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Annual Report

Ingenta plc

For the year ended

31 December 2018

Registered number: 00837205

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The Directors submit to the members their report and accounts of the Group for the year ended 31 December 2018. Pages 1 to 19, including the Chairman's statement, Corporate governance statement and Directors' remuneration report, form part of the Directors' report.

Directors and advisers

Executive Directors

G S Winner, Chief Executive Officer
J R Sheffield, Chief Financial Officer

Non-Executive Directors

M C Rose, Chairman
M A Rowse
N W Kirton
M M E Royde
B H Holmström

Company Secretary

J R Sheffield

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Highlights

- Business reorganisation substantially complete.
- Cumulative cost reductions of £4m on an annualised basis achieved over the last 18 months.
- Company profile substantially de-risked with an ongoing annual cost base of approximately £9.5m.
- Revenues of £12.0m (2017: £14.7m), reflecting increased emphasis on higher quality contracts.
- Over 70% of the reported revenues highly visible and recurring in nature.
- Operating cash inflows of £2.4m in the year (2017: £2.7m), before expenditure on research and development of £1.9m and reorganisation costs of £0.8m.
- Cash balances at year end of £1.3m (2017: £2.1m) and £2.5m at the end of January 2019.
- Adjusted EBITDA* £0.8m (2017: £1.4m).
- Dividend of 1.5 pence per share proposed (2017: 1.5 pence).
- New contracts secured with a value of over £3.3m over 3 years, and an encouraging pipeline of further prospects.

*Adjusted EBITDA – earnings before interest, tax, depreciation, amortisation, gains / losses on revaluation, restructuring costs and foreign exchange gains / losses. A calculation is provided in note 5 to the accounts.

Board members



**Scott Winner,
Chief Executive Officer**

As CEO, Scott Winner builds and drives the organization to deliver successfully across all areas of Professional Services, Research and Development, Customer Service and Service Delivery. Scott is responsible for overseeing and evolving how Ingenta creates and delivers new products, for deploying its innovations to

customers and managing the overall operational execution, all with a strong metrics and analytics driven approach. Prior to his role as COO, Scott was EVP, Global Projects for Ingenta, but has previously held roles managing product line P&L, driving product development efforts and building successful organizations to deliver. He has worked across several different industries, including educational publishing, manufacturing and financial services, and has held roles at Pearson Education, Amplify Learning, McGraw-Hill and the Fireman's Fund insurance company.



**Jon Sheffield,
Chief Financial Officer and
Company Secretary**

As Chief Financial Officer, Jon is responsible for the financial well-being and stability of the organisation, as well as communicating with the investor community. Jon leads the Enterprise

Services division of Ingenta with responsibility for HR, Facilities and Technology Infrastructure. Prior to his appointment as CFO, as Group Financial Controller, Jon managed the Ingenta Finance function, including all aspects of compliance, forecasting and reporting. An ACA qualified accountant, Jon spent the early part of his career in practice, latterly at PWC, managing audits and compliance over a broad range of companies and market sectors. Prior to joining Ingenta, he held similar finance roles in the IT and Retail industry. Jon qualified as a chartered accountant in 2001 before joining Ingenta in 2010.



**Martyn Rose,
Chairman**

Martyn Rose is an entrepreneur specialising in refinancing and restructuring smaller companies and Chairman and a non-executive director of Ingenta. Martyn has helped steer the company toward its continued growth, stability and success since 1999 before the merger of Ingenta and VISTA

International to become Ingenta in 2007. Martyn is also a qualified barrister and became Chairman of his first publicly listed company at the age of 34. Since that time, he has been Chairman of over twenty five public and private companies with a present involvement in publishing software, online academic research, financial services, manufacturing, recruitment and commercial radio. In addition to his other commercial interests, Martyn has been a trustee of the Cystic Fibrosis Trust since 2000, a school governor and co-chaired the National Citizen Service.



**Mark Rowse,
Non-executive Director**

Mark Rowse is a media and publishing entrepreneur who specialises in creating and developing businesses where content meets the internet, particularly in the areas of digital publishing and online television. After graduation from Cambridge University with a first class honours degree

in Law, Mark worked at investment bank NM Rothschild in mergers and acquisitions. Following this he entered the media industry and since the mid 1990's Mark has principally worked in the areas of the internet and digital television, pioneering digital interactive TV on airlines, co-founding Yes TV, now one of the major operators of on-demand TV in Asia, and launching Luxury Life, an international digital satellite TV channel. In 1998 he founded Ingenta plc, taking the company to a £120m flotation in 2000 and is now a non-executive director of Ingenta as a result of the merger of Ingenta and VISTA International in 2007.



**Neil Kirton,
Non-executive Director**

Neil Kirton is currently a Managing Director and Head of Business Intelligence in the London office of Kroll, a global leader in corporate investigations and risk consultancy. Prior to joining Kroll he was a Group Board Director at The Arbutnot Banking Group plc having been Head of Corporate Finance and

Chief Executive Officer of its securities business. Previously he held a range of senior equity market positions with Bridgewell Securities and ABN AMRO Hoare Govett where he was Deputy Chief Executive and Global Head of Equity Sales.



**Max Royde,
Non-executive Director**

Max co-founded Kestrel in 2009. He is a fund manager of Kestrel Opportunities and sits on the Investment Committee for KITS. Max has been advising and investing in quoted and unquoted UK smaller companies since 1998 and prior to Kestrel was a managing director of KBC Peel Hunt.



**Henrik Holmstrom,
Non-executive Director**

Henrik founded the content management company Polopoly in 2000 which focuses on online media. He developed the business until it was acquired by Atex in 2008, after which Henrik became Group Chief Architect and later

Chief Technology Officer heading up the global R&D function. Since 2014, Henrik has been building online security products and acting as an advisor to a number of unlisted Swedish companies. Henrik holds a M.Sc. in Computer Science and Engineering from the Royal Institute of Technology, Stockholm

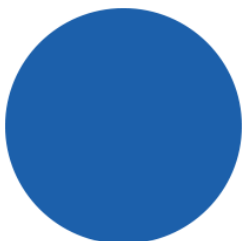
Ingenta Products



Ingenta Commercial

The Ingenta Commercial framework provides a range of applications designed to move your content forward in today's marketplace, combining the best business solutions for both print and digital products.

- Royalties
- Permissions
- Editorial and Production
- Online Sales & Marketing
- Digital & Print Distribution
- Subscription Management



Ingenta Content

Our Ingenta suite of hosting platforms enable publishers of any size, discipline or technical proficiency to convert, store, deliver and monetise digital content.

- Online Platforms
- Semantic Enrichment
- Mobile
- E-commerce
- Access Entitlement



Ingenta Advertising

Our advertising solution is a complete, browser-based multimedia advertising, CRM and sales management platform for content providers. With the ability to sell and track digital and print ads in a single system, maximise the value of your audience with streamlined ad sales, packaged ad buys and multi-channel campaigns, generating new revenues from previously untapped sources.

- Multimedia bookings
- Packages and bundles
- Inventory management
- Finance/credit control
- CRM

The Ingenta Audience data management platform (DMP) processes enriched data to gain valuable insights on your users. These insights empower advertisers to ensure that their creative advertising campaigns reach and engage with their target audiences.

Ingenta Services



Publishers Communication Group

Publishers Communication Group (PCG), is an internationally recognised sales and marketing consulting firm providing a range of services designed to support and drive clients' sales strategy. PCG has advocated for scholarly publications and digital content around the world for over a quarter of a century.

The Ingenta suite of products has been developed to mirror the needs and anticipate the future direction of global content providers. Many of world's leading publishers turn to Ingenta to advance their content strategies. We can assist clients every step of the way, from editorial acquisition through to the end-user, with our premier asset management systems, sales and marketing consulting, and digital hosting platforms.

Ingenta Product Families offer a choice of deployment models: Enterprise or GO!

