

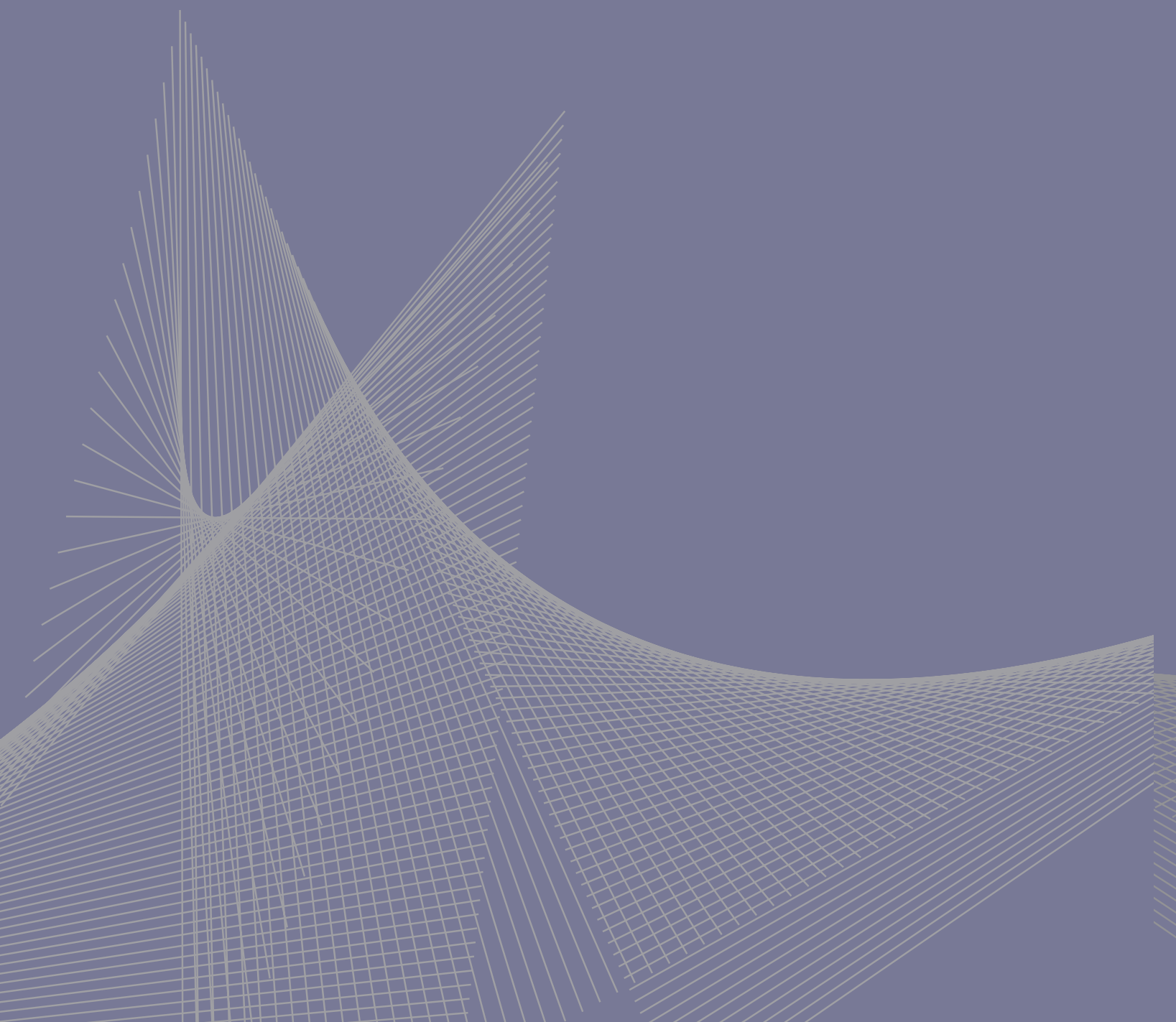


Ingenta plc

Annual Report & Accounts 2003



Ingenta is the market leader in the creation and operation of websites for the world's scholarly and professional publishers, enabling the online delivery of their journal and reference publications to the library and research communities.



2003: Highlights of the Year

- Goal of monthly profitability achieved
- Reorganisation has removed £4.9m of annualised costs
- 97% customer renewal rate
- Number of publisher customers up by 10% to 254
- Number of publications handled up by 10% to over 6,100
- Number of Specialist Websites increased by 17% to over 250

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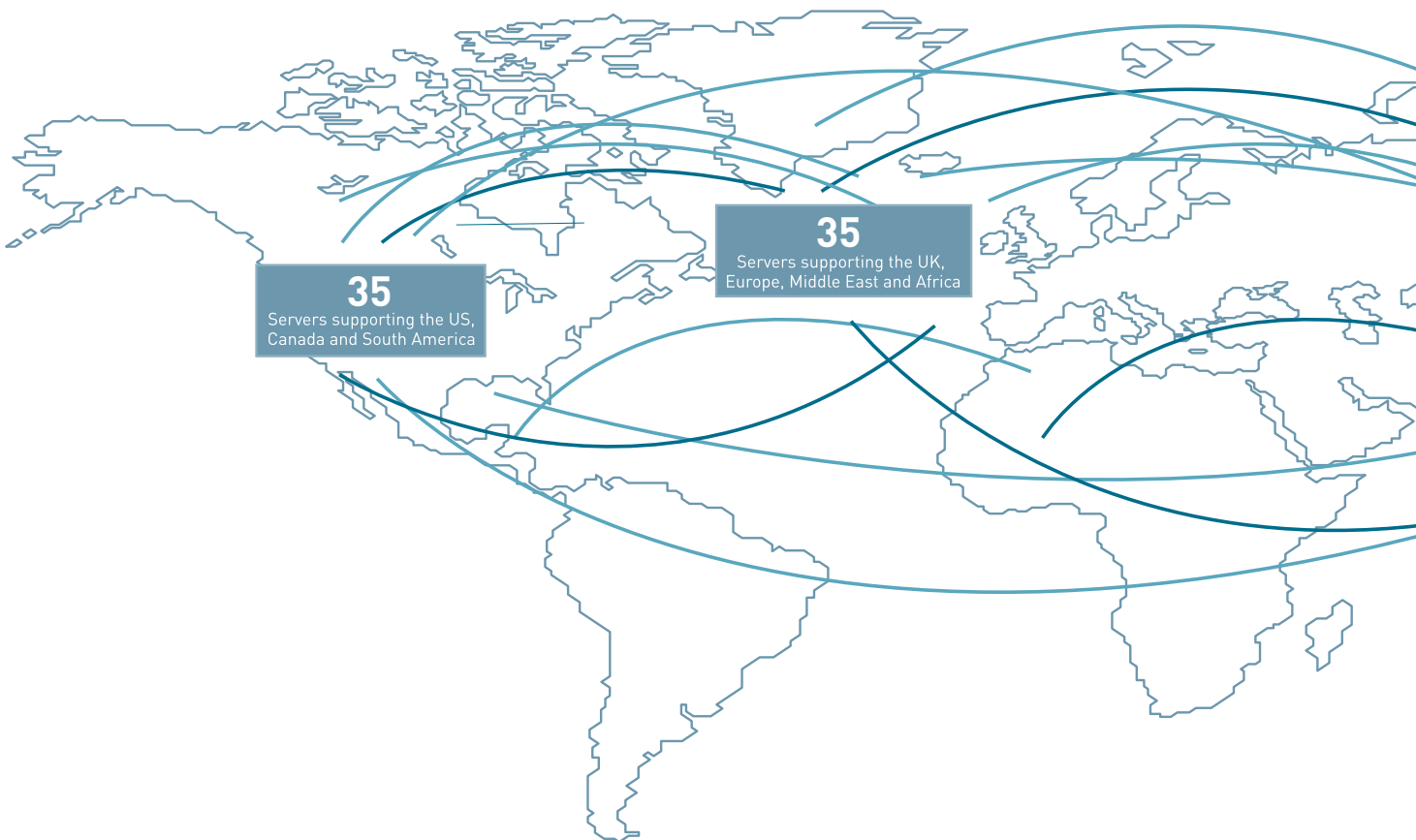
Ingenta: Business Overview

Ingenta connects the publishers and users of scientific, academic and professional research online.



Publisher Services

... converts these into a web usable format and adds features like clickable links to references, and hosts them securely ensuring only the publisher's existing customers can access them for free ...



Publishers

Ingenta takes research articles and other content from commercial publishers, self-publishing societies, university presses and public sector institutions...



Pay-Per-View

... which enables libraries and researchers to download material freely from publications they subscribe to, or via Pay-Per-View, from the ingenta.com website...

Specialist Websites

... and via custom-developed Specialist Websites that Ingenta creates and maintains for publishers, self-publishing societies and libraries.

