.

## Notes to the accounts

For the year ended 31 October 2020

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### 1 Company information

Idox Software Limited is a private company limited by shares which is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading, RG7 4SA. The registered number of the Company is 02933889.

### 2 Accounting policies

#### Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Sterling (£), which is the functional currency of the Company.

#### Going concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Company has adequate resources to continue in business for the foreseeable future. In making this assessment, which covers a minimum period of twelve months from approval of these accounts, the Directors have considered the Company's trading budget, cash flow forecasts, available headroom and projected financial covenants on the banking facility, and levels of recurring revenue.

In December 2019 the Group had refinanced with the Royal Bank of Scotland plc, Silicon Valley Bank and Santander UK plc. The facilities, which comprise a single revolving credit facility of £35,000,000, are committed until December 2022, with an option to extend this commitment for a further two years.

#### *Covid-19 pandemic impact on Going Concern assessment*

Idox along with most companies has been impacted by the Covid-19 pandemic and recurring national lockdowns, however the impact on our Group has in the main been limited to the initial disruption of the early stages of the emerging challenges, including restrictions on physical movement. We have largely seen our operations return to their pre-Covid-19 pandemic levels across our Company.

We remain cautious in respect of the ongoing impact of the Covid-19 pandemic and the recurring national lockdowns. From our experience of the impact of the Covid-19 pandemic since March 2020, we are confident we are fundamentally resilient to the challenges of the Covid-19 pandemic due to the Company's high recurring revenue base, its focus on public sector markets and the high proportion of staff that routinely work from home. The Company retains significant liquidity.

We continue to assess the impact of the Covid-19 pandemic on the business, taking actions to mitigate or limit the impacts on our organisation where we can and supporting our staff, customers and partners in dealing with the ongoing impacts.

As part of the preparation of our FY20 results, the Company has carefully assessed if any ongoing impact of the Covid-19 pandemic creates any material uncertainty in our going concern assessment. We have performed detailed financial forecasting, as well as severe stress-testing in our financial modelling, but have not identified any credible scenarios that would cast doubt on our ability to continue as a going concern.

Therefore, this supports the going concern assessment for the business as set out on pages 4 to 5 of the Director's report.

#### Parent company

The Company is a wholly owned subsidiary of Idox plc which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Idox plc for the year ended 31 October 2020.

## Notes to the accounts (continued)

For the year ended 31 October 2020

### 2 Accounting policies (continued)

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS101. Therefore these financial statements do not include

- A statement of cash flows and related notes
- Disclosure of key management personnel compensation
- Disclosure of related party transactions with wholly owned subsidiaries of the Idox plc group
- Certain disclosures in relation to share based payments
- Disclosures in relation to impairment of assets
- The effect of future accounting standards not adopted

Adoption of new and revised standards

- IFRS 16 - Leases - the standard was adopted for the first time in the year ending 31 October 2020. The Company applied IFRS 16 on a modified retrospective basis from the date of initial application (1 November 2019), without restatement of comparative amounts. See note 15 for further information.

There were no additional standards, amendments and interpretations that had a material impact on the Company's financial statements during the year.

Revenue

Revenue represents the income arising in the course of an entity's ordinary activities, net of value added tax.

Where work has been completed but the performance obligation has not been fully satisfied, the income has been accrued and included in contract receivables on the balance sheet.

The Company derives its revenue from the following revenue streams:

*Non-recurring: software (initial licence fee)*

Revenue from Initial License Fees (whether in respect of a perpetual or term license granted) is recognised on delivery and passing of full control of the software to the customer.

For license fees (Initial Licence Fees and Recurring Licence Fees) where the customer's control of our software is dependent on associated services such as non-recurring services which may be essential for the customer to use the software, the revenue from software license fees will be recognised over the course of the service provision in line with delivery of agreed performance obligation milestones as control of the whole solution is progressively transferred to the customer.

*Non-recurring: services*

Revenue from non-recurring services is recognised over the course of the service provision in line with delivery of agreed performance obligation milestones as control of the environment is progressively transferred to the customer.