Product family	Product	Implementation Methodology	
		Enterprise	GO!
Commercial 	Ingenta Contracts, Rights and Royalties	●	●
	Ingenta Content Lifecycle Manager	●	●
	Ingenta Order to Cash	●	●
	Ingenta Aperture	●	
	Vista	●	
Content 	Ingenta CMS	●	●
	Ingenta Connect	●	
	Ingenta Open	●	
	Ingenta E-commerce	●	
Advertising 	Ingenta Advertising	●	●
	Ingenta Audience	●	
	Ingenta Editorial	●	
	Truly	●	

Enterprise deployments will be product-based but allow for bespoke changes and customisations to be made to the software. GO! deploys an "off the shelf" software package which allows the Group to sell at a lower price point with a standard implementation. GO! products have full capability with limited flexibility and are designed for publishers prepared to adapt their processes rather than customise the software. Ingenta has adopted best practices when defining the GO! offerings.

Ingenta Commercial

The Ingenta Commercial suite is an ERP solution for publishers, comprising 3 separate purchasable modules: Content Lifecycle Manager, Contracts, Rights & Royalties and Order to Cash. It supports any product from ideation, contract management through to order fulfilment and cash collection.

The following components of the Commercial system can be purchased separately, in any combination, or as a complete enterprise system:

Ingenta Content lifecycle manager

This module helps manage product processes and control workflow. It provides a central repository in which core bibliographic data, associated assets and rights can be stored and organised.

Users can create highly configurable product types at a granular level or building block level. Being product agnostic any complex combination, set, collection of physical or digital bundle can be set up, decreasing time to market.

Ingenta Contracts, Rights and Royalties (CR&R)

Managing electronic rights, sub rights, fragments and permissions, the Rights element of CR&R ensures that content owners get the most from their assets, no matter the size, format, or fine details of the transaction.

- Real-time visibility of rights inventory
- Complete tracking of expiration, publication, and sales histories
- Support for chapter, image, and fragment sales
- Full downstream management of rights income

In addition, Ingenta CR&R manages the full IP lifecycle, ensuring legal issues, from territorial rights and marketing obligations to supply chain management and insurance, are properly considered and consistently administered. Contracts management within CR&R underpins the system and enables consistency and compliance across your organisation, to avoid potentially costly disputes.

Ingenta CR&R enables data owners and users to confidently fulfil contractual obligations, decrease operating expenses and boost revenue potential with a complete intellectual property system which leverages rights, royalties and permissions compliance with accurate cash flow forecasting, multicurrency calculations and tracking across various products and content types.

The Royalties element of the Ingenta CR&R application enables publishers to calculate complex royalties quickly, easily and with confidence, and provides authors with a self-service interface. This allows publishers to better serve their authors, contributors, illustrators, and other rights owners from initial contract to final payment. Ingenta CR&R is considered the only system on the market able to handle the complexities and nuances of today's most creative deals.

- Complex royalty calculations
- Support for multiple currencies and international tax reporting
- Streamlined operations and cash flow forecasting
- Improved author care with user-friendly interface

Ingenta Order to Cash (OtC)

The Order to Cash application allows publishers to package, market, sell and deliver content in the formats that readers demand, where and when they seek it. OtC has the range and depth of features necessary to integrate the delivery of diverse product types and billing methods via multiple channels, including e-books, online subscriptions, social commerce, digital access, downloads and service billing, while providing full support for print and physical products.

Ingenta Aperture

Launched in 2018, Ingenta Aperture allows customers to create a view into their data which can be accessed on demand, regardless of where the information is stored. Access rights can be set to make sure sensitive information is shared on a 'need to know' basis. This allows business to share insights, securely, on their own terms. Typical uses include:

- Authors accessing royalty statements
- Detailed product, pricing, bundling and order information; on demand for bookstores
- Metadata access for project contributors
- On-the-go access for representatives

Vista

Vista, a legacy enterprise level product family, provides a range of applications enabling Book Fulfilment, Subscription Management, Third Party Distribution and Royalties Management, delivered through several managed services, including:

- Applications Implementation Services (AIS)
- Applications Support and Updates (ASU)
- Applications Management Services (AMS)
- Applications Hosting Services (AHS)

Vista continues to be an important part of Ingenta's product portfolio. Service of the product and existing customers continues to evolve. 2018 marked the first "Vista as a service" deployment of the product; a modern cloud-based service, in-line with today's expectations of software services.

Ingenta Content

Our Content products deliver over 700 million page views and data requests per year through our fully outsourced Ingenta Connect scholarly portal, our custom, semantically enriched, multi-format Ingenta CMS platform and E-commerce solution.

These products enable publishers of any size, discipline, or technical proficiency to convert, store, deliver, and monetise digital content.

Ingenta CMS

The Ingenta CMS platform is a custom hosting solution that supports and delivers all the information a data provider will publish. The result of a multi-year research and development program, our CMS solution has been built from the ground up using a powerful combination of industry standard architecture and semantic web technologies. Ingenta CMS maximises the visibility, usage, and value of publishers' content via semantic enrichment while optimising content licensing around flexible E-commerce and access controls regardless of format or type.

- Provides seamless access to all content in all its formats
- Harnesses semantic discovery and drives usage with intuitive routes into research
- Allows content to be repackaged easily to experiment with new business models
- Delivers content via desktop, tablet, or smartphone
- Uses sophisticated access control

Ingenta Connect

Ingenta Connect hosts content for around 300 publishers and is the home of scholarly research. Academics and students from over 25,000 registered institutions around the world have access to tens of thousands of publications, leading to an average of 32 million page views per year, delivering 218,000 downloads per month. Our fully outsourced e-publishing package is a turn-key platform solution and a proven channel to get content online quickly, easily and affordably.

On Ingenta Connect, there is a broad spectrum of cost-effective services to choose from, whether a publisher is taking content online for the first time, looking to increase revenues through online activity or thinking of creating a custom-branded website.

- Data conversion & enhancement
- Secure web hosting
- Flexible E-commerce
- Linking and distribution
- Ahead-of-publication solutions
- Continuous publishing models
- Collection bundling and Virtual Publication creation
- Archival Digitisation and delivery

Ingenta Open

Ingenta Open is a new portal from Ingenta; linked directly to Ingenta Connect. The concept behind it is simple – to be a single solution for all open access content. Ingenta Open consists of a supported content management system and discovery service, exclusively for open access content, implemented across a broad range of networks and repositories and facilitating access for researchers, students and the public.

Ingenta Open facilitates search and discovery both internally via a sophisticated content management system, and externally via publishers' own content management systems and institutional repositories. With a low-cost entry threshold for open access publishers seeking a supported content management system and a sustainable long-term business model, Ingenta Open carries the huge additional benefit for smaller publishers of dual hosting on Ingenta Connect, thereby opening discovery to over 1.8 million registered users and thousands of libraries.

Ingenta E-commerce

Ingenta E-commerce is a single solution that manages business models, access entitlement and cross-selling of products on multiple platforms. It can maximise existing content by creating new revenue streams at the touch of a button, allowing publishers to enhance profits from their existing intellectual property by empowering sales and marketing teams to pinpoint the needs of the digital customer, create content bundles and sell to specific customer groups whilst integrating online business models with back office legacy infrastructure.

Ingenta Advertising

Ingenta Advertising is a complete, browser-based multimedia advertising, CRM and sales management platform for content providers. With the ability to sell and track digital and print ads in a single system, publishers can maximise the value of their audience with streamlined ad sales, packaged ad buys and multi-channel campaigns, generating new revenues from previously untapped sources.

Ingenta Advertising manages:

- CRM
- Multimedia bookings
- Packages and bundles
- Inventory management
- Traffic
- Finance/credit control

Features:

- In-house and third-party CRM integration
- Finance production integrations
- Billing invoicing and accruals
- Receivables
- Print, digital and events bookings managed as single order
- Contact management
- Reporting, analysis and interactive dashboards
- Traffic and ad copy tracking
- Internal and external inventory management

Ingenta Audience

Ingenta Audience is an audience profiling platform. It provides customer intelligence to help users engage the right audiences and make better informed marketing decisions. The profiling platform provides tools to segment audiences. These audience insights help optimise advert positioning by helping to determine which areas of content are most likely to be relevant and of interest to target audiences.

Ingenta Audience ingests multiple data sources to gain a holistic view of the customers digital platform visitors. Ingenta Audience has the ability to interpret data such as consumers' interests and attractions across digital and interact with other data points to create a 'single consumer view' of the customers, this first party data provides the opportunity to serve relevant content and ads albeit from the customers own inventory or via ad exchanges.