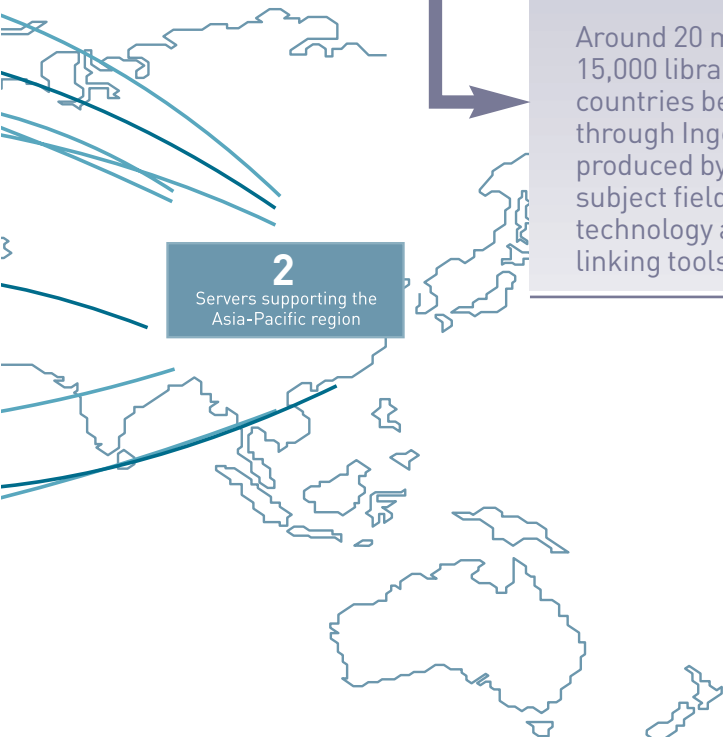


Researchers

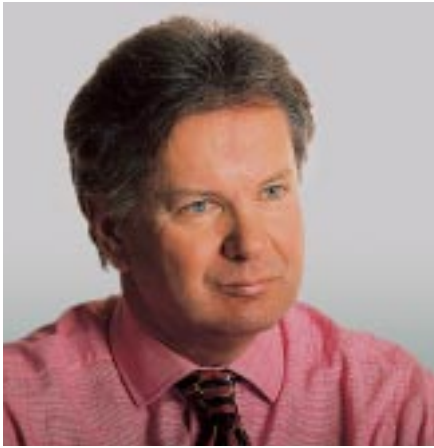
Around 20 million researchers in some 15,000 libraries in more than 240 countries benefit from online access through Ingenta to the research produced by many publishers in their subject field, using innovative search technology and sophisticated content-linking tools.

2

Servers supporting the Asia-Pacific region



Chairman's Statement



2003 has been a year of consolidation and progress for Ingenta. The year has shown remarkable achievement in reducing our costs and reported losses.

“The group has produced rapidly improving results, moving from a £1.8m first half loss to near break-even after tax in the second half. Having achieved our goal of monthly pretax profitability for the last two months of the financial year, we have considerable confidence that the group will make continuing progress in 2004.”

Martyn Rose
Chairman

Finance and operations

I am pleased to announce that Ingenta has made further substantial progress towards profitability during the financial year to 30 September 2003.

The progress made during the year is highlighted by the fact that the overall loss before tax was reduced from £1.8m in the 6 months to 31 March 2003 to £1.0m in the second half. Including the benefit of a tax credit of £0.9m, the group produced post tax results near break-even for the 6 months to 30 September 2003.

The principal focus of management during the year was the continuing reduction of the group's overhead costs, which (excluding depreciation) were reduced by 36% to £8.7m (2002: £13.6m). Sales in the year of £8.5m (2002: £9.3m), together with slightly reduced average margins (76% as against 80% in 2002), and greatly reduced costs, produced a 59% reduction in losses before tax and goodwill amortisation for the year to 30 September 2003 to £2.9m (2002: £7.0m).

Even during this period of focus on cost reduction, the group continued to attract substantial amounts of new customers, with the number of publisher customers increasing over the year by a net 30 to 254, the number of journal titles being processed increasing by over 10% to 6,100 and the number of Specialist Websites being operated increasing by 17% to over 250.

Further work on new contracts won, but not yet recognised as turnover, has continued to be generated during the period and as a result the group carried deferred revenue and customer deposit account balances at 30 September 2003 of £3.4m (30 September 2002: £4.2m). An estimated £2.0m of this will be recognised as turnover over the next 12 months, and in addition the group will benefit from recurring contracts and repeat business not yet invoiced.

Staff

Overall staff numbers reduced from 166 at 30 September 2002 to 127 at 30 September 2003, in line with the cost reduction plans outlined above. The delivery of increasing volumes of business from a smaller staff indicates not only the benefit of the reorganisation undertaken, and the effects of continuing investment in R&D, but also the dedication of our staff, whom the Board would like to thank for their continuing hard work in delivering high levels of service to our customers in a period of substantial change.

Prospects

2003 has been a year of consolidation and progress for Ingenta. The year has shown remarkable achievement in reducing our costs and reported losses, largely achieved through reduction in operating overheads.

In particular we have achieved our goal of profitability during the second half of the financial year with the last two months being profitable at the pre-tax level on the basis of unaudited management accounts. This performance has continued into October 2003.

The group enters the 2004 fiscal year with the benefits of a stable business, substantial pre-contracted revenues from its existing customers and a significantly reduced cost base. Together with a strengthened sales organisation and significant market opportunity, this gives the Board considerable confidence that it will make continuing progress in the current year.

Martyn Rose

Chairman
19 December 2003

Chief Executive's Review

Ingenta continues to be the market leader in the creation of websites for the world's scholarly and professional publishers, enabling the online delivery of their journal and reference publications.



We work with over 6,000 publications, and deliver content into some 15,000 of the world's academic and corporate libraries through over 250 separate websites.

This represents around 75% of all the publications that are available online in this sector, substantially more than any of our competitors. With around two-thirds of all scholarly and professional publications not yet having an Internet edition, the scope for growth remains considerable.

Ingenta's revenue is derived from three core areas, namely:

- building and operating websites for professional and academic publishers which enable those customers to deliver their journals, and other research publications, over the Internet to their subscribers; as well as creating websites allowing specialist libraries to provide access to these publications for their readers — **Specialist Websites**;

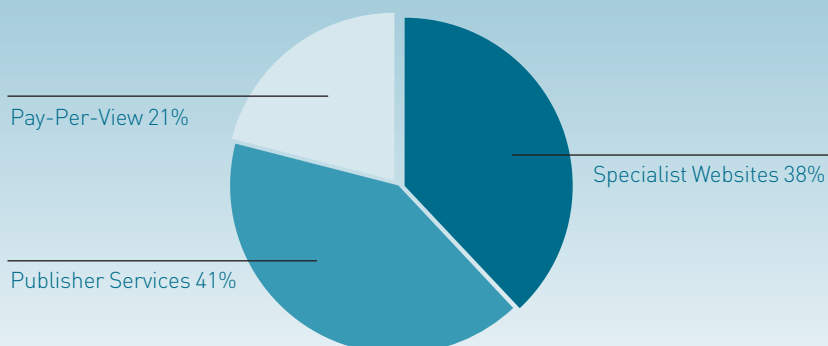
- converting articles and other types of research content for publishers into a format that can be readily delivered via the Internet, adding features such as active reference linking; and securely hosting these articles and other research content so as to ensure that only the publisher's existing customers can access and download them for free via the www.ingenta.com website — **Publisher Services**; and

- charging libraries and end-users on a per-article basis for downloading material to which they do not currently have free access under subscription arrangements with the publisher — **Pay-Per-View**.


“For most of 2003 our top priority was reducing costs. With management now firmly focused on sales growth, and a newly strengthened sales team in place, we are looking forward to 2004 with confidence.”

Mark Rowse
Chief Executive

2003 Turnover



Chief Executive's Review continued



Case study
The World Bank
<http://www.worldbank.org/elibrary>

As well as being one of the world's largest sources of development assistance, The World Bank compiles statistical indicators of social and economic development and undertakes research into public policy issues. In 2002, The World Bank approached Ingenta to develop an e-library where it could disseminate this information electronically worldwide.

The biggest task facing Ingenta was how to manage the vast amounts of published material coming in from various World Bank departments. With more than 1,500 titles which weren't standardised, Ingenta had to first update virtually all the incoming data to fit a standard model and overhaul the content management system. The e-library was launched in June 2003 and commenting on the final product, Dirk Koehler, Publisher at The World Bank said: "I expect the World Bank e-library to become the reference of choice on development for policymakers, development practitioners, researchers and the academic community."

Specialist Websites

Ingenta has long-term contracts with publishers and libraries to create, host, maintain and enhance Specialist Websites. Delivering access to high value, subscription-based journal and reference content, Ingenta now operates over 250 such sites for academic and corporate libraries worldwide and major publishers such as McGraw-Hill, Oxford University Press and Taylor & Francis.



The number of Specialist Websites being operated on behalf of publishers, self-publishing societies and libraries grew during the period by 17% from 220 to 258.

The group generates revenues both from fees recognised when a website is accepted by a customer and from ongoing annual maintenance revenue, which tends to increase over time as sites are enhanced and attract greater usage. Overall the proportion of group turnover generated from this area of the business declined to 38% of total group sales (2002: 44%), due to a reduction in total fees generated from new site launches, as indicated in the interim results to 31 March 2003. However, the quality of earnings in this area again improved through an increase in annual recurring income from ongoing service provision for the 220 sites already live at the start of the year.

In accordance with the group's revenue recognition policies, work undertaken on a number of new contract wins during the period has not yet been recognised as turnover in these results but will contribute to the substantial amount of pre-contracted sales and revenue to be recognised in the 2004 financial year and beyond.