*Non-recurring: hardware*

Revenue on hardware is recognised when control of the asset is passed to the customer which typically occurs on delivery.

*Recurring: software (recurring licence fee and support & maintenance)*

Revenue from Recurring License Fee (typically in respect of a term license granted) is recognised on delivery and passing of full control of the software to the customer as described for Non-recurring: Software (Initial Licence Fee). In order to achieve this, anticipated license fees from future recurring invoicing are typically 'unbundled' from the Support & Maintenance element and accrued until the invoicing occurs.

Revenue from Support & Maintenance is recognised evenly across the support and maintenance period, in line with the pattern of how we deliver the services and how they are consumed by the customer.

*Recurring: managed services*

Revenue from recurring managed services is recognised evenly across the managed service period, in line with the pattern of how we deliver the services and how they are consumed by the customer.

*Recurring: hosting*

Revenue from recurring hosting is recognised evenly across the hosting period, in line with the pattern of how we deliver the services and how they are consumed by the customer.

## Notes to the accounts (continued)

For the year ended 31 October 2020

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### 2 Accounting policies (continued)

#### Revenue (continued)

##### *Software as a service (SaaS)*

Fees from SaaS arrangements typically combine software licencing, support & maintenance, managed services and hosting into a single subscription payable by the customer for provision of a holistic service rather than delivery of constituent parts. Revenues from SaaS are recognised evenly across the period of contract for provision of the service, in line with the pattern of how we deliver the services and how they are consumed by the customer.

#### Contract revenue, receivables and liabilities

Long-term contracts for software solutions often contain multiple elements such as software, support, services, hosting and/or managed services.

Where there is a need to unbundle a software solution into its constituent elements, software industry benchmarks are applied.

Recognition of revenue on the software and services elements of longer-term contracts will be driven by new IFRS 15 treatment whereby revenue is recognised in line with agreed delivery milestones as control passes to the customer. The remaining elements will be considered distinct performance obligations with revenue recognised over the course of the contract.

Contract receivables are recognised when performance obligations are discharged under a contractual arrangement to the customer but have not been invoiced. Once the invoicing does occur a trade receivable is recognised, and the contract receivable is derecognised.

Contract liabilities arise when invoicing occurs in advance of performance obligations being discharged. The revenue associated with the invoicing is deferred until such time as the performance obligation is delivered.

#### Other income

The UK tax regime permits additional tax relief for qualifying expenditure incurred on research and development. The Research and Development Expenditure Credit (RDEC) Scheme has been adopted, which permits a tax credit of 11% of qualifying expenditure for companies classified as large. The Idox Group is considered large for research and development tax credit purposes owing to a headcount of over 500.

#### Intangible assets

Intangible assets with a finite useful life are amortised to the statement of comprehensive income on a straight-line basis over their estimated useful lives, which are reviewed on an annual basis. Amortisation commences when the asset is available for use. The residual values of intangible assets are assumed to be zero.

##### *(i) Research and development*

Expenditure on research (or the research phase of an internal project) is recognised in profit or loss in the period in which it is incurred. Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Company intends to complete the intangible asset and use or sell it;
- the Company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed in profit or loss as incurred. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Amortisation commences upon completion of the asset, and is shown separately in Intangible Assets in note 10.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors. Amortisation is calculated using the straight line method over a period of 5 years.

## Notes to the accounts (continued)

For the year ended 31 October 2020

### 2 Accounting policies (continued)

Intangible assets (continued)

#### (ii) Software

Software represents the purchase price of developed products procured directly from a vendor. The software is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over a period of 3 years.

Fixed assets

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged to statement of comprehensive income using the following rates and bases so as to write off the cost or valuation of items of property, plant and equipment over their expected useful lives. The rates that are generally applicable are:

- |                                    |                           |
|------------------------------------|---------------------------|
| • Computer hardware                | 25% and 50% straight line |
| • Fixtures, fittings and equipment | 25% straight line         |
| • Library books and journals       | 33.3% straight line       |

Useful economic lives and residual values are reviewed annually.