Ingenta Editorial

An all in one editorial, digital asset management & cross channel publishing platform that covers all areas of multimedia news production and their delivery in different formats and channels, while streamlining the enterprise workflow. Ingenta Editorial is an innovative suite, available in two different editions, one for news agencies and one for publishers.

Truly

Truly Media is a unique web-based collaboration platform. It has been designed to support the verification of digital (user-generated) content residing in social networks and elsewhere. Truly Media (www.truly.media) was developed in very close collaboration with journalists and human rights investigators, taking their demands and requirements fully into account.

Publishers Communication Group

Publishers Communication Group (PCG), an Ingenta company, is an internationally recognised sales and marketing consulting firm providing a range of services designed to support and drive clients' sales strategy. PCG has advocated for scholarly publications and digital content around the world for over a quarter of a century.

PCG sales, marketing and research professionals have executed successful campaigns, forged relationships with top global consortia and scrutinised the ever-changing academic marketplace on behalf of over 100 industry clients, generating more than \$50 million for clients in sales.

Established in 1990 and headquartered in Boston (USA) with offices in the UK, Brazil, Mexico, India and China, PCG's global presence continues to grow to better serve the needs of publishers. Drawing on the infrastructure of a world-leading provider, PCG manages strategic sales and marketing operations for publishers ranging including Mary Ann Liebert, The Royal Society of London and BioOne, and conducts individual and repeat projects for dozens of other publishers around the world.

Experience

Now in its third decade, PCG has helped publishers launch sales and marketing efforts in new regions, shore up existing business, conduct market research and analysis, and negotiate lucrative consortia deals. Our established network of faculty, library selectors, consortia leaders and end-users, paired with our seasoned, multilingual sales teams makes us an ideal partner for a publisher of any size.

Connections

PCG team members have held positions at academic and medical libraries, subscription agents and publishers including, Wiley, Mango Languages, OCLC, Ingram, Lyris, LexisNexis, the MIT Press, Elsevier, Cengage, NEJM, JBJS, Forrester Research, Sage, and Taylor & Francis, resulting in over 200 years of collective industry experience. Their extensive global network includes tens of thousands of library selectors from academic, corporate, medical libraries and consortia worldwide.

Trusted Partner

PCG clients include commercial publishers, non-profit associations and electronic services providers. Publishers trust that we will promote their content to the right people and in the most impartial manner possible by providing measurable results and explicit data to help justify marketing expenditure.

Global Reach

With offices in the US and UK in addition to Brazil, Mexico, India and China, PCG's multilingual team consistently develops new relationships with key decision-makers in twelve languages.

Chairman's statement

2018 Developments

The Group announced that 2018 would signal the culmination of its long-term business reorganisation plans and I'm pleased to announce that the new business structure is in place for 2019. The Group now has a unified approach to servicing its customer base which allows it to be significantly nimbler and more responsive to changing customer demands. The removal of the old product siloes has already had positive results as the business looks to cross sell its products and services and improve customer retention. Obviously, these changes were significant, and the business incurred some one-off costs during the transition that are reported in the financial statements.

On an operational level, the business has secured several large renewals within its customer base and expanded its service offering. The Group was pleased to recently announce 3 multi-year customer renewals within its Commercial division with a total deal value of £3.3m over 3 years. The Group also announced two new customer wins for its CMS product in 2018 and these deployments are running smoothly to a go live in 2019. One of these customers is an institution in Qatar and it means the CMS product is now operational in Arabic which provides scope for further opportunities within that territory. Within the advertising business, our new software platform for Sainsburys has successfully gone live and the new features and functionality are being marketed to a wider customer base with some interesting leads being followed up. The Commercial product has one go live scheduled for the first quarter of 2019 and two new customer implementations underway with more new contract wins expected to be announced shortly.

Results

As mentioned above, the audited results for the year ended 31 December 2018 have been impacted by the costs associated with the Group's business reorganisation plans. The costs of this were approximately £0.8m (2017: £0.3m) and have contributed to the loss reported in the year. In addition, the Group also incurred non-cash impairment charges to intangible assets of £0.9m (2017: nil). These impairment charges included a £0.3m (2017: nil) write down of the Group's shareholding in its Chinese joint venture and a £0.6m (2017: nil) impairment of non-software related goodwill. The Group deems both items to be non-core assets.

The revenue base has been restructured towards fewer, higher quality contracts with approximately 70% of the reported revenues highly visible and recurring in nature. From this revenue base, the Group generated operating cash inflows of £2.3m in the year, before expenditure on research and development of £1.8m, acquisition costs of £0.25m, dividends of £0.25m and the planned reorganisation costs of £0.8m, resulting in net cash balances at year-end of £1.3 million. In January 2019 cash balances increased to £2.5m and the Group expects that the new organisational structure will help deliver improved cash generation.

Shareholders' returns and dividends

On the 26th January 2018, the Board proposed a court approved reduction of capital and invited shareholders to vote on the resolution at a General Meeting held on 19th February 2018. This resolution was successfully passed and at a Court hearing on the 27th March the reduction of capital was approved and became effective that day, increasing the Company's distributable reserves by £8,999K.

The Directors declared their intention to pay a dividend in 2019 of 1.5 pence per share (2018: 1.5 pence). This is subject to shareholder approval at the forthcoming AGM.

M C Rose
Chairman
29 March 2019

Group strategic report

2018 has been a period of change as the Group implemented a new organisational structure which sets the foundations for a more responsive business which is better positioned for growth.

Business Strategy

The Business has moved away from a product siloed divisional structure to a more product agnostic services architecture. The benefit of this is a much more integrated approach to servicing our customers whereby we can standardise service levels and utilise resources more efficiently.

The Group's unified approach is starting to produce results and we have already announced some significant contract renewals and customer upgrade projects as the business looks to actively re-engage and respond to our client's needs. The business strategy has been to focus on our higher quality revenue streams where the Group believes it can deliver better margins. Similarly, the sales and marketing efforts are targeted at improved margins and I'm extremely encouraged by the progress being made in developing our sales pipeline and building customer awareness of our suite of products and services. The aim going forward is to be highly focussed in our sales prospecting work by targeting key market areas with a proven and referenceable product set. The previous decisions to develop a simplified GO! offering with pre-configured out of the box functionality has been instrumental in this as we now have some strong leads within the mid-tier market which we hope to announce shortly.

Our development strategy is also firmly in line with the broader business goals. Now that the product set is complete and referenceable, we can be more strategic with our investment decisions. Our Commercial product offering has the core functionality to be applicable to a much wider audience and with modest development can be tailored to meet those requirements. We are currently investigating these opportunities as we believe they offer good prospects for growth.

Product review

Ingenta Commercial

Ingenta Commercial provides enterprise level publishing management systems for both print and digital products.

All modules of the product are now fully referenceable and live on customer sites allowing the business to step up its marketing and sales activity. The indications from the second half of 2018 were positive, with promising opportunities being progressed in the mid-tier market where the GO! offering is proving successful. The core of the simplified GO! offering remains intact which means the software can be configured and enhanced over time as the customers' needs and requirements change.

Ingenta Content

The Ingenta Content suite of products enable publishers of any size, discipline or technical proficiency to convert, store, deliver and monetise digital content.

As in other parts of the software business, Ingenta's Content Management Solutions (CMS) is offered in a GO! format as well as the full enterprise version. The business has secured two new deals in the year which are progressing well with go lives anticipated for mid-2019. One of these deals involved an Arabic interface for the software which is now fully functional and provides further scope for the Group to expand into these new territories. Ingentaconnect, the divisions content aggregation solution, also announced a new Open Access solution in 2018 which puts Ingenta at the forefront of this rapidly evolving area of debate within the scholarly publishing industry which remains a key focus for the Group.

Ingenta Advertising

Ingenta Advertising provides a complete browser-based multimedia advertising, CRM and sales management platform for content providers.

Within the advertising space, traditional newspaper and magazine customers are adopting a cautious approach to investment decisions. The Group remains well placed to service these customers and has an upgraded platform solution on offer to address the changing requirements of its customer base. In addition, the business has developed a new portal with specific application to the retail business and its management of advertising and promotions. The solution went live at Sainsburys in 2018 and the Group are pressing ahead with other potential sales in this sector.