Highlights of the period included major new websites providing worldwide internet access to the reports and other publications produced by the World Bank and World Tourism Organisation, and the creation of Oxford Scholarship Online, which provides online access to the scholarly book publishing programme of Oxford University Press.

“The quality of earnings in this area again improved...”

Publisher Services

Ingenta creates internet-deliverable versions of academic journals, reports and books. Ingenta’s cutting-edge technology adds value to published material through data conversion, the addition of sophisticated reference linking, enhanced searchability, secure hosting and systems to ensure that only the publisher’s customers can access the publication. Ingenta now handles every issue of some 6,100 publications, adding around 100,000 documents every month.

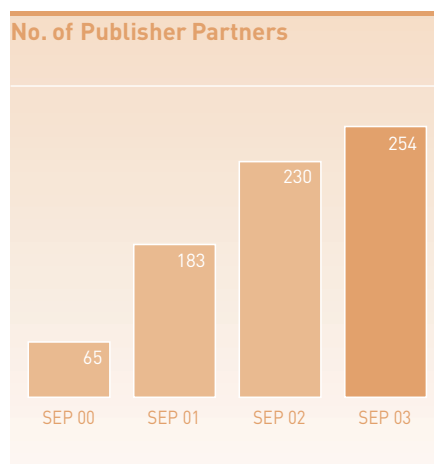
“Ingenta extended its contractual arrangements with 97% of its client base.”

Revenues are principally generated in this division from the ongoing conversion, loading and hosting of each new issue of a publication during the year, and also from fees for the initial configuration of software tools to enable this process to take place as efficiently as possible. In addition, the group provides fee-based marketing services to publishers through its Boston-based PCG operation.

number of customers working with Ingenta at 30 September 2003 to 254. Whilst renewal rates were encouraging, in some cases renewals were achieved for a lower level of ongoing service, and hence lower revenues, which together with the effect of cancellations resulted in the contribution from this division remaining static at 41% of total sales (2002: 42%).

Although a total of seven customers chose not to renew contracts with the group, Ingenta extended its contractual arrangements with 97% of its client base during the year. In addition, the group benefited from concluding arrangements with 31 new customers taking the total

New customers in the period included substantial and prestigious national bodies such as the American Sociological Association, the Statistical Society of Canada and the Yale Journal of Biology and Medicine.



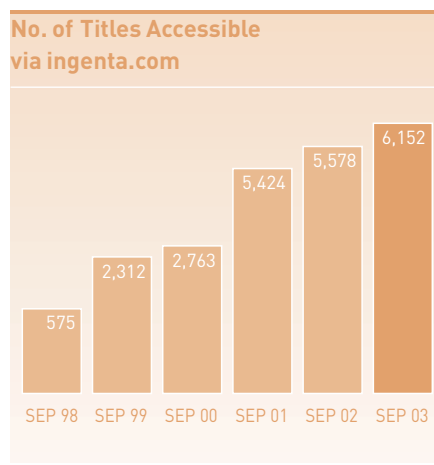


Case study

The Journal of Marine Research, Yale University

The Journal of Marine Research, published from Yale University, approached Ingenta to create an effective presence online for their peer-reviewed publication. Doing the job in-house was not an option, as Editorial Executive, Doreen Orciari explains: “Our competition are Elsevier and the American Meteorological Society — big companies that have their own resources for internet publishing. We are a much smaller organisation and needed help with this endeavour.”

Ingenta put the content online securely and created a separate journal web page linked to the full-text to create the maximum exposure for the title. Speaking after the process was completed, Ms Orciari said: “Advancing to the online publishing world can be overwhelming, but with the support of Ingenta the process was made easy.”



Chief Executive's Review continued



Case study Carleton University

Canada's capital university, Carleton, offers undergraduate and graduate programmes in 50 areas of study and, like many universities, needs to provide its researchers with copies of all the articles they want, even from journals to which it does not subscribe.

Carleton began working with Ingenta in March 2000. Callista Kelley, Head of Inter-Library Loans at Carleton University describes the differences Ingenta made to its previous out-dated process:

"Ingenta's electronic document delivery offers a 24/7 service, and considering that students are usually conducting their research at the last minute, they can do so from the convenience of their own computers. By simply logging on to ingenta.com they can receive desktop delivery almost instantly. This dual benefit saves time and results in a huge cost saving for the library."

Pay-Per-View

Ingenta provides information commerce services to its publisher customers, enabling libraries and researchers to buy content on a pay-per-view basis where they do not have subscription access rights. Ingenta shares this revenue with the owner of the publication.

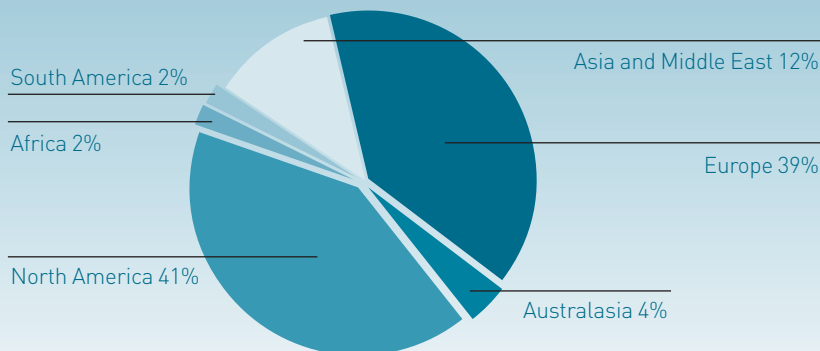
Whilst the majority of the documents viewed by users of Ingenta's services are delivered to them for free under their subscription arrangements with publishers, in some cases Ingenta charges libraries or end users for access to documents to which they are not subscribers. This includes both documents used for research purposes via Ingenta's online systems and those used by students within course packs through its HERON service.

Demand for these services continued to rise, with turnover from this activity representing some 21% of turnover in the year ended 30 September 2003 (2002: 14%).

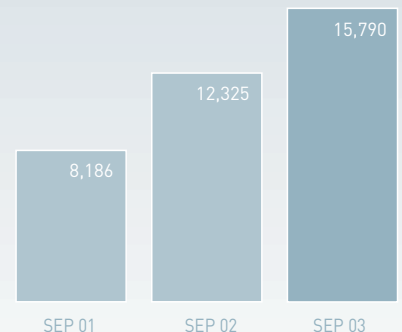
Average cost of sales is reducing as users choose to switch from low margin fax delivery of articles to higher margin online delivery, thereby increasing the average gross margin contribution to the group.

"Demand for this service continued to rise..."

Geographical distribution of institutions registered to use ingenta.com



Number of institutions registered to use ingenta.com



Operations

Significant progress was made during the year in consolidating and streamlining operations at the group's UK (Oxford and Bath) and US (Providence, Rhode Island and Cambridge, Massachusetts) locations following the reorganisation announced in September 2002. This resulted in overheads being reduced by £4.9m in the year to 30 September 2003 compared with the previous year. The reorganisation was focused on improving the efficiency of the group's operations and through this delivering higher levels of service at a lower overall cost.



“Our strategy is to invest in technology which reduces our costs of operation and keeps us ahead of our competition.”

Following some 12 months of firm focus on reduction of the group's operating costs, towards the end of the year management attention turned back to renewing growth in sales. The teams dealing with Client Management for our substantial existing customer base have been separated from those dealing with new customer acquisition. Key appointments were made during the last quarter of the year in the form of three new leaders of the Sales and Client Management teams in the UK and US operations. These new appointees, all recognised leaders within the industry, are now building the sales teams on both sides of the Atlantic to ensure we grow sales from new customers in the current year, as well as continuing to generate more revenue from our substantial existing base of customers.

In the year to 30 September 2003, we have continued to invest substantially in research and development, incurring costs of some £1.5m during the year in software engineering of cutting-edge new services. This included continuing innovation in the technology underpinning our online journal access platform. In particular, we undertook a complete renewal of our systems for managing subscription access, which will allow us to service the needs of a wider range of publishers with this important part of their information commerce strategy. This core part of our systems now supports access and entitlement for some 20 million subscription records.

We have also continued to develop new software tools to improve the efficiency of processing and loading content received from publishers, now amounting to some 100,000 new documents per month.

A number of customers are now using our new web-based software tools to process, load and check their online publications themselves, thereby improving efficiency and turnaround times. New services also allow publishers to check the progress of their content through our systems using online viewing facilities.

We have also implemented new technology to enable us to deal with a full range of content types, including XML and SGML, within our standard service offering, and have added a number of additional features to our menu of services, including archive processing, automated reference extraction, automated metadata creation and remote content editing for customers.

Outlook

Our strategy is to continue to invest in technology which reduces our costs of operation and keeps us ahead of competition, while also moving control of content and websites back into the hands of our publisher customers.

We are leaders in a market which still provides substantial growth opportunities. I am confident that the investment we have already made, and the sales infrastructure we are now putting in place, will enable us to generate additional volume in our core business, whilst maintaining margins as well as developing new revenue streams in the year ahead.

Mark Rowse

Chief Executive
19 December 2003

Operating and Financial Review

for the year ended 30 September 2003

Operating Results

Although turnover was £0.8m lower than last year at £8.5m (2002: £9.3m), the effect of a continuing programme of cost reduction during the year has meant that losses, before goodwill amortisation and write-off and tax, were reduced by £4.1m.