Employee benefits

#### Defined contribution pension plans

Contributions paid to private pension plans of certain employees are charged to statement of comprehensive income in the period in which they become payable. Contributions paid to personal pension plans of employees are charged to statement of comprehensive income in the period in which they become payable.

#### Share-based payment transactions

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 November 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to profit and loss reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to reserves. In some circumstances upon exercise of share options, the right to shares are waived and the proceeds are settled in cash.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Current tax is charged to profit or loss except where it relates to tax on items recognised in other comprehensive income or directly in equity, in which case it is charged to equity or other comprehensive income.

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.



## Notes to the accounts (continued)

For the year ended 31 October 2020

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### 2 Accounting policies (continued)

#### Taxation (continued)

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

#### Leases

In the current year, the Company, has applied IFRS 16 – Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 November 2019.

The Company has applied IFRS 16 using the modified retrospective basis which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings / (accumulated losses) at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

#### *(a) Impact on the new definition of a lease*

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 November 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 November 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

## Notes to the accounts (continued)

For the year ended 31 October 2020

### 2 Accounting policies (continued)

#### Leases (continued)

##### *(b) Impact on lessee accounting*

##### *(i) Former operating leases*

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases, (except as noted below), the Company:

- recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of twelve months or less) and leases of low-value assets the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administration expenses in the statement of comprehensive income.

The Company has used the following practical expedients when applying the modified retrospective basis to leases previously classified as operating leases applying IAS 17:

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within twelve months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

##### *(ii) Former finance leases*

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 November 2019.

##### *(c) Financial impact of initial application of IFRS 16*

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 November 2019 is 3.73%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 October 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	£000
Operating lease commitments at 31 October 2019	1,473
Short-term leases and leases of low-value assets	(34)
Effect of discounting the above amounts	(472)
Present value of lease payments due in periods not previously included in operating lease commitments	1,729
Lease liabilities recognised at 1 November 2019	<u>2,696</u>

## Notes to the accounts (continued)

For the year ended 31 October 2020

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### 2 Accounting policies (continued)

#### Leases (continued)

##### *(c) Financial impact of initial application of IFRS 16 (continued)*

The Company has recognised £2,696,000 of right-of-use assets and £2,696,000 of lease liabilities upon transition to IFRS 16. The difference of £Nil is recognised in retained earnings. There has been an reduction of £285,000 to the opening right-of-use asset in relation to release of prepaid and accrued rent free periods and capital contributions which were previously offset against the rental costs.

#### Foreign currency translation

The functional and presentation currency of Idox Software Limited is the pound sterling (£). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

#### Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

#### Financial assets

Financial assets are classified according to the substance of the contractual arrangements entered into.

#### Trade and other receivables

Trade receivables do not carry any interest and are initially stated at their fair value, as reduced by appropriate allowances for estimated irrecoverable amounts. All receivables are considered for impairment. Provision against trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the assets carrying value and the present value of estimated future cash flows.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on deposit and are subject to an insignificant risk of changes in value.

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its financial liabilities.

#### Trade and other payables

Trade and other payables are not interest-bearing, are initially stated at their fair value and subsequently at amortised cost.

#### Critical judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not easily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Management do not deem there to be any critical adjustments and / or estimates present within the individual Company's financial statements.

## Notes to the accounts (continued)

For the year ended 31 October 2020

### 3 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover by geographical destination is given below:

	2020 £	2019 £
United Kingdom	43,629,801	37,386,149
Rest of world	2,173,218	1,987,557
	<u>45,803,019</u>	<u>39,373,706</u>

All turnover is recognised over the period of the contract, unless our only performance obligation is to license or re-license a customer's existing user without any further obligations, in which case the turnover is recognised upon completion of the obligation.

All contracts are issued with commercial payment terms without any unusual financial or deferred arrangements and do not include any amounts of variable consideration that are constrained.

The Company's total outstanding contracted performance obligations at 31 October 2019 was £41,277,000 (2019: £42,254,000) and it is anticipated that 76% (2019: 72%) of this will be recognised as turnover in FY21.