PCG

The PCG consulting arm provides a range of services designed to support and drive a business's sales strategy.

PCG continues to deliver impressive results to its customer base and maintained its revenue levels in line with the prior year.

Financial Performance

Group revenues for the year have decreased by £2.7m to £12.0m (2017: £14.7m) reflecting our focus on higher quality earnings which we believe will deliver improved margins.

As reported at the half year, the Group incurred £0.3m (2017: nil) of non-cash impairment charges against its joint venture investment in China. The Company has no further cash or balance sheet exposure to China and further details are included in note 3. The Group also incurred a further £0.6m (2017: nil) non-cash impairment charges against its non-software related goodwill. In terms of the reorganisation, there has also been a £0.8m (2017: £0.3m) exceptional charge relating to staff costs and the business reorganisation plans. In total, these costs amounted to £1.7m (2017: £0.3m) and

were a key driver in the reported operating loss of £1.2m (2017: profit £0.9m).

A tax credit of £0.3m (2017: £0.2m) is included in the results for the year and relates to money expected to be received under the research and development tax credit scheme. The claim has been calculated using the same methodology as in prior years and is subject to HMRC approval. Further details are in note 8.

Financial Position

Non-current assets include goodwill and intangibles created in historic acquisitions. The intangibles relate to the software technology acquired and were originally valued at £0.5m using a discounted cashflow model. These are being amortised over 5 years. The goodwill of £4.3m (2017: £4.9m) was tested for impairment using discounted cashflows resulting in an impairment charge of £0.6m (2017: nil) was incurred in relation to non-software items. Further details are included in notes 10 and 11.

Current assets have decreased compared to 2017 because of the timing of cash receipts from the renewals cycle. The cash balance was over £2.5m at the end of January 2019. Further details on current assets are shown in notes 13 and 15.

Total liabilities have also declined compared to 2017. The main contributory factor here was a reduction in accruals of £0.3m relating to the settlement of the earnout on acquisition of the 5 Fifteen business. Further details are shown in note 16.

On 26 January 2018, the Group announced a court approved reduction of capital whereby the Company cancelled its share premium account and increased its distributable reserves by approximately £9m.

Cashflow

The Group generated operating cash inflows of £2.3m in the year, before expenditure on research and development of £1.8m, acquisition costs of £0.25m, dividends of £0.25m and the planned reorganisation costs of £0.8m, resulting in net cash balances at year-end of £1.3 million. At the end of January 2019, cash balances increased to £2.5m and the Group expects that the new organisational structure will help deliver improved cash generation. The Group received a tax credit in the year of £0.2m (2017: £0.1m) and the estimate for 2018 is a for a further £0.3m, although this is subject to HMRC approval.

Key Performance Indicators

The Board and senior management review a number of KPI's continually throughout the year, all of which form part of the monthly management accounts process and include:

- Revenue versus budget and monthly reforecast
- Adjusted EBITDA (see note 5 for calculation) versus budget
- Group cashflow versus budget
- Sales pipeline growth and conversion analysis
- Time utilisation statistics

Any deviations or anomalies are investigated, and corrective action taken where appropriate.

Full year revenues have been impacted by the strategy to focus on higher quality revenue streams which the Group believe will deliver better margins. Some new sales wins were also delayed until later in the year and some have been pushed out into 2019. However, contract negotiations are moving ahead positively, and management expect to be able to announce new deals in the first half of 2019. The sales and marketing team has also been restructured and training programmes initiated which has seen tangible improvements in lead generation and pipeline development. Management believe this has set the foundations for commercial success in 2019.

Adjusted EBITDA numbers are included in the segmental information by business unit in the Group accounts. For the Group, these results were below budget which meant share options for the year did not vest. Management took action during the year implementing cost control measures so that resourcing was kept in line with sales activity, and operational efficiencies were identified which helped improve margins.

Year-end cash balances were £1.3m. This was impacted by the restructuring efforts in the year and timing of receipts. The renewals activity of the business is heavily linked to the calendar year with some receipts falling into January 2019 when cash balances rose to over £2.5m.

The Group monitor sales activity with reference to monthly sales pipeline reports. These reports detail sales opportunities by product with metrics around expected project timelines and revenue recognition estimates so that management can deploy resources adequately to ensure the best chances of success in the bidding process. When any items are removed from the pipeline due to either a successful sale or a lost opportunity, management carry out a detailed analysis to ensure the reasons are understood and any actions required are taken. Such analysis has led to the development of GO! products designed to meet a market requirement.

The business has also started to monitor time utilisation rates of its core functional departments. These are at an early stage of development and will be enhanced during 2019.

Outlook

The Group can look forward to 2019 with renewed optimism as the positive benefits from its long-term business reorganisation plan continue to roll

out. The Board believe the business is now significantly de-risked, producing a higher quality, cash generative earnings stream whereby the fixed costs of the business are met by its highly visible recurring revenues. Combined with this, the Group's efforts to strategically build its sales pipeline are now paying off and we hope to capitalise on this momentum through our refreshed sales targets for 2019.

Risks and uncertainties

Sales risk

The major risks for future trading are converting sales of Ingenta CMS and the Commercial product suite (Ingenta Rights, Royalties, Product Manager and Order to Cash), and generating revenue within PCG. Most of the business costs are fixed in the medium-term, being people and premises costs, and therefore there is a risk to Group profitability when budgeted revenue is not delivered as cost reductions will lag behind revenue reductions. Management undertake detailed monthly revenue forecasting and assess risk on an ongoing basis. Procurement processes remain difficult to predict, and any delays during contract negotiation will impact on the timing of project commencement and the level of revenue that can be recognised in the year.

Project risk

There are two principal project risks: risk of fixed priced projects running over and the risk on all projects where there is development required that we are unable to deliver to the specification agreed.

Fixed price projects risk relates to the accuracy of project estimates and the time it will take to complete the tasks as specified in the customer contract. Management mitigate this risk by hiring the best staff who are able to estimate projects accurately and by building in a contingency to fixed priced contracts. Management also closely monitor contracts to ensure all work performed is in accordance with the agreement and any new requests are separately contracted for. Management also mitigate the risk by taking on new projects on a time and materials basis wherever possible.

Projects requiring bespoke development also carry the risk that the development will not be able to be delivered in the way envisaged at the time of contract. Management take care to fully scope these development projects and use developers who understand the products and the complexities of building bespoke elements.

IT risk

Internal IT services are deployed onto fault tolerant platforms and spread over multiple locations including the Group's offices, co-location facilities, Infrastructure as a Service (IAAS) and Office365. Regular backups and securing of data offer multiple restore points in the event of a critical failure outside of the scope of the in-built resilience. E-mail is a cloud-based deployment that staff can access from any working PC/smart phone. Staff have access to cloud-based storage (OneDrive) in addition to co-location deployed file servers where data cannot be stored in e-mail. Key staff have mobile phones and access to resilient telephony services for the purposes of contacting each other and customers. Through Remote Working staff can access their data and customer sites in the event that it was not possible to gain access to our offices.

Customer facing services are monitored for both stability and performance; wherever possible proactive maintenance is undertaken to avoid performance problems and/or downtime. All customer deployments are done to fault tolerant hardware either in one of our co-location facilities or to a cloud-based service, both offering high levels of resiliency and multiple, redundant access.

The Group's business continuity plan is available from multiple locations and is regularly updated to cover new services and deployments.

FX risk

The risk associated with generating revenue and suffering costs in a currency other than sterling. This is mitigated naturally within Ingenta plc as revenues and associated costs are generally denominated in the same currency. Overall the Group is a net generator of USD.

HR risk

In a company with a high proportion of people-based revenue there is a risk of key staff leaving or being absent through sickness. This is mitigated by having appropriate notice periods built into employee contracts and ensuring there is adequate coverage for all staff roles with no individual solely responsible for significant revenue generation.

Brexit

Management continue to monitor the UK's exit from the EU and its implications for the business. It is not anticipated the UK's exit from the EU will affect software sales and the majority of its revenue is within the UK and US markets. At present, the main risks identified are currency fluctuations which have been reviewed above.

On behalf of the Board.