Gross profit for the period was £6.5m (2002: £7.4m) and gross margins were reduced slightly to 76% (2002: 80%) as a result of changed business mix.

Overheads were reduced by £4.9m over the year, a 36% reduction, to £8.7m (2002: £13.6m). Together with depreciation of £0.6m (2002: £1.1m) this resulted in a 59% reduction in losses before goodwill amortisation and write-off and tax to £2.9m (2002: £7.0m).

The progress made during the year is highlighted by the fact that this overall loss before tax was reduced from £1.8m in the 6 months to 31 March 2003 to £1.0m in the second half of the year to 30 September 2003. Including the benefit of a tax credit of £0.9m, the group produced post-tax results near breakeven for the 6 months to 30 September 2003. In particular we have achieved our goal of profitability during the second half of the financial year with the last two months being profitable at the pre-tax level on the basis of unaudited management accounts. This performance has continued into October, 2003.

The reduction in goodwill amortisation and write-off assisted in creating a marked improvement in losses after tax for the year to 30 September 2003 which were reduced by £23.8m, or 92%, to £2.0m (2002: £25.8m).

Exchange rates

As the group generates a substantial proportion of its sales in US dollars, the movement in the sterling-dollar exchange rate during the year reduced reported sales by some £0.5m when compared with rates at the start of the year. This effect was offset to some extent by reductions in the group's US

overheads when translated into sterling. The Board is reviewing its hedging policy with a view to ensuring that appropriate exchange rate risk management policies are in place for 2004.

Taxation

A tax credit of £0.9m (2002: £0.6m) was included in the results for the year relating to amounts received and receivable under the Research and Development Tax Credit Scheme introduced in the Finance Act 2000. This includes the credit received during the year in respect of the year ended 30 September 2002 as well as an accrual for the expected credit in respect of the year ended 30 September 2003.

The group has unutilised tax losses at 30 September 2002 totalling £11.0m (2002: £11.0 m).

Shareholders' returns and dividends

The share price at 30 September 2003 was £0.095 giving the company a market capitalisation of £10.3m.

The Directors do not recommend the payment of a dividend (2002: £nil).

Balance sheet and cash

Shareholders' deficit totalled £3.1m (2002: deficit £3.5m) at the year-end.

Cash outflow from operating activities was reduced over the year to £4.0m (2002: £4.5m). This included a number of non-recurring items including payment of reorganisation costs of £1.2m provided for in the 2002 accounts, together with a substantial reduction in trade creditors, as reflected in the change in average creditor days to 47 (2002: 55). At the year-end bank borrowings were £0.3m (2002: cash of £1.3m).

During the year £4.0m (2002: £4.5m) of cash was absorbed by operations. This was partially offset by the issue of 41,314,981 new ordinary shares in March 2003 which raised £1.8m net of expenses and 5,000,000 new ordinary shares in July 2003 which raised £0.5m net of expenses, and a Research and Development Tax Credit of £0.5m.

The Board has reviewed its fixed asset depreciation policy and concluded that the estimated life of computer hardware assets should be extended to four years.

Treasury

The group's policy with regard to cash balances is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise interest earned while maintaining sufficient funds to meet day-to-day requirements.

We operate in a business which has marked seasonality in cash flows. We expect this to continue and have taken this into account in assessing our working capital requirements.

Prospects

The group continues to make good progress towards annual profitability. Action has already been taken to reduce overheads and costs continue to be tightly controlled. The group's substantial base of recurring income and a strong forward order pipeline, together with its high gross margin and the reduced overhead base going forward, provide confidence that significant further improvements in performance can be achieved by the group in the current year.

Mark Rowse

Chief Executive
19 December 2003

Directors' Report

for the year ended 30 September 2003

The Directors present their report and the audited financial statements for the year ended 30 September 2003.

Principal activity

The group's principal activities are the provision of internet-based electronic hosting and delivery services and marketing services for publishers of research material and others; and the delivery of internet-based search and access services for libraries and individual users of that material.

Review of business and future developments

A review of the business, its results and future direction is included in the Chairman's Statement on page 4, the Chief Executive's Review on pages 5 to 9 and the Operating and Financial Review on page 10.

Results and dividends

The Consolidated Profit and Loss Account for the year is set out on page 18.

The Directors do not recommend the payment of a dividend (2002: £nil).

Directors

The Directors of the company who held office during the year were:

Executive Directors

M A Rowse, Chief Executive Officer

S J F Dessain, Chief Operating Officer

W D Finlay, Finance Director (appointed on 1 October 2002, resigned on 20 June 2003)

Non-Executive Directors

M C Rose, Chairman

D T Embleton

W E Shaw

The interests of Directors in the shares of the company at 30 September 2003 are disclosed in the Report of the Remuneration Committee on page 15.

Corporate Governance

Details of Corporate Governance for the year to 30 September 2003 are given on pages 13 to 14.

Research and development activities

The group carries out research and development activities in connection with web delivery, access control and linking technologies. All costs relating to these activities are written off to the profit and loss account as incurred. The charge to the profit and loss account was £1.5m (2002: £2.6m).

Substantial shareholdings

At 30 November 2003 the company had been notified of the following shareholders who are interested, directly or indirectly, in three percent or more of the issued share capital of the company:

	Number of ordinary £0.05 shares	Percentage of issued ordinary share capital
Mark Rowse	11,320,461	10.5
Clydesdale Bank Custodian Nominees Limited	8,888,100	8.2
Herald Investment Trust PLC	6,239,166	5.8
Strand Nominees	5,782,723	5.3
Invesco English and International Trust	5,604,547	5.2
Chatham Holdings SA	5,000,000	4.6
Martyn Rose	4,635,932	4.3
Fidelity Institutional UK Smaller Companies Fund	3,678,701	3.4

Directors' Report continued

for the year ended 30 September 2003

Charitable and political contributions

The group made no political or charitable contributions during the year (2002: £nil).

Creditor payment policy

The group's payment policy is to negotiate with its suppliers at the time they are engaged and to abide by the terms agreed. During the year ended 30 September 2003 the group, on average, paid its trade creditors within 47 days of receipt of a valid invoice (2002: 55 days).

Employment policy

Employees of the group are regularly consulted by management and kept informed of matters affecting them and the overall development of the group. The group's policy is to give disabled people full and fair consideration for job vacancies, having due regard for their abilities and the safety of the individual. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and appropriate training is arranged.

Post balance sheet events

There are no post balance sheet events.

By order of the Board.

Mark Rowse

Director
19 December 2003

Corporate Governance

The Board of Directors is accountable to the company's shareholders for good corporate governance and the Directors support the Combined Code.

Board of Directors

Board meetings are scheduled to take place at least quarterly, with additional meetings to review and approve significant transactions.

If required, the Directors are entitled to take independent advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the company.

The Company Secretary's services are available to all members of the Board. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

At the year-end, the Board comprised the Non-Executive Chairman, the Chief Executive, two other Non-Executive Directors and one other Executive Director. All Non-Executive Directors are independent of management although all are either shareholders, or are associated with shareholders.

Non-Executive Directors are appointed on a contract with a three month notice period and the Executive Directors are appointed on contracts with notice periods between six and twelve months. All Directors are subject to re-election. Each year, one third of the Directors are subject to re-election by rotation. The company does not combine the role of Chairman and Chief Executive. New Directors are subject to re-election at the first AGM after their appointment. The Board is provided with extensive Board papers, usually the week before each Board meeting.

Whilst the Board does not currently include a full time Finance Director, it intends to appoint one in due course.

Accountability and audit

The Remuneration Committee, the report of which is on pages 14 to 16, is composed of three Non-Executive Directors: M C Rose, D T Embleton and W E Shaw. It is responsible for the terms and conditions and remuneration of the Executive Directors and Senior Management. The Remuneration Committee may consult external agencies when ascertaining market salaries. The Chairman of the Remuneration Committee will be available at the AGM to answer any shareholder questions.

The Audit Committee is comprised of three Non-Executive Directors: M C Rose, D T Embleton and W E Shaw. It monitors the adequacy of the group's internal controls and provides the opportunity for the external auditors to communicate directly with the Non-Executive Directors.

Relations with shareholders

The company gives high priority to its communication with shareholders by means of an active investor relations programme. This is achieved through correspondence and extensive corporate information. In addition, the company visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports from the company's head office or via the Financial Times Annual Report Service. At the AGM the shareholders are given the opportunity to question members of the Board. The notice of the AGM is sent to shareholders at least 20 business days before the meeting.

Internal controls

The Board of Directors acknowledges their responsibility for the group's system of internal control, including suitable monitoring procedures. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The group's control environment is the responsibility of the group's Directors and Managers at all levels. The group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the operational management, including key risk assessment. Investment policy, acquisition and disposal proposals and major capital expenditure are authorised and monitored by the group Board.

The group operates a comprehensive budgeting and financial reporting system and, as a matter of routine, compares actual results with budgets, which are approved by the Board of Directors. Management accounts are prepared for the group on a monthly basis. Material variances from budget are thoroughly investigated. In addition updated forecasts are prepared, at least quarterly, to reflect actual performance and the revised outlook for the year.

The Board considered the usefulness of establishing an internal audit function and decided in view of the size of the company it was not cost-effective to establish. This will be kept under review.