### 4 Operating profit for the year

The profit on ordinary activities before taxation is stated after:	2020 £	2019 £
Tax services – compliance	5,750	11,420
Tax services – advisory	26,500	-
Operating lease rentals		
- Property	-	114,477
- Equipment	-	634,280
- Vehicles	-	6,712
Depreciation - owned	662,445	643,915
Depreciation – right-of-use-assets	558,138	-
Amortisation of intangible assets	3,209,289	2,388,056
Equity-settled share-based payments	992,328	840,563
Foreign exchange losses	(321,626)	405,657

#### *Restructuring costs*

Restructuring costs were £1,096,835 (2019: £1,427,321) predominantly relating to costs associated with historic property assets.

## Notes to the accounts (continued)

For the year ended 31 October 2020

### 5 Directors and employees

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Staff costs during the year were as follows:		
Wages and salaries	19,477,089	16,795,833
Social security costs	1,961,265	1,922,669
Pension costs	854,082	830,874
	<u>22,292,436</u>	<u>19,549,376</u>

During the year share based payment charges of £992,328 (2019: £840,563) were incurred.

During the year the Company incurred redundancy costs of £40,549 (2019: £212,203).

The average number of employees of the Company during the year was 401 (2019: 394) and was made up as follows:

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Office and administration (including Directors of the Company and its subsidiary undertakings)	42	43
Sales	28	30
Development	44	48
Operations	287	273
	<u>401</u>	<u>394</u>

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Remuneration in respect of Directors was as follows:		
Emoluments	1,281,893	1,017,560
Pension contributions	41,518	45,669
Share option exercise gain	35,139	-
	<u>1,358,550</u>	<u>1,063,229</u>

In the year ended 31 October 2020, the Company also paid remuneration of £202,430 (2019: £125,261) to Directors of Idox plc.

During the year ended 31 October 2020 there were retirement benefits accruing for 4 Directors (2019: 3).

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

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments	509,750	511,101
Pension contributions	-	-
	<u>509,750</u>	<u>511,101</u>

### 6 Interest receivable and similar income

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Interest receivable on intercompany loans	324,791	785,548
Other income	92,834	617
Foreign exchange differences	323,500	-
	<u>741,125</u>	<u>786,165</u>

Notes to the accounts (continued)

For the year ended 31 October 2020

**7 Interest payable and similar charges**

	<b>2020</b> £	<b>2019</b> £
Interest on intercompany loans	351,861	395,570
Lease liability interest	102,706	-
Foreign exchange differences	-	376,040
	<u>454,567</u>	<u>771,610</u>

**8 Income tax**

The tax charge is made up as follows:

	<b>2020</b> £	<b>2019</b> £
<b>Current tax</b>		
UK corporation tax on profits for the year	392,916	-
Foreign tax on profits of the year	32,912	13,529
Over provision in respect of prior years	381,765	(205,345)
<b>Total current tax</b>	<u>807,593</u>	<u>(191,816)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,381,814	904,319
Adjustment for rate change	(234,629)	(165,938)
Over provision in respect of prior years	(979,300)	259,322
<b>Total deferred tax</b>	<u>167,885</u>	<u>997,703</u>
<b>Total tax charge</b>	<u>975,478</u>	<u>805,887</u>

	<b>2020</b> £	<b>2019</b> £
Profit on ordinary activities before tax	<u>7,970,002</u>	<u>2,188,728</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,514,300	415,858
Effects of:		
Expenses not deductible for tax purposes	870,178	21,860
Tax losses arising/(utilised) in year	-	-
Differences in tax rate	(234,629)	(165,938)
Share scheme deduction	(226,709)	113,354
Group relief	(361,702)	281,347
Adjustments in respect of prior years	(597,535)	53,977
Research and development relief	-	101,365
Foreign tax suffered	32,912	(2,570)
Capitalised revenue expenditure	-	(4,056)
Non-taxable income	(21,337)	(9,310)
	<u>975,478</u>	<u>805,887</u>