G S Winner
Chief Executive Officer
29 March 2019

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Directors

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

Executive Directors:

G S Winner, Chief Executive Officer (appointed 31 October 2018)
D R Montgomery, Chief Executive Officer (resigned 22 August 2018)
J R Sheffield, Chief Financial Officer

Non-Executive Directors:

M C Rose, Chairman
M A Rowse
N W Kirton
B H Holmström
M M E Royde

The interests of Directors in the shares of the Company at 31 December 2018 are disclosed in the Directors' remuneration report.

Corporate governance

Details of corporate governance for the year to 31 December 2018 are disclosed in the corporate governance statement.

Research and development activities

The Group carries out research and development activities in connection with administration systems, web delivery, access control and linking technologies. All costs relating to these activities are charged to profit and loss within the Group Statement of Comprehensive Income as incurred. The charge to the Group Statement of Comprehensive Income was £1.9m (2017: £2.1m) in the year to 31 December 2018.

Substantial shareholdings

As at 11 January 2019, 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:

Name	Number of ordinary 10p shares	Percentage of issued ordinary share capital
M C Rose	4,645,412	27.46%
Kestrel Partners LLP	4,526,754	26.75%
Miton Group plc	2,252,650	13.31%
Criseren Investments Limited	827,785	4.89%
L B Gibson	563,399	3.33%

Financial risk management

Details of the Group's financial risks are given in note 26.

Employment policy

Group employees 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.

Directors' and officers' liability insurance

The Group, as permitted by sections 234 and 235 of the Companies Act 2006, maintains insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Group.

Going concern

The Directors have prepared the financial statements on the going concern basis. In assessing whether this assumption is appropriate, management have taken into account all relevant available information about the future including a revenue, profit and cash forecast, and management's ability to affect costs and revenues. Management regularly forecast profit, financial position and cash flows for the Group and a rolling forecast is updated monthly. Revenue is forecast in detail with all revenue contracts individually listed and ranked by probability from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years in light of known changes and have concluded that forecast costs are robust. Further details on going concern are included within note 1 to the accounts (principal accounting policies).

Auditor

Grant Thornton UK LLP, offer themselves for re-appointment as auditor. A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board.

G S Winner
Director
29 March 2019

Corporate governance statement

After the recent changes to the AIM Rules which require all AIM-listed companies to adopt and comply with a recognised corporate governance code, the Board of Ingenta plc have adopted the Quoted Companies Alliance Corporate Governance Code (the QCA Code).

It is the Board's responsibility to ensure that the Ingenta Group is managed in the long-term interests of all shareholders and stakeholders in the business. The Board believes a strong and effective corporate governance culture is critical in this respect as we endeavour to grow a resilient and sustainable business for the benefit of our shareholders, customers, people and suppliers.

The QCA code is constructed around 10 broad principles which are detailed in full on the Company's website.

Strategy and business model

Ingenta seeks to solve the unique problems faced by information providers. We tailor our suite of industry-specific technology products to create robust solutions to manage our customers IP, content and advertising requirements.

Our business model is to deliver profitable services enabling us to invest in the development of software solutions that help our customers manage and monetise their content. We generate revenue via professional service fees for implementing our solutions, providing ongoing licence, hosting and support services plus a range of ancillary consulting services. We then reinvest some of these profits into our products and the development of next generation solutions to ensure we have the required product capabilities to deliver revenue and profit into the future.

The Group strategic report provides further information on the results of the business.

Risk management

The Board of Directors acknowledges its responsibility for the Group's system of risk management and internal control, including suitable monitoring procedures. There are inherent limitations in any system of risk management and 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 Directors and management have considered the risks facing the business with the key items discussed in the Group strategic report section of the financial statements. These are assessed on an ongoing basis. Other risks which come under the direct control of the Directors include treasury management, capital expenditure, insurance, health and safety and regulatory compliance. Risk assessment includes the review of potential mitigations.

The Company has an established framework of internal controls covering the following areas:

- The Board reviews and approves company strategy and the associated annual budgets.
- Monthly management information packs are produced which report performance to the Board and management team. These include income statements, balance sheets and cash flows. Actual results are reported against budget, latest forecast and prior year with an updated forecast for the expected full year outcome.
- Any new business goes through a deal review meeting to determine expected profitability and identify any risks and how they can be mitigated in the contract. New contracts must be signed by a member of the Board and where material they are reviewed by the Companies advisors.
- A Company wide timesheet system is in place to enable management to effectively monitor projects, both internal and external, and report on profitability throughout the duration of the work.
- A clear organisational structure with defined levels of authority and approval.
- Close supervision of the daily operations by the Executive Directors and management team.
- Central control over banking facilities with defined authority limits.
- The Audit Committee reviews the independent audit findings report each year to ensure compliance with financial reporting regulations and that its internal control procedures are being adhered to and remain effective.

The Group continues to review its internal controls and will be including further key performance indicators into the monthly reporting cycle to assist management and the Board in understanding the performance of the business. The Board considered the usefulness of appointing a dedicated legal counsel and internal audit function but decided in view of the size of the Group it was not effective to do so. This will be kept under review.

Further detail on the key risks faced by the business are set out in the Group strategic report.

Management framework

Ultimate responsibility for corporate governance lies with the Chairman of the Board. At present the Board comprises the Non-Executive Chairman, four Non-Executive Directors and two Executive directors. During 2018, David Montgomery stepped down from his role as CEO and Executive Director and was replaced by Scott Winner. N W Kirton and B H Holmstrom are deemed to be independent Board members.

The Board is satisfied that it has the right mix of skills covering finance, investor relations, technology and industry experience to enable it to discharge its duties and responsibilities effectively and is supported by an Audit and a Remuneration Committee which meet separately through the

year. Any conflicts of interest at Board level are reviewed regularly through the year and disclosed at the Board meeting as appropriate.

There are normally eleven Board meetings scheduled as standard through the year with further meetings set up as required. In the year to 31 December 2018 there were 10 Board meetings held with attendance records below:

Name	Attendance
D R Montgomery	3 out of 3
G S Winner	8 out of 8
J R Sheffield	10 out of 10
M C Rose	9 out of 10
M A Rowse	9 out of 10
N W Kirton	10 out of 10
M M E Royde	9 out of 10
B H Holmström	10 out of 10

Each month the Board is supplied with a comprehensive management information pack covering financial performance for the month and forecast for the full year. The management team also provide an in-depth commentary on the divisional operations of the business to ensure the Board is kept abreast of the latest developments.

Board of Directors

Between them, the Board members provide skills in finance and reporting, public markets, investor relations, technology and the publishing industry. These skills are kept up to date via training courses and current on the job experience. The Company's Nomad strengthens the Board's professional development by providing guidance and updates on corporate governance and regulatory matters as required.

The Board composition is under regular review and has widened over recent years to include specialists in public markets and technology where the Board felt there was a need for additional expertise. All Directors can take independent professional advice in order that they can effectively carry out their duties and have access to the services of the Company secretary as required.

Each board member's biography is available on the Company's website and on page three of the financial statements and detail their skills, experience and capabilities.

The Company secretary is responsible for guiding the Chairman and Board on their responsibilities and how those responsibilities should be discharged. This includes ensuring good information flows within the Board and its committees and also between senior management. Other responsibilities include shareholder relations, administration of the Company's records and ensuring compliance with legal and statutory requirements.

Board performance

The Chairman continually monitors performance of the Board at the regular board meetings. The Executive Director roles of Chief Executive Officer and Chief Financial Officer are clearly defined with performance targets relating to Revenue, EBITDA, Earnings per share and cash balances set each year. The Company's auditors provide an annual finding report which is used as a tool to identify any areas of improvement for the Board, and these are reviewed and acted upon as appropriate. Where further training requirements have been identified, the Company then ensures that these are carried out.

In terms of succession planning, the Board are encouraged to maintain dialogue regarding individual member's future plans to enable the Company to complete an orderly transition. The succession process involves a thorough review of potential internal and external candidates to ensure the best person is selected. While no formal nomination committee has been established, board and other senior management appointments are regularly considered at a board level.

Corporate culture

The Board and senior management expect everyone in the company to act in a responsible and ethical manner because the reputation of the business is key to our success. The company does not let cost concerns override its ethics and behaviour. For example, we only contract with offshore resourcing entities who commit to fair working practices. The Company is committed to minimising negative environmental impact in terms of energy usage at our offices, digitising our content and using responsible methods to dispose of electrical equipment.