Corporate Governance continued

Going concern

After making enquiries, which included reviewing forecasts of trading and cashflow together with available funding facilities over the next 12 months, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group, and of the profit or loss of the group for that period. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors confirm that suitable accounting policies have been used. The accounting policies have been applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 30 September 2003 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Ingenta plc website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

On behalf of the Board.

Martyn Rose

Chairman of the Audit Committee
19 December 2003

Report of the Remuneration Committee

for the year ended 30 September 2003

Information not subject to audit

The Remuneration Committee comprises M C Rose, D T Embleton and W E Shaw who are all Non-Executive Directors. The Remuneration Committee decides the remuneration policy that applies to Executive Directors and Senior Management. The Remuneration Committee meets regularly in order to consider and set the annual remuneration for Executive Directors, having regard to personal performance and industry remuneration rates. In determining that policy, it considers a number of factors including:

- the basic salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Directors of an appropriate calibre;
- the need to ensure Executive Directors' commitment to the success of the group.

Non-Executive Directors are appointed on a contract with a three month notice period and may be awarded fees in relation to the Board and Committee meetings attended. Any fees awarded to Non-Executive Directors are determined by the Board. Non-Executive Directors do not participate in the company's share option scheme, and do not receive the benefit of pension contributions.

Executive Directors are appointed on contracts with notice periods of between six and twelve months. The company made contributions to externally administered defined contribution pension schemes for three Executive Directors.

The interests of the Directors at 30 September 2003 in the shares of the company were as follows:

	Number of ordinary shares of £0.05 each	
	30 September 2003	1 October 2002 or date of appointment
S J F Dessain	392,904	83,257
D T Embleton	934,274	147,257
M C Rose	4,635,932	1,659,301
M A Rowse	11,320,461	6,153,758
W E Shaw ¹	1,898,315	914,494

¹W E Shaw's interests are by reason of his controlling shareholding in 966 Corporation Inc.

Report of the Remuneration Committee continued

for the year ended 30 September 2002

Information subject to audit

Directors' remuneration

	Salary and fees £'000	Benefits £'000	Sums paid to a third party for Director's services £'000	Compensation for loss of office £'000	Pension contributions £'000	2003 Total £'000	2002 Total £'000
Executive							
M A Rowse	126	7	–	–	13	146	154
S J F Dessain	106	1	–	–	11	118	96 ¹
D W Callcott	–	–	–	–	–	–	98
A Keyhani	–	–	–	–	–	–	39 ¹
W D Finlay	70	1	–	25	6	102 ¹	–
Non-Executive							
D T Embleton	5	–	–	–	–	5	5
M C Rose	–	–	58	–	–	58	30
W E Shaw	12	–	–	–	–	12	19
	319	9	58	25	30	441	441

¹Period of board membership was less than 12 months

The Executive Directors are entitled to participate in the company's Group Personal Pension Scheme, a money purchase scheme to which the company contributes at the rate of 10% of salary.

The Directors did not receive nor are they due a bonus payment for the year ended 30 September 2003 (2002: £nil).

Directors' interests

Under the terms of an Inland Revenue approved option scheme and an executive option scheme, the Directors at 30 September 2003 had an interest in options over ordinary shares of £0.05 each of the company, as follows:

	1 Oct 2002 or date of appointment	Number of options granted in the year	Exercised in the year	30 Sept 2003	Exercise price £	Date from which exercisable	Expiry date
S J F Dessain	–	975,000	–	975,000 ¹	0.0875	11 Dec 2002	11 Dec 2007
D T Embleton	–	–	–	–	–	–	–
M C Rose	–	–	–	–	–	–	–
M A Rowse	–	–	–	–	–	–	–
W E Shaw	–	–	–	–	–	–	–

¹Options are exercisable in tranches based on delivery of performance targets between 2003 and 2005.

Gains/(losses) made by Directors on share options

No gains or losses were made by the individual Directors from the exercise of share options during 2003 (2002: M C Rose made a loss of £11,000).

Options over 288,490 ordinary shares granted to former Directors lapsed during the year. No other Directors have been granted share options in the shares of the company or other group companies.

The market price of the company's shares at the end of the financial year was £0.095 and the range of market prices during the year was between £0.045 and £0.405.

On behalf of the board

Martyn Rose

Chairman of the Remuneration Committee
19 December 2003

Report of the Independent Auditors to the members of Ingenta plc

We have audited the financial statements of Ingenta plc for the year ended 30 September 2003 which comprise the consolidated profit and loss account, the statement of consolidated total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, and the related notes 22 to 35. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the report of the remuneration committee that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities in the corporate governance report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the annual report including the corporate governance report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, the chief executive's review, the operating and financial review, the report of the remuneration committee and the corporate governance report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

Registered Auditors
Chartered Accountants

Oxford
19 December 2003

Note

1. The maintenance and integrity of the Ingenta plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Consolidated Profit and Loss Account

for the year ended 30 September 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	8,457	9,320
Cost of sales		(2,007)	(1,879)
Gross profit		6,450	7,441
Operational costs		(9,289)	(14,715)
Write-off of goodwill		-	(12,835)
Amortisation of goodwill		-	(6,585)
National insurance on share options		-	37
Net operating expenses	3	(9,289)	(34,098)
Other operating income		-	265
Operating loss		(2,839)	(26,392)
Interest receivable and similar income	6	6	28
Interest payable and similar charges	7	(49)	(56)
Loss on ordinary activities before taxation	2	(2,882)	(26,420)
Tax on loss on ordinary activities	9	877	594
Loss for the financial year	22	(2,005)	(25,826)
Loss per 5p share			
— basic and diluted	11	2p	45p

There is no difference between the loss on ordinary activities before taxation and the loss for the years stated above and their historical cost equivalents.

The results for the years above are derived entirely from continuing operations.

The accompanying notes form part of these financial statements.

Statement of Consolidated Total Recognised Gains and Losses

for the year ended 30 September 2003

	Notes	2003 £'000	2002 £'000
Loss for the financial year		(2,005)	(25,826)
Currency translation differences on foreign currency net investments	22	115	(314)
Total recognised losses for the year		(1,890)	(26,140)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

as at 30 September 2003

	Notes	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Tangible assets	12		1,022		1,728
Investments	13		227		239
Interests in joint ventures:	13				
Share of gross assets		10		10	
Share of gross liabilities		(7)		(7)	
			3		3
			1,252		1,970
Current assets					
Work in progress	14	39		-	
Debtors	15	2,387		2,591	
Cash at bank and in hand		-		1,252	
			2,426		3,843
Creditors – amounts falling due within one year					
Deferred income		(1,358)		(1,481)	
Other	16	(4,303)		(6,025)	
			(5,661)		(7,506)
Net current liabilities			(3,235)		(3,663)
Total assets less current liabilities			(1,983)		(1,693)
Creditors – amounts falling due after more than one year					
Deferred income		(516)		(879)	
Other	17	(77)		(234)	
			(593)		(1,113)
Provisions for liabilities and charges	19		(521)		(659)
Net liabilities			(3,097)		(3,465)
Capital and reserves					
Called up share capital	20		5,414		3,091
Share premium account	22		18,046		18,111
Merger reserve	22		11,056		11,056
Reverse acquisition reserve	22		12,679		12,679
Profit and loss account deficit	22		(50,292)		(48,402)
Equity shareholders' deficit			(3,097)		(3,465)

The financial statements on pages 19 to 41 were approved by the Board of Directors on 19 December 2003 and were signed on its behalf by:

Mark Rowse **Martyn Rose**
Director Chairman

The accompanying notes form part of these financial statements.

Company Balance Sheet

as at 30 September 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Investments	13		-		6,820
Current assets					
Debtors	15		8,993		7,831
Cash at bank and in hand			-		338
			8,993		8,169
Creditors — amounts falling due within one year					
Deferred revenue		(351)		(322)	
Other	16	(1,137)		(2,332)	
			(1,488)		(2,654)
Net current assets					
			7,505		5,515
Total assets less current liabilities					
			7,505		12,335
Creditors — amounts falling due after more than one year					
Deferred revenue			(516)		(879)
Net assets					
			6,989		11,456
Capital and reserves					
Called up share capital	20		5,414		3,091
Share premium account	22		18,046		18,111
Profit and loss account deficit	22		(16,471)		(9,746)
Equity shareholders' funds					
			6,989		11,456

The financial statements on pages 19 to 41 were approved by the Board of Directors on 19 December 2003 and were signed on its behalf by:

Mark Rowse
Director

Martyn Rose
Chairman

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 September 2003

	Notes	2003 £'000	2002 £'000
Net cash outflow from operating activities	24	(4,010)	(4,479)
Returns on investments and servicing of finance			
Interest received		6	28
Interest paid on bank overdraft		(28)	-
Interest paid on finance leases		(21)	(56)
Net cash outflow from returns on investments and servicing of finance		(43)	(28)
Taxation		532	729
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(60)	(228)
Sale of tangible fixed assets		-	13
Net cash outflow from capital expenditure and financial investment		(60)	(215)
Acquisitions			
Cash acquired with subsidiary undertakings and businesses		-	132
Payments made to acquire businesses		-	(10)
Net cash inflow from acquisitions		-	122
Cash outflow before financing		(3,581)	(3,871)
Financing			
Repayment of principal under finance leases		(276)	(314)
Issue of ordinary share capital		2,258	3,204
Cash inflow from financing		1,982	2,890
Decrease in cash in the year	26	(1,599)	(981)

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 September 2003

1 Principal accounting policies

These financial statements have been prepared under the historical cost convention and are in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the group's accounting policies, which have remained unchanged from the previous year, is set out below.