	<b>2020</b> £	<b>2019</b>
Deferred tax		
Accelerated capital allowances	39,386	366,429
Share options	454,098	145,608
Other timing differences	18,361	56,303
Tax losses	-	334,764
Closing IFRS 156 DT asset	468,724	546,653
R&D amortization	-	(236,813)
Provision for deferred tax	<u>980,569</u>	<u>1,212,944</u>

Notes to the accounts (continued)

For the year ended 31 October 2020

**8 Income tax (continued)**

	<b>2020</b> £	<b>2019</b> £
At start of year	1,212,944	581,316
Adjustments for the year	(1,013,562)	(904,319)
Differences in tax rates	-	165,937
Adjustments in respect of prior years	859,456	(259,322)
Deferred tax asset on IFRS day 1	(78,269)	1,629,332
Deferred tax asset	<u>980,569</u>	<u>1,212,944</u>

**9 Tangible assets**

	<b>Computer hardware</b> £	<b>Fixtures, fittings and equipment</b> £	<b>Library books and journals</b> £	<b>Total</b> £
<b>Cost</b>				
At 1 November 2019	2,390,824	123,758	21,926	2,536,508
Additions	868,830	3,680	1,390	873,900
Additions on hire in	611,842	60,632	-	672,474
Disposals	-	(4,400)	-	(4,400)
At 31 October 2020	<u>3,871,496</u>	<u>183,670</u>	<u>23,316</u>	<u>4,078,482</u>
<b>Depreciation</b>				
At 1 November 2019	1,598,154	110,316	14,108	1,722,578
Provided in the year	651,668	6,485	4,292	662,445
Depreciation on hire in	581,622	66,306	-	647,928
Disposals	-	(4,400)	-	(4,400)
At 31 October 2020	<u>2,831,444</u>	<u>178,707</u>	<u>18,400</u>	<u>3,028,551</u>
<b>Net book amount at 31 October 2020</b>	<b><u>1,040,052</u></b>	<b><u>4,963</u></b>	<b><u>4,916</u></b>	<b><u>1,049,931</u></b>
Net book amount at 31 October 2019	<u>792,670</u>	<u>13,442</u>	<u>7,818</u>	<u>813,930</u>

The Company has pledged the above assets to secure banking facilities granted to Idox plc.

# Notes to the accounts (continued)

For the year ended 31 October 2020

## 10 Intangible assets

During the year, goodwill and intangibles were reviewed for impairment in accordance with IAS 36, 'Impairment of Assets'. This resulted in an impairment charge of £Nil (2019: £Nil).

	Capitalised research and development	Backlog order book	Software licences	Total
	£	£	£	£
<b>Cost</b>				
At 1 November 2019	10,464,315	2,900,000	4,105,100	17,469,415
Additions	9,527,734	-	542,204	10,069,938
Additions on hive in	-	-	354,783	354,783
Disposals	-	(2,900,000)	(162,601)	(3,062,601)
At 31 October 2020	19,992,049	-	4,839,486	24,831,535
<b>Amortisation</b>				
At 1 November 2019	4,309,686	2,900,000	2,077,801	9,287,487
Amortisation for the year	2,268,457	-	940,832	3,209,289
Amortisation on hive in	2,702,922	-	354,783	3,057,705
Disposals	-	(2,900,000)	-	(2,900,000)
At 31 October 2020	9,281,065	-	3,373,416	12,654,481
<b>Carrying amount at 31 October 2020</b>	<b>10,710,984</b>	<b>-</b>	<b>1,466,070</b>	<b>12,177,054</b>
Carrying amount at 31 October 2019	6,154,629	-	2,027,299	8,181,928

## 11 Debtors

	2020 £	2019 £
<b>Due &lt; 1 year</b>		
Trade debtors- restated	4,159,523	3,316,529
Allowance for credit losses- restated	(41,945)	(11,401)
Amounts recoverable on contracts	3,600,237	6,444,093
Amounts due from group undertakings	11,753,946	27,320,658
Corporation Tax	1,424,579	381,765
Other debtors	806,425	437,675
Prepayments	2,000,364	1,495,933
	<u>23,703,129</u>	<u>39,385,252</u>
<b>Due &gt; 1 year</b>		
Amounts due from group undertakings	1,728,663	775,687
Deferred taxation	980,569	1,212,944
	<u>2,709,232</u>	<u>1,988,631</u>

Amounts recoverable on contracts represent work completed and delivered to the customer, but due to the contractual payment terms have not yet been invoiced.