The Company and staff are also active in the local community supporting charities and sponsoring good causes. Feedback from all stakeholders, as described in further detail on the Company's website, allow the Board to monitor the Company's culture, as well as the ethical values and behaviours within the business.

Remuneration Committee

The Remuneration Committee is composed of three Non-Executive Directors: M C Rose (Chairman), M A Rowse and N W Kirton. It is responsible for the terms, 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.

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors: M C Rose (Chairman), M A Rowse and N W Kirton. It monitors the adequacy of the Group's internal controls and provides the opportunity for the external auditor to communicate directly with the Non-Executive Directors.

The Audit Committee also ensures that the external auditor is independent via the segregation of audit related work from other accounting functions and non-audit related services provided and measures applicable fees with similar auditors.

Relations with shareholders

The Group gives high priority to its communication with shareholders. This is achieved through the Group's website, correspondence and extensive corporate information. In addition, the Group visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports online, from the Group'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 21 business days before the meeting.

Statement of Directors' responsibilities

The directors are responsible for preparing the Group Strategic Report and Directors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union for the Company and the Group. 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 and profit or loss of the Company and Group 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 IFRSs for the Company and the Group 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 responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.

M C Rose
Chairman of the Audit Committee
29 March 2019

Directors' remuneration report

The Remuneration Committee comprises M C Rose (Chairman), M A Rowse and N W Kirton who are 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 the 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, and
- the need to ensure 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 fee awards 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.

The Group made contributions to externally administered defined contribution pension schemes for two Executive Directors.

The interests of the Directors at 31 December 2018 in the shares of the Company were as follows:

Name	Number of ordinary shares of 10p in Ingenta plc 31 December 2018	Number of ordinary shares of 10p in Ingenta plc 31 December 2017
M C Rose	4,645,412	4,645,412
M A Rowse	440,277	440,277
N W Kirton	44,250	44,250
M M E Royde	4,526,754	4,514,254

M M E Royde is a partner of Kestrel Partners LLP

Directors' interests

The Directors at 31 December 2018 had an interest in 48,333 options over the ordinary shares. The Directors had no post-employment benefits, other long-term benefits, termination benefits or share-based payments in the year.

The market price of the Company's shares at the end of the year was 88.5p and the price ranged in the year between 88.5p and 140.0p.

Directors' remuneration

Name	Salary and fees £'000	Benefits £'000	Sums paid to a third-party for Directors' services £'000	Pension contribution £'000	Total remuneration £'000	Group National Insurance costs £'000	2018 Total cost of employment £'000	2017 Total remuneration £'000	2017 Total cost of employment £'000
D R Montgomery	233	-	-	6	239	16	255	216	244
G S Winner	32	2	-	1	35	1	36	-	-
J R Sheffield	135	-	-	7	142	17	159	83	93
M C Rose	36	-	48	-	84	4	88	84	88
M A Rowse	-	-	30	-	30	-	30	30	30
N W Kirton	30	-	-	-	30	3	33	30	33
M M E Royde	-	-	73	-	73	-	73	-	-
B H Holmström	-	-	30	-	30	-	30	30	30
	466	2	181	14	663	41	704	473	518

D R Montgomery resigned on 22 August 2018.

G S Winner was appointed on 31 October 2018.

On behalf of the Remuneration Committee.

M C Rose
Chairman
29 March 2019

Independent auditor's report to the members of Ingenta plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Ingenta plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Group statement of comprehensive income, the Group statement of financial position, the Group statement of changes in equity, the Group statement of cash flows, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Overview of our audit approach

- We performed a full scope audit over Ingenta plc (the "parent"), Ingenta UK, Vista International Limited, and Vista North America Holdings Limited, and we performed targeted audit procedures for group purposes for Ingenta Inc and PCG Inc.
- Overall group materiality: £240,000, which represents 2% of the group's revenue
- Key audit matters were identified as Revenue Recognition and Impairment of Intangible Assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter for the Group

Revenue recognition

Group Revenues of £12,001,000 have been recognised in the year ended 31 December 2018, arising substantially from the sale of services.

Revenue is the most significant item in the Group statement of comprehensive income and impacts a number of key performance indicators, and key strategic indicators set out in the Chief Executive's Statement and Strategic Report.

We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.

The risk in this area was considered to have two elements:

1. Incorrect application of IFRS 15 'Revenue', since this is the first year of adoption; and
2. Implementation revenue, due to the judgement exercised in the estimation of completion on such projects. Total implementation revenue was £436,000, recognised within consulting services.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Assessing the group's accounting policy against the requirements of IFRS 15 for Contract Based Revenue (Hosting, License and Maintenance), PCG Revenue, Time Based Revenue and Implementation Revenue.
- Reading revenue contracts and discussing with management to confirm our understanding of the performance obligations for each revenue stream.
- For Contract Based Revenue, testing a sample of individual revenue items during the year, by:
 - agreeing the selected items to underlying contractual agreements, the related remittance advice or cash received, and communications between the project manager and customer to support delivery of the service; and
 - recalculating any accrued or deferred revenue.
- For Time Based Revenue, testing a sample of individual revenue items during the year by agreeing the selected items to the underlying contractual agreement and the time spent per time sheet.
- For PCG Revenue, testing all PCG Revenue by:
 - agreeing the amount recognised to invoices and bank receipts; and
 - recalculating the related accrued income.
- For Implementation Revenue, testing the entire population by agreeing to contract, discussing with project managers to understand the status of each project and the assessments made regarding stage of completion and corroborating those discussions with confirmations from customers of the work performed.
- Assessing the design effectiveness of controls.

Key Observations

Our testing did not identify any significant deficiencies in the design effectiveness of controls which would require us to amend the nature or scope of our planned detailed testing. Overall, based on our audit work, we found that the estimates applied resulted in an appropriate amount of revenue recognised in the Statement of Comprehensive Income and accrued and deferred revenue within the Statement of Financial Position. We found no errors in calculations.

Impairment of Intangible Assets

Management are required to make an annual assessment to determine whether the Group's goodwill and intangible assets, which are valued at £4,582,000 in the Group statement of financial position, are impaired.

The process for assessing whether impairments exists under International Accounting Standard (IAS) 36 'Impairments of assets' is complex. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review.

We therefore identified the goodwill and intangible assets impairment review as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Obtaining management's assessment of the relevant CGUs used in the impairment calculation (covering a five year period) and ensuring that assessment reflected our understanding of the business units and operating structure of the group, recalculating of the arithmetical accuracy of management's impairment analysis.
- Performing sensitivity analysis to assess the impact of possible different assumptions utilised in the impairment models included growth rates, and discount rates to assess what it would take to result in an impairment against each CGU.
- Testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and checking the cash flows for exceptional or unusual items or assumptions
- Ensuring the detailed disclosure to ensure information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review.

The group's accounting policy to "Review of the test Goodwill annually for impairment and ensure it is carried at cost less accumulated impairment loss" is shown on page 32

Key observations

Based on the calculated present value of future cash flows over the next five years, an impairment of £576,000 was recorded relating to PCG's CGU.

On the basis of the audit work performed on the calculations and forecasts used by management there have been no material misstatements identified within either the goodwill balances or other intangible assets recognised in the group statement of financial position.