Going concern

After making enquiries, which included reviewing forecasts of trading and cashflow together with available funding facilities over the next 12 months, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated accounts comprise the accounts of Ingenta plc, the company, and its subsidiary undertakings made up to 30 September 2003. The results of subsidiaries acquired are included in the Consolidated Profit and Loss account from the date control passes. Intra-group balances are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to these assets and liabilities and resulting gains and losses that arise after the group has gained control of the subsidiary, are charged to the post acquisition profit and loss account. With effect from 25 May 2000 the company, then named Delyn Group plc, became the legal parent of Ingenta UK Limited and its subsidiary undertakings in a predominantly share-for-share transaction. However, certain shareholders elected to receive a total cash alternative of £3,711,305 instead of shares in Delyn Group plc. Because of the relative values of the companies, the former Ingenta UK Limited shareholders became the majority shareholders of the enlarged group. The substance of the combination was that Ingenta UK Limited acquired Delyn Group plc via a reverse acquisition. Subsequent to the combination, Delyn Group plc changed its name to Ingenta plc.

Under the specific requirements of the Companies Act 1985 (the 'Act') and Financial Reporting Standard (FRS) 6 – Acquisitions and Mergers, it was necessary for the company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results of the group were those of Delyn Group plc and its previously existing subsidiaries with the assets and liabilities of Ingenta UK Limited brought in at fair value from the date of acquisition. This approach portrayed the combination as an acquisition of Ingenta UK Limited by Delyn Group plc. In the opinion of the Directors, this treatment failed to give a true and fair view of the substance of the combination and hence present a distorted picture of the group, its results and financial position. The substance of the combination was that Ingenta UK Limited acquired Delyn Group plc. Accordingly, the Directors departed from the requirements of the Act and UK GAAP and adopted reverse acquisition accounting in order to present accounts which give a true and fair view. The key features of this basis of consolidation in the year ended 30 September 2000 were:

- The comparative consolidated profit and loss account included the results of the Ingenta UK Limited Group for the 12 month period to 30 September 2000 and of Delyn Group plc from the date of acquisition.
- The consolidated profit and loss reserves of the group were based on the pre-acquisition profit and loss reserves of Ingenta UK Limited.
- Delyn Group plc was consolidated from the date of the reverse acquisition 25 May 2000, based on fair values of the assets and liabilities at that date.
- Goodwill was calculated as being the difference between the fair value of the consideration effectively given by Ingenta UK Limited to acquire Delyn Group plc and the aggregate of the fair values of the separable net assets of Delyn Group plc. The goodwill arising was written off to the profit and loss account in the year ended 30 September 2000 since the Directors considered the goodwill to have no recoverable value.

In invoking the true and fair override, the Directors note that reverse acquisition accounting as described above is endorsed by the International Accounting Standards and that the Urgent Issues Task Force of the UK's Accounting Standards Board has concluded that there are instances where it is right and proper to invoke the override in such a way. The effects on the consolidated financial statements as a result of adopting reverse acquisition accounting are widespread. For example, goodwill arising on consolidation under the standard method of acquisition accounting would be the difference between the fair value of consideration given to acquire the Ingenta UK Limited Group and the aggregate of the fair values of identifiable assets and liabilities acquired.

Joint ventures

The financial statements include an appropriate share of the results and net assets of joint venture companies where the group has a long-term interest and the entity is jointly controlled.

Goodwill

Goodwill represents the difference between the fair value of consideration given and the fair value of the net assets acquired. Goodwill has been amortised over its useful economic life which, in the opinion of the Directors, was assessed as being four years. The Directors have a policy of carrying out an impairment review in accordance with FRS 11 (Impairment of fixed assets and goodwill).

Notes to the Financial Statements

for the year ended 30 September 2003

Tangible fixed assets

Fixed assets are carried at their purchase cost.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value on a straight line basis over the expected useful economic lives of the assets. The principal rates used for this purpose are:

Motor vehicles	25%
Fixtures, fittings and equipment	20%
Computer equipment	25%
Leasehold improvements	10%

Following a review, the estimated useful economic life of computer equipment has been extended from three years to four years. The resulting reduction in the depreciation charge in the year was £330,000.

Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Fixed asset investments

Fixed asset investments are carried at cost less any provision made for impairment. Where an acquisition satisfies the provisions of sections 131 to 134 Companies Act 1985 for merger relief, the investment is stated at the nominal value of shares issued plus the value of any other consideration and the expenses of acquisition.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding using the sum of digits method. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful economic lives of equivalent owned assets.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. All such foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Assets and liabilities of subsidiaries in foreign currencies are translated at rates of exchange ruling at the balance sheet date and the results of foreign subsidiaries are translated at the average rate for the year. The exchange differences arising on the retranslation of opening net investment in subsidiary companies, and from the retranslation of the results of those companies at average rate, are taken to reserves and are reported in the statement of group total recognised gains and losses.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, is recognised as follows:

Specialist Websites

Revenue received from the creation of specialist websites is recognised when the work is complete and accepted by the client. Revenue relating to long term projects ongoing at the year end is recognised on a long term contract basis (see long term contracts accounting policy below). Revenue relating to royalty agreements is recognised over the term of the contract and in line with the terms of the agreement.

Publisher Services

Revenues from the processing of e-journal content are recognised according to the proportion of the work completed in accordance with long term contract accounting. Revenue from other services is recognised upon the work being completed and the service being available online. Ongoing service fees are recognised over the life of the relevant agreements. Revenue collected or billed in advance of such services being performed is recorded as deferred income.

Pay-Per-View

Revenues from documents delivered are recognised on despatch of the document. Revenue from library deposit account charges are recognised as the charges become due according to the published terms. Library service income is recognised over the period to which the services relate with revenue collected or billed in advance of such services being performed recorded as deferred income.

Notes to the Financial Statements

for the year ended 30 September 2003

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long term contract balances.

Cost of sales

Cost of sales consists of document royalty costs and document delivery costs together with staff costs directly relating to the provision of relevant services.

Financial instruments

The group's financial instruments comprise cash and liquid resources together with debtors and creditors that arise directly from its operations.

The group does not enter into derivative or hedging transactions. It has been, throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The group has committed borrowing facilities, together with a finance lease facility. When applicable, the group places the majority of its cash on short-term deposit. The group's objective is to minimise the risk of loss to the group by limiting the group's credit exposure to quality institutions maintaining a very high credit rating. The main risks arising from the group's financial instruments are interest rate risk and foreign currency risk. Numerical disclosures relating to these risks are given in the notes to the financial statements.

The group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements.

Although the group is based in the UK, it has overseas subsidiaries in the United States. As a result, movements in exchange rates can affect the group's sterling balance sheet. The magnitude of this risk is not currently significant to the group and therefore no specific measures are currently undertaken to manage the risk.

Pension costs

The group makes contributions into individual employees' personal pension plans on a defined contribution basis. The pension charge in the year represents the contributions payable into these plans. The group provides no other post retirement benefits to its employees.

Related party disclosures

FRS 8 (Related Party Disclosures) requires the disclosure of the details of material transactions between the reporting entity and any related parties. However transactions between the company and its subsidiaries have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(a).

Deferred taxation

Provision is made for deferred taxation, using the full provision method, on all material timing differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Share options issued to employees

Under Urgent Issue Task Force Statement 17 (UITF 17), the company is required to recognise as a charge to the profit and loss account ('stock compensation expense') the amount by which the fair market value of any share options issued to employees exceeds their respective exercise prices at the date of grant. These costs are recognised over the performance period. However, the company issues share options with an exercise price equivalent to the market value at the date of grant. Accordingly, no charge arises.

As a result of the grant of share options under unapproved schemes since 5 April 1999, the company will be obliged to pay National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised.

Research and development

Expenditure on research and development is written off to the profit and loss account as incurred.

Notes to the Financial Statements

for the year ended 30 September 2003

2 Segmental reporting

The group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activity.

The analysis by geographical area of turnover, loss on ordinary activities before taxation and net assets/(liabilities) is set out below:

	Sales by destination 2003 £'000	Sales by origin 2003 £'000	Sales by destination 2002 £'000	Sales by origin 2002 £'000
Turnover				
United Kingdom	3,229	4,652	3,558	5,032
USA	4,649	3,805	5,123	4,288
Rest of World	579	-	639	-
Total	8,457	8,457	9,320	9,320
			2003 £'000	2002 £'000
Loss on ordinary activities before taxation				
United Kingdom			(2,301)	(21,801)
USA			(538)	(4,591)
Operating loss			(2,839)	(26,392)
Net interest (payable)/receivable				
— United Kingdom			(27)	(26)
— USA			(16)	(2)
Total			(2,882)	(26,420)
			2003 £'000	2002 £'000
Net assets/(liabilities)				
United Kingdom			(558)	(2,042)
USA			(2,539)	(1,423)
Total			(3,097)	(3,465)
— Group			(3,100)	(3,468)
— Joint ventures			3	3

3 Net operating expenses

	Total 2003 £'000	Total 2002 £'000
Operational costs:		
Technical services	2,417	3,590
Software development	1,517	2,234
Depreciation and impairment of tangible fixed assets	742	1,073
Restructuring costs	-	1,423
Other administration costs	2,226	2,724
	6,902	11,044
Write-off of goodwill	-	12,835
Amortisation of goodwill	-	6,585
National insurance on share options	-	(37)
	-	19,383
Administrative expenses	6,902	30,427
Sales and marketing expenses	2,387	3,671
Net operating expenses	9,289	34,098

Notes to the Financial Statements

for the year ended 30 September 2003

4 Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	353	373
Pension contributions to money purchase schemes	30	33
Sums paid to a third party for the services of Directors	58	30

Retirement benefits are accruing to two (2002: three) Executive Directors under money purchase pension schemes. Emoluments payable to the highest paid director are as follows:

	2003 £'000	2002 £'000
Aggregate emoluments	133	141
Pension contributions to money purchase schemes	13	13

The detailed numerical analysis of Directors' remuneration and share options is included in the report of the remuneration committee on pages 14 to 16 and forms part of these financial statements.