Amounts due from group undertakings are repayable on demand and are interest bearing.



## Notes to the accounts (continued)

For the year ended 31 October 2020

### 12 Creditors

	2020 £	2019 £
<b>Falling due within one year</b>		
Trade creditors	1,756,667	1,004,563
Amounts owed to group undertakings	16,282,202	12,121,074
Taxation and social security	4,406,788	901,999
Other creditors	242,288	1,582,770
Accruals and deferred income	16,638,541	17,698,975
Provisions	1,412,062	452,839
Lease liabilities	568,697	-
	<u>41,307,245</u>	<u>33,762,220</u>
<b>Falling due in more than one year</b>		
Accruals and deferred income	460,507	-
Provisions	611,985	-
Lease liabilities	1,567,028	-
	<u>2,639,520</u>	<u>-</u>

Amounts due to group undertakings are repayable on demand and are interest bearing.

### 13 Share capital

	2020 £	2019 £
<b>Authorised:</b>		
4,000,000 ordinary shares of £1 each	4,000,000	4,000,000
100,000,000 deferred ordinary shares of 1 pence each	1,000,000	1,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
<b>Allotted, called up and fully paid:</b>		
2,111,853 ordinary shares of £1 each	<u>2,111,853</u>	<u>2,111,853</u>

The deferred shares carry limited rights to dividends and share in profits and have no voting rights.

### 14 Share options

Idox plc, the ultimate parent of the Company, has made awards of share options over its 1p ordinary shares to employees of the group. An allocation of the share option charge has been made to the Company based on the provision of services from employees for whom share options have been granted. All share options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The vesting period is usually one to three years and the options are settled in equity on exercise.

The following table sets out the number of share options and associated weighted average exercise price (WAEP) outstanding during the year:

	2020		2019	
	No.	WAEP Pence	No.	WAEP Pence
Outstanding at the beginning of the year	3,658,427	24.30	8,427,522	32.80
Granted during the year	-	-	585,500	1.00
Exercised during the year	(50,000)	18.00	(1,757,927)	16.13
Lapsed during the year	(1,682,927)	16.04	(3,596,668)	44.42
Outstanding at the end of the year	<u>1,925,500</u>	<u>31.68</u>	<u>3,658,427</u>	<u>24.30</u>
Exercisable at the end of the year	<u>1,925,500</u>	<u>31.68</u>	<u>3,658,427</u>	<u>24.30</u>

## Notes to the accounts (continued)

For the year ended 31 October 2020

### 14 Share options (continued)

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6 years. The share options exercised during the year had a weighted average exercise price of 18.00p and a weighted average market price of 49.80p.

Share options totalling Nil (2019: 585,500) were granted during the year ended 31 October 2020.

The Company recognised a total charge of £Nil (2019: £175,650) for equity-settled share-based payment transactions related to the unapproved share option scheme during the year. A charge of £Nil (2019: £175,650) related to share options granted and £Nil (2019: £Nil) related to share options exercised.

### Long-term incentive plan (LTIP)

During the year, 4,366,064 (2019: 9,157,982) options were granted under the Long-Term Incentive Plan.

The Company recognised a total charge of £992,328 (2019: £644,913) for equity-settled share-based payment transactions related to the LTIP during the year. The total cost was in relation to outstanding share options and share options granted in the year. The weighted average exercise price of options exercised in the year was £Nil (2019: £Nil).