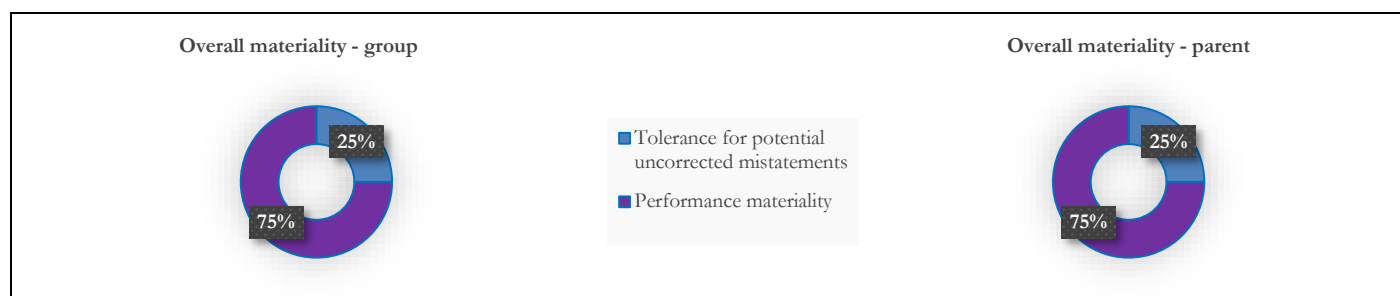
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	<p>£240,000 which is 2% of revenue. This benchmark is considered the most appropriate because it is a stable and prominent key performance indicator.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 because revenue is £2,695,000 lower in 2018 than 2017.</p>	<p>£100,000 which was 1% of equity in the draft figures presented for audit. This benchmark is considered the most appropriate because the entity is a holding company.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 because equity is £633,000 lower in 2018 compared to 2017.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the audit committee	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included the following procedures:

- Evaluating the Group's internal control environment;
- Performing process walkthroughs and documenting the controls covering all of the Key Audit Matters and Other Risks, to assess the design effectiveness of controls;
- A full scope audit of the financial statements of the Ingenta plc ("parent" company), Ingenta UK, Vista International Limited, and Vista North America Holdings Limited. Vista International Limited and Vista North America Limited both holding companies recognised within the group financial statements.
- Targeted audit procedures, most significantly in respect of revenue, for group purposes for Ingenta Inc and PCG Inc for the purpose of forming a group opinion;
- No procedures have been performed covering Beijing Ingenta Digital Publishing Technology Limited, the joint venture in China, as this asset has been written down to zero in the year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Mark Bishop ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
29 March 2019

Group statement of comprehensive income

	note	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Group revenue	2	12,001	14,695
Cost of sales		(7,258)	(9,071)
Gross profit		4,743	5,624
Sales and marketing expenses		(1,074)	(1,253)
Administrative expenses		(4,894)	(3,441)
(Loss) / profit from operations	5	(1,225)	930
Share of loss from equity accounted investments	3	-	(99)
Finance costs	7	(8)	(31)
(Loss) / profit before income tax		(1,233)	800
Income tax	8	407	185
(Loss) / profit for the year attributable to equity holders of the parent		(826)	985
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(31)	77
Total comprehensive (loss) / income for the year attributable to equity holders of the parent		(857)	1,062
Basic (loss) / earnings per share (pence)	9	(4.88)	5.82
Diluted (loss) / earnings per share (pence)	9	(4.88)	5.78

All activities are classified as continuing.

The accompanying notes form part of these financial statements.

Group statement of financial position

	note	31 Dec 18 £'000	31 Dec 17 £'000	31 Dec 16 £'000
Non-current assets				
Goodwill	10	4,324	4,900	4,900
Other intangible assets	11	258	358	458
Property, plant and equipment	12	218	140	203
Investments accounted for using the equity method	3	-	-	368
		<u>4,800</u>	<u>5,398</u>	<u>5,929</u>
Current assets				
Trade and other receivables	13	4,627	4,688	5,385
Investments classified as held for sale	3,14	-	320	-
Research and Development tax credit receivable	8	336	180	150
Cash and cash equivalents	15	1,323	2,131	2,027
		<u>6,286</u>	<u>7,319</u>	<u>7,562</u>
Total assets		<u>11,086</u>	<u>12,717</u>	<u>13,491</u>
Equity				
Share capital	21	1,692	1,692	1,692
Share Premium		-	8,999	8,999
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Share option reserve		16	51	-
Translation reserve		(876)	(845)	(871)
Retained earnings		(1,505)	(9,424)	(10,240)
Investment in own shares	22	-	-	-
Total equity		<u>5,154</u>	<u>6,300</u>	<u>5,407</u>
Non-current liabilities				
Borrowings	17	-	-	-
Deferred tax liability	18	52	72	92
Finance leases	19	52	8	35
		<u>104</u>	<u>80</u>	<u>127</u>
Current liabilities				
Trade and other payables	16	2,723	3,394	4,349
Deferred income		3,105	2,943	3,608
Borrowings	17	-	-	-
		<u>5,828</u>	<u>6,337</u>	<u>7,957</u>
Total liabilities		<u>5,932</u>	<u>6,417</u>	<u>8,084</u>
Total equity and liabilities		<u>11,086</u>	<u>12,717</u>	<u>13,491</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2019 and were signed on its behalf by:

J R Sheffield
Director

G S Winner
Director

Registered number: 00837205

The accompanying notes form part of these financial statements.

Group statement of changes in equity

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Share option reserve £'000	Total attributable to owners of parent £'000
Balance at 1 January 2018	1,692	8,999	11,055	(5,228)	(845)	(9,424)	51	6,300
Dividends paid	-	-	-	-	-	(254)	-	(254)
Capital reconstruction (note 21)	-	(8,999)	-	-	-	8,999	-	-
Share options lapsed in the year	-	-	-	-	-	-	(35)	(35)
Transactions with owners	-	(8,999)	-	-	-	8,745	(35)	(289)
Loss for the year	-	-	-	-	-	(826)	-	(826)
Exchange differences on translation foreign	-	-	-	-	(31)	-	-	(31)
Total comprehensive expense for the year	-	-	-	-	(31)	(826)	-	(857)
Balance at 31 December 2018	1,692	-	11,055	(5,228)	(876)	(1,505)	16	5,154

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Share option reserve £'000	Total attributable to owners of parent £'000
Balance at 1 January 2017	1,692	8,999	11,055	(5,228)	(871)	(10,240)	-	5,407
Dividends paid	-	-	-	-	-	(169)	-	(169)
Reclassification of share option reserve	-	-	-	-	(51)	-	51	-
Transactions with owners	-	-	-	-	(51)	(169)	51	(169)
Profit for the year	-	-	-	-	-	985	-	985
Exchange differences on translation foreign	-	-	-	-	77	-	-	77
Total comprehensive income for the year	-	-	-	-	77	985	-	1,062
Balance at 31 December 2017	1,692	8,999	11,055	(5,228)	(845)	(9,424)	51	6,300

Group statement of cash flows

	note	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
(Loss) / profit before taxation		(1,233)	800
Adjustments for			
Share of loss from Joint Venture		-	99
Impairment of intangibles		896	-
Depreciation		227	250
Profit on disposal of fixed assets		(2)	-
Interest expense		8	31
Unrealised foreign exchange differences		(31)	26
Decrease in trade and other receivables		61	697
Decrease in trade and other payables		(195)	(1,552)
Cash (outflow) / inflow from operations		(269)	351
Research and Development tax credit received		235	143
Tax paid		(6)	(8)
Net cash (outflow) / inflow from operating activities		(40)	486
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		(248)	-
Purchase of property, plant and equipment		(61)	(91)
Net cash used in investing activities		(309)	(91)
Cash flows from financing activities			
Interest paid		(8)	(31)
Payment of finance lease liabilities		(162)	(95)
Dividend paid		(254)	(169)
Costs of capital restructure		(31)	-
Net cash used in financing activities		(455)	(295)
Net (decrease) / increase in cash and cash equivalents		(804)	100
Cash and cash equivalents at the beginning of the year	15	2,131	2,027
Exchange difference on cash and cash equivalents		(4)	4
Cash and cash equivalents at the end of the year	15, 23	1,323	2,131

The accompanying notes form part of these financial statements.

Notes to the Group financial statements

For the year ended 31 December 2018

General information and nature of operations

Ingenta plc (the 'Company') and its subsidiaries (together the 'Group') is a provider of content management, advertising and Commercial enterprise solutions and services to publishers, information providers, academic libraries and institutions. The nature of the Group's operations and its principal activities are set out in the Chairman's statement and Group Strategic report.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 00837205 and its registered office is 8100 Alec Issigonis Way, Oxford, OX4 2HU. The consolidated financial statements were authorised by the Board of Directors for issue on 29 March 2019.

1. Principal accounting policies

New Standards adopted as at 1 January 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of the standard and its comparison to the Group's old policies and revenue streams is detailed below:

Recognition of Ingenta Connect Revenue (within the Content products division):

Ingenta Connect revenues comprise 'Hosted services' and 'Consulting Services' revenue.

Hosted Services:

Hosted services include annual fees for hosting publishers' content on the Ingenta Connect platform and revenues from document delivery under pay-per-view access, clearance and digitisation services.