5 Employee information

The average monthly number of persons (including Executive Directors) employed by the group during the year was:

	2003 Number	2002 Number
By activity		
Technical services	75	89
Software development	15	51
Sales and marketing	42	42
Administration	15	26
	147	208

	2003 £'000	2002 £'000
Staff costs (for the above persons)		
Wages and salaries	6,273	7,481
Social security costs	935	1,041
Pension costs	313	455
	7,521	8,977

6 Interest receivable and similar income

	2003 £'000	2002 £'000
Bank interest receivable	6	28

7 Interest payable and similar charges

	2003 £'000	2002 £'000
Interest payable on bank overdrafts	28	–
Finance leases	21	56
	49	56

Notes to the Financial Statements

for the year ended 30 September 2003

8 Operating loss

	2003 £'000	2002 £'000
Operating loss is stated after (crediting)/charging:		
Depreciation charge for the year on tangible fixed assets:		
— Owned assets	450	770
— Leased assets	147	303
Loss/(profit) on disposal of fixed assets	2	(181)
Amortisation of goodwill	—	6,585
Impairment of leasehold improvements	145	—
Write-off of goodwill	—	12,835
Auditors' remuneration for:		
— Audit (company £10,000) (2002: £20,000)	50	80
— Non-audit services	10	19
Research and development	1,438	2,556
Operating lease charges:		
— Plant and machinery	14	53
— Other	543	711

Share issue expenses include £25,000 of non-audit services paid to the company's auditors.

9 Tax on loss on ordinary activities

	2003 £'000	2002 £'000
UK corporation tax on the results for the year at 30% (2002: 30%)	—	—
Current period research and development tax receivable	345	—
Prior period research and development tax credit	532	594
	877	594

The group has unutilised tax losses in the UK and the USA of £11,010,000 (2002: £11,030,000) and \$834,000 (2002: nil) respectively available to set-off against future trading profits. These have yet to be agreed with the tax authorities.

The differences between the tax charge and the standard rate of corporation tax are explained below:

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(2,882)	(26,420)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(865)	(7,926)
Effects of:		
Permanent differences	101	163
Non tax deductible write off and amortisation of goodwill	—	5,826
Deferred tax movement not recognised	312	1,338
Expenses allowable for tax purposes	(226)	(398)
Tax losses surrendered for research and development	678	997
Total current tax	—	—

10 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the year was £6,725,000 (2002: £20,081,000 loss).

11 Loss per share

The basic loss per share has been calculated by dividing the loss for the financial year by the weighted average number of ordinary shares of 84,906,207 (2002: 57,749,565) in issue during the year. The company had no dilutive ordinary shares in either year which would serve to increase the loss per ordinary share and there is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

Notes to the Financial Statements

for the year ended 30 September 2003

12 Tangible fixed assets

Group	Leasehold improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 Oct 2002	401	3,238	523	14	4,176
Additions	2	51	7	-	60
Disposals	-	(5)	-	-	(5)
Exchange adjustments	-	(65)	(16)	-	(81)
At 30 Sept 2003	403	3,219	514	14	4,150
Depreciation					
At 1 Oct 2002	50	2,193	191	14	2,448
Charge for the year	40	452	105	-	597
Disposals	-	(3)	-	-	(3)
Impairment	145	-	-	-	145
Exchange adjustments	-	(51)	(8)	-	(59)
At 30 Sept 2003	235	2,591	288	14	3,128
Net book value					
At 30 Sept 2003	168	628	226	-	1,022
At 30 Sept 2002	351	1,045	332	-	1,728

The net book value of tangible fixed assets includes an amount of £138,000 (2002: £285,000) in respect of assets held under finance leases.

The company did not hold any fixed assets during the year ended 30 September 2003 (2002: nil).

13 Fixed asset investments

Group	Trade Investments £'000		
Cost			
At 1 Oct 2002			239
Additions			-
Exchange adjustments			(12)
At 30 Sept 2003			227
Net book value			
At 30 Sept 2003			227
At 30 Sept 2002			239

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 Oct 2002	12,749	14,092	26,841
Provision for impairment			
At 1 Oct 2002	10,313	9,708	20,021
Written off in the year	2,436	4,384	6,820
At 30 Sept 2003	12,749	14,092	26,841
Net book value			
At 30 Sept 2003	-	-	-
At 30 Sept 2002	2,436	4,384	6,820

Notes to the Financial Statements

for the year ended 30 September 2003

Details of subsidiary undertakings, which have all been consolidated in these financial statements, are as follows:

Nature of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the Group		Nature of business
Ingenta UK Limited	England and Wales	Ordinary	–	100%	Online publications service
CatchWord Limited	England and Wales	Ordinary Preference Shares	–	100%	Online publications service
Ingenta Inc	USA	Ordinary	–	100%	Online publications service
UnCover Inc	USA	Ordinary	100%	–	Online publications service
PCG Inc	USA	Ordinary	100%	–	Marketing Consultancy
Ingenta US Holdings Inc	USA	Ordinary	–	100%	Holding company
BIDS Limited	England and Wales	Ordinary	100%	–	Dormant
Panorama Homes Limited	England and Wales	Ordinary	–	100%	Non-trading

Details of joint venture undertakings, for which there has been no transactions in these consolidated financial statements, are as follows:

Nature of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the Group		Nature of business
Braemar Homes Limited (Joint venture of Panorama Homes Limited)	England and Wales	50 ordinary shares of £1	50%		Non-trading
Braemar Homes 2 Limited (Joint venture of Ingenta plc)	Scotland	50 ordinary shares of £1	50%		Non-trading
Inveresk Property Services Limited (Subsidiary of Braemar Homes 2 Limited)	Scotland	36,000 ordinary shares of £1	50%		Non-trading

14 Stock and work in progress

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Work in progress	39	–	–	–

Notes to the Financial Statements

for the year ended 30 September 2003

15 Debtors

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Amounts falling due within one year				
Trade debtors	1,442	1,634	-	-
Amounts recoverable on contracts	94	399	-	-
Amounts owed by group undertakings	-	-	8,954	7,760
Amounts owed by joint ventures	-	-	-	2
Corporation tax	345	-	-	-
Other debtors	203	104	7	43
Called up share capital not paid (note 21)	-	5	-	5
Prepayments and accrued income	303	449	32	21
	2,387	2,591	8,993	7,831

Included within trade debtors is an amount of £46,000 (2002: £96,000) in respect of trade debtors falling due after more than one year.

16 Creditors — amounts falling due within one year

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Bank overdraft	347	-	-	-
Trade creditors	1,103	1,724	60	132
Amounts owed to group undertakings	-	-	998	2,045
Amounts owed to joint ventures	18	-	18	-
Other taxation and social security	396	346	-	-
Finance leases	84	276	-	-
Other creditors	36	338	-	8
Accruals	943	1,461	61	147
Customer deposits	1,336	1,880	-	-
Deferred consideration for acquisitions	40	-	-	-
	4,303	6,025	1,137	2,332

The bank overdraft is secured by a floating charge on the trade debtors of the UK subsidiaries. The overdraft bears interest at 2.5% above the bank base rate. The finance leases are secured against specific assets.

17 Creditors — amounts falling due after more than one year

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Finances leases	-	48	-	-
Deferred consideration for acquisitions	77	150	-	-
	77	234	-	-

An analysis of the maturity of finance lease obligations is given in note 18.

18 Financial instruments

Details of the group's objectives with respect to financial instruments are given in note 1 to the financial statements. There have been no significant changes in these objectives from the prior year and before the approval of the financial statements. The numerical disclosures in this note deal with the financial assets and liabilities defined in FRS 13 as financial instruments.

Short-term debtors and creditors

Except with respect to disclosures regarding currency risk, short-term debtors and creditors have been excluded from the disclosures. In the opinion of the Directors, they contain no material financial risks for the group.

Notes to the Financial Statements

for the year ended 30 September 2003

Interest rate risk profile of financial liabilities

	Fixed rate 2003 £'000	Total 2003 £'000	Fixed rate 2002 £'000	Total 2002 £'000
Sterling finance leases	82	82	339	339
US Dollar finance leases	2	2	21	21
Total finance leases	84	84	360	360

The finance leases had a weighted average annualised rate of interest of 11% (2002: 11%).