The number of options in the LTIP scheme is as follows:

	2020 No.	2019 No.
Outstanding at the beginning of the year	8,429,410	
Granted	4,366,064	9,157,982
Forfeited	-	(787,572)
	(359,603)	
Outstanding at the end of the year	12,435,871	8,429,410
Exercisable at the end of the year	2,450,196	-

The fair values were calculated using the modified Black-Scholes option pricing method and the following information:

Date of issue	Number granted No.	Weighted average share price Pence	Weighted average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Weighted average fair value at grant date £
Nov 19	1,069,446	35.5	-	40	5	0.48	0.311
Mar 20	675,925	30	-	40	5	0.54	0.206
Apr 20	178,378	37.8	-	40	5	0.14	0.310
Jun 20	324,074	44.9	-	40	5	0.10	0.413
Jun 20	159,574	46.5	-	40	5	0.10	0.430
Aug 20	1,006,667	47.5	-	40	5	0.10	0.421
Oct 20	952,000	49.6	-	40	5	0.10	0.447
	<u>4,366,064</u>						

# Notes to the accounts (continued)

For the year ended 31 October 2020

## 15 Leases

<b>Right-of-use-assets</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>			
At 1 November 2019	2,104,687	306,001	<b>2,410,688</b>
Additions	58,113	-	<b>58,113</b>
Additions on hire in	133,830	-	<b>133,830</b>
Disposals	(61,407)	-	<b>(61,407)</b>
At 31 October 2020	<b>2,235,223</b>	<b>306,001</b>	<b>2,541,224</b>
<b>Accumulated depreciation</b>			
At 1 November 2019	-	-	-
Charge for the year	443,388	114,750	<b>558,138</b>
Disposals	(48,248)	-	<b>(48,248)</b>
At 31 October 2020	<b>395,140</b>	<b>114,750</b>	<b>509,890</b>
<b>Carrying amount</b>			
At 31 October 2020	<b>1,840,083</b>	<b>191,251</b>	<b>2,031,334</b>

The Company leases several assets including; buildings and IT equipment. The average lease term is 3 years. There has been an reduction of £285,000 to the initial opening right-of-use asset balance of £2,696,000 in relation to release of prepaid and accrued rent free periods and capital contributions which were previously offset against the rental costs.

0% of the leases for property and equipment expired in the current financial year. This resulted in £Nil of the £58,000 additions to right-of-use-assets in FY20.

The maturity analysis of lease liabilities is presented below.

	<b>2020</b>
Amounts recognised in profit and loss	
Depreciation expense on right-of-use-assets	558,138
Interest expense on lease liabilities	102,706
	<b>660,844</b>
<b>Lease liabilities</b>	
	<b>2020</b>
	<b>£000</b>
Analysed as:	
Non-current	568,697
Current	1,567,028
	<b>2,135,725</b>
	<b>2020</b>
	<b>£</b>
Maturity analysis:	
Year 1	643,446
Year 2	569,822
Year 3	490,939
Year 4	270,160
Year 5	204,505
Onwards	322,925
	<b>2,501,797</b>
Impact of discounting	<b>(366,072)</b>
Carrying value	<b>2,135,725</b>

## Notes to the accounts (continued)

For the year ended 31 October 2020

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### **15 Leases (continued)**

The Group does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

As at 31 October 2019 the Group had operating lease commitments as disclosed under IAS 17 of £1,473,000, with £576,000 being due within one year and £897,000 being due within one to five years.

### **16 Capital commitments**

There were no material capital commitments at 31 October 2020 (2019: £950,000).

### **17 Contingent liabilities**

The Company is party to an intercompany guarantee held over the Idox plc group of companies. At the year end, the amount of external borrowings held by the Group, which were subject to this guarantee, amounted to £35m (2019: £21.75m).

### **18 Related party transactions**

As permitted by FRS 101 related party transactions with wholly owned members of the Idox plc group have not been disclosed.

### **19 Post balance sheet events**

The finalisation of the trade deal between the UK and the EU in December 2020 and the national lockdowns in January 2021 as a result of the Covid-19 pandemic, have had no material impact on the Company.

### **20 Ultimate parent company and control**

The Company is controlled by its immediate and ultimate parent company, Idox plc.

The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate parent company Idox plc. The consolidated accounts of Idox plc are available from the address as stated in note 1 or on the group's website [www.idoxgroup.com](http://www.idoxgroup.com).