The recognition of hosting revenues remains unchanged and is recognised over time. The contracts are clearly defined with a price to host customers content on Ingenta Connect over a contracted term.

The performance obligation is to host content over a fixed term, the price for which is recognised evenly over the period content is hosted on Ingenta Connect.

Pay per view revenues continue to be recognised at a point in time when the documents are delivered to a customer. The performance obligation is to deliver content to an end user and facilitate a transfer of funds.

Consulting Services:

Consulting services includes revenues from the processing of e-journal content and ongoing services.

These fees are based on a per article charge and continue to be recognised at a point in time when the article is processed, and the performance obligation is satisfied. The performance obligation is to convert a specified piece of content into a format suitable for ingestion onto the Ingenta Connect platform.

Recognition of Ingenta Commercial products, Ingenta CMS (within the Content products division), and Ingenta Advertising:

Revenues from these divisions comprise 'Licences', 'Consulting Services', 'Hosted Services', 'Managed Services' and 'Support and Upgrade' revenue.

Licences:

Licences can be sold as perpetual or under a software as a service (SaaS) agreement.

Perpetual software licence revenue continues to be recognised at a point in

time if there are no associated implementation requirements. This will only be the case where an existing customer purchases additional licences to increase the number of users on an existing installed software system.

Where perpetual software licences require consulting services to make the licences usable, the licence revenue continues to be linked to the consulting services and is recognised over the period of the associated consulting services on a percentage complete basis. The software is deployed immediately onto the customer network and consulting services are used to perform integration work which enhances the software's functionality. The customer has benefit from the software over the implementation and gains increased benefit as the functionality extends. The percentage complete assessment is made by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end.

For SaaS licence arrangements, licences are deemed a right to access and revenue is recognised over time and taken in equal instalments over the period of the contract from the point the software is functional. This treatment is the same under both standards.

Consulting Services:

Revenue recognition from long term contracts within consulting services depends on the contractual terms.

Fixed price consulting contracts continue to be recognised over time on the percentage of completion method. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end. The performance obligation is to provide man time to deliver a specified level of functionality within the software. The customer has access to the software throughout the consulting phase and gets benefit from the consulting work as functionality is expanded over time.

Other consulting services contracts are on a time and materials basis and revenue continues to be recognised over time as work is performed. The amount of revenue is calculated by the number of days worked at the contracted day rate. As under a fixed price contract, the customer has access to the software during the implementation phase and gets benefit from the consulting services as functionality is expanded over time.

Hosted Services, Managed Services and Support and Upgrade:

Revenues collected or billed in advance for hosted services, managed services and support and upgrade revenue continue to be recorded as deferred income and recognised evenly over the period to which the service relates. In all cases, the performance obligation is to provide a service evenly over a contracted period of time.

Recognition of PCG Revenues:

Ingenta's PCG division earns revenue from providing services to Publishers and Content providers. Some revenue is charged as a retainer for services provided throughout the period. These revenues continue to be recognised over time as the performance obligation is to provide a dedicated sales representative over a contracted period.

Some revenues are earned on a commission basis associated with selling publishers' content. This revenue continues to be recognised at a point in time when commission is earned which contractually is when PCG's publishing customer invoices the end user for the services sold by PCG. In some cases, PCG invoices the end user on behalf of the customer for the services sold by PCG and records PCG's commission when the invoice is issued as agreed in the contract. Where any sales representation and cash collection services are incorporated into the contract the work involved is minimal and does not affect recognition of commission.

Some further revenues are based on performing surveys for publishers. These revenues are based on a fixed number of calls at an agreed rate per call. Revenue continues to be recognised at a point in time on a per call completed basis in the period the calls were made.

IFRS 9 'Financial Instruments'

IFRS9 will supersede IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1

January 2018. IFRS 9 covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The Group has not identified any adjustments required under the transition to IFRS 9.

Going concern

The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all relevant available information about the future including revenue, profit and cash forecast and management's ability to affect costs and revenues.

Management regularly forecast profit, financial position and cash flows for the Group. The rolling annual forecast is normally updated monthly.

Having reviewed the latest forecast, management regard the forecast to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and ranked by firmness from firm to forecast.

Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and concluded that forecast costs are robust.

As at 31 December 2018 the Group had net current assets of £0.5m (2017: £0.9m), of which £3.1m (2017: £2.9m) relates to deferred income which will be recognised in the year ending 31 December 2019.

The Group has positive cash balances of £1.3m as at 31 December 2018 (2017: £2.1m). The Group held linked accounts with HSBC such that any facility was based on the net balance of all accounts taken together. Management have assured themselves that cash is sufficient for the needs of the business based on the cash flow forecast.

The major risks for future trading are the uptake of new generation products Ingenta CMS and the Commercial product suite (Ingenta Rights, Royalties, Product Manager and Order to Cash), which to some extent is reliant on the macro-economy and the willingness of data providers to commit to capital expenditure projects.

There is a strong sales pipeline for all new generation products which gives the Board confidence that the forecast for 2019 is achievable. It is therefore considered appropriate to use the going concern basis to compile these financial statements.

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

The accounting policies applied have been applied consistently throughout the Ingenta Group. The financial statements have been prepared under the historical cost convention.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Significant management judgements in applying accounting policies

The following are the significant management judgements used in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Consulting service revenue

Please refer to the Revenue section of the accounting policies note for detailed disclosure.

Support and upgrade revenue

Please refer to the Revenue section of the accounting policies note for detailed disclosure.

Deferred tax assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Research and development expenditure

Research and development expenditure is fully written off to the Group Statement of Comprehensive Income as costs are incurred. The Board have taken into account the inherent risks in all research and development expenditure and specifically the expenditure being incurred by the business in the year and have concluded that the requirements of IAS 38 to capitalise development expenditure have not been met.

Intangible assets and fair value on acquisition

Software technology acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values. For further details see the Intangible asset section of the accounting policies note.

Research and Development tax credits

Research and Development tax credits are recognised on an accruals basis as in prior years. The basis of calculation is consistent with prior years, taking into account current legislation, which has been accepted by HMRC.

Investments classified as held for sale

In the 2017 financial statements, the Group outlined it has been actively engaged in discussions to sell or dispose of its shareholding in the Chinese Joint Venture and had reclassified it as an asset held for sale. These discussions are ongoing, but the Board does not believe a deal is imminent and have subsequently reclassified the Group's holding in the Joint Venture as an investment. Given the inherent uncertainty around valuing a Chinese non-listed, minority shareholding combined with flat earnings and an increasingly uncertain mechanism to repatriate funds, the Group have decided to fully impair the investment. The Group's strategy going forward is to concentrate on its core product set and given the lack of control it exerts over the Joint Venture, it will not continue to consolidate results into the Group.

Estimation uncertainty

When preparing the financial statements management make a number of estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed on the following pages.

Impairment

An impairment loss is recognised for the amount by which an asset's, or cash generating unit's, carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset, or cash-generating unit, and determines a suitable pre-tax discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. See note 10 for details of the review.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as

possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Basis of consolidation

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as of 31 December 2018. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The acquisition cost is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer and excludes any transaction costs. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Investments in Joint Ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the Joint Venture is not recognised separately and is included in the amount recognised as investment in Joint Ventures. The carrying amount of the investment in Joint Ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the Joint Venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its Joint Ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Share options

The Group operates an unapproved Executive Management Incentive (EMI) Share Option plan. £35K (2017: £1K charge) has been recognised during the year as a reduction of the fair value of the options. Full details are in note 22.

Property, plant and equipment

Cost

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation

Depreciation is calculated using the straight - line method to allocate the cost

of assets less their estimated residual value over their estimated useful lives, as follows:

Leasehold improvements	Over the term of the lease
Computer equipment	3 years
Fixtures, fittings and equipment	5 years

The residual value and the useful life of each asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Disposal of assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within profit or loss within the Group Statement of Comprehensive Income.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are recognised immediately in the income statement and are not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and at least annually thereafter.

On disposal of a subsidiary, the attributable net book value of goodwill is included in the determination of the profit or loss on disposal.

Technology based intellectual property

Intangible assets relating to the technology acquired from business combinations that qualify for separate recognition are recognised as intangible assets at their fair value. The assets are valued using