Maturity of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term creditors, was as follows:

Group	Finance leases 2003 £'000	Other financial liabilities 2003 £'000	Total 2003 £'000	Finance leases 2002 £'000	Other financial liabilities 2002 £'000	Total 2002 £'000
Within one year	84	392	476	276	-	276
One to two years	-	480	480	84	476	560
Two to five years	-	113	113	-	553	553
	84	985	1,069	360	1,029	1,389

Interest rate risk profile of financial assets

	Floating rate 2003 £'000	Total 2003 £'000	Floating rate 2002 £'000	Total 2002 £'000
Sterling	-	-	1,044	1,044
US Dollars	-	-	208	208
Total	-	-	1,252	1,252
Of which:				
Cash at bank and in hand	-	-	1,160	1,160
Other debtors (rent deposit)	-	-	92	92
Total	-	-	1,252	1,252

Cash deposits are normally placed on the money market at floating bank deposit rates for periods up to one month. However, there were no such short-term deposits at 30 September 2003 (2002: nil). Floating rate cash earns interest at LIBOR.

Currency exposures

The group has two principal functional currencies, Sterling and US Dollars. The table below shows the extent to which the group operations have net monetary assets/(liabilities) in currencies other than their local currency. Foreign exchange differences on re-translation of these net assets/(liabilities) are charged to the profit and loss account.

Group	US Dollars 2003 £'000	Euros 2003 £'000	Total 2003 £'000	US Dollars 2002 £'000	Euros 2002 £'000	Total 2002 £'000
Functional currency of group operation:						
Sterling	43	157	200	61	(175)	(114)
Total	43	157	200	61	(175)	(114)

Fair value

The Directors consider that the fair values of the financial instruments of Ingenta plc are not significantly different from their book value.

Notes to the Financial Statements

for the year ended 30 September 2003

19 Provision for liabilities and charges

Group	Vacant property £'000
Cost	
At 1 Oct 2002	659
Charge in the year	(138)
Released to the profit and loss account in the UK subsidiaries	(251)
Charged to the profit and loss in the US subsidiaries	251
At 30 Sept 2003	521

Vacant property

Provision has been made for the estimated cost of disposal of vacant leasehold properties.

Deferred taxation

Deferred taxation not recognised is as follows:

Group	Amount not recognised	
	2003 £'000	2002 £'000
Tax effect of timing differences:		
Excess of depreciation over capital allowances	(387)	(544)
Losses	(3,474)	(3,006)
	(3,861)	(3,550)

Company	Amount not recognised	
	2003 £'000	2002 £'000
Tax effect of timing differences:		
Excess of depreciation over capital allowances	(179)	(192)
Losses	(15)	(30)
	(194)	(222)

20 Called up share capital

Company	2003 £'000	2002 £'000
Authorised		
155,000,000 ordinary shares of £0.05 each	7,750	5,000
Allotted and called up		
108,287,453 ordinary shares of £0.05 each	5,414	3,091
Paid up share capital		
108,287,453 ordinary shares of £0.05 each	5,414	3,086
Called up share capital not paid		
No ordinary shares of £0.05 each	-	5

During the year to 30 September 2003, Ingenta plc issued a total of 46,458,446 ordinary shares of £0.05 each, with an aggregate nominal value of £2,322,904. These shares were issued fully paid for cash of £2,560,783 at prices between £0.05 and £0.14.

No Directors (2002: one) exercised options over shares in the company.

Notes to the Financial Statements

for the year ended 30 September 2003

21 Share options

The Company has an Approved and an Executive option scheme. The Executive option scheme relates to options granted to certain Directors and Senior Management. The Approved option scheme is an Inland Revenue approved scheme available to eligible Directors and employees. The total number of options outstanding over ordinary shares of £0.05 each that had been granted and had not lapsed at 30 September 2003 were as follows:

Number of shares	Exercise price £	Grant date	Expiry date
52,740	0.14	15 March 1999 ¹	15 March 2009
143,100	0.14	22 March 1999 ¹	22 March 2009
59,625	0.14	30 July 1999 ¹	30 July 2009
35,775	0.14	2 August 1999 ¹	2 August 2009
33,390	0.70	23 December 1999 ¹	23 December 2009
105,894	0.70	4 January 2000 ¹	4 January 2010
58,926	2.80	1 August 2000 ¹	1 August 2010
31,378	2.80	13 November 2000 ¹	13 November 2010
321,689	1.11	12 October 2001 ¹	12 October 2004
9,331	1.50	17 April 2002 ¹	17 April 2012
1,185,000	0.0875	11 December 2002 ²	11 December 2007
1,410,000	0.0525	21 January 2003 ¹	21 January 2013
510,000	0.1175	24 June 2003 ²	24 June 2008
90,000	0.1175	30 June 2003 ¹	30 June 2013

¹ The options are exercisable from the first, second and third anniversaries from the date of grant.

² The options are granted subject to performance conditions.

22 Reserves

Group	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Profit and loss account (deficit) £'000
At 1 Oct 2002	18,111	11,056	12,679	(48,402)
Premium on shares issued for cash	238	-	-	-
Issue expenses	(303)	-	-	-
Net exchange adjustments	-	-	-	115
Loss for the year	-	-	-	(2,005)
At 30 Sept 2003	18,046	11,056	12,679	(50,292)

Company	Share premium £'000	Profit and loss account (deficit) £'000
At 1 Oct 2002	18,111	(9,746)
Premium on shares issued for cash	238	-
Issue expenses	(303)	-
Loss for the year	-	(6,725)
At 30 Sept 2003	18,046	(16,471)

Notes to the Financial Statements

for the year ended 30 September 2003

23 Reconciliation of movements in equity shareholders' funds

Group	2003 £'000	2002 £'000
Loss for the year	(2,005)	(25,826)
Net exchange adjustments	115	(314)
New share capital issued	2,561	8,264
Expenses of share issue	(303)	(54)
Shares to be issued	-	(5,500)
Net increase/(reduction) in shareholders' funds	368	(23,430)
Opening shareholders' (deficit)/funds	(3,465)	19,965
Closing shareholders' deficit	(3,097)	(3,465)

24 Cash flow from operating activities

Reconciliation of operating loss to net cash outflow from operating activities:

Group	Continuing operations	
	2003 £'000	2002 £'000
Operating loss	(2,839)	(26,392)
Depreciation charge	597	1,073
Impairment of leasehold improvements	145	-
Write-off of goodwill	-	12,835
Amortisation of goodwill	-	6,585
Non cash movements (see note 28)	-	(47)
(Profit)/loss on disposal of fixed assets	2	(181)
Foreign exchange adjustment	149	(237)
(Decrease)/increase in stocks and work in progress	(39)	231
(Increase)/decrease in debtors	549	(519)
Increase/(decrease) in creditors	(2,436)	1,551
Increase/(decrease) in provisions	(138)	622
Net cash outflow from continuing operations	(4,010)	(4,479)

25 Reconciliation of net cash flow to movement in net (debt)/funds

Group	2003 £'000	2002 £'000
Decrease in cash in the year	(1,599)	(981)
Finance lease repayments	276	314
Movement in net funds in the year	(1,323)	(667)
Net funds at beginning of the year	892	1,559
Net (debt)/funds at end of the year	(431)	892

26 Analysis of net (debt)/funds

Group	At 30 Sept 2002 £'000	Cash flow £'000	At 30 Sept 2003 £'000
Cash in hand and at bank	1,252	(1,252)	-
Bank overdraft	-	(347)	(347)
Finance leases	1,252	(1,599)	(347)
	(360)	276	(84)
Total	892	(1,323)	(431)

Notes to the Financial Statements

for the year ended 30 September 2003

27 Financial commitments

Group

At 30 September 2003, the group had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings 2003 £'000	Other 2003 £'000	Land and buildings 2002 £'000	Other 2002 £'000
Within one year	–	14	–	50
One to two years	–	–	–	–
Two to five years	410	–	410	–
After five years	142	–	142	–
	552	14	552	50

Company

At 30 September 2003, the company had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings 2003 £'000	Land and buildings 2002 £'000
Within two to five years	264	264
After five years	142	142
	406	406

28 Related party transactions

During the year ended 30 September 2003, the group entered into the following arrangements with the Directors:

Name of connected party	Description of transactions during year	Value of transactions during year £'000	Amount owed from/(to) at 30 Sept 2003 £'000
S J F Dessain	Underwriting commission on share issue	2	–
D T Embleton	Underwriting commission on share issue	2	–
M C Rose	Underwriting commission on share issue	12	–
M A Rowse	Underwriting commission on share issue	12	–
W E Shaw	Underwriting commission on share issue	4	–

M A Rowse is a Director of Dynamic Diagrams Inc, a company in which the group has a 19% interest. During the year the group purchased services to the value of £138,000 on an arms length basis. The balance outstanding at 30 September 2003 was £nil.

29 Contingent liabilities

The group and the company did not have any contingent liabilities at 30 September 2003 (2002: nil).

Notes

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Registered number: 837205

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Auditors

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Oxford OX2 0PZ

Registrars

Capita Registrars
The Registry
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Beckenham
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Stockbrokers

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Solicitors

Travers Smith Braithwaite
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London EC1A 2AL

Executive Directors

Mark Rowse, Chief Executive
Simon Dessain, Chief Operating Officer

Non-Executive Directors

Martyn Rose, Chairman
David Embleton
Ward Shaw

Company Secretary

Mark Rowse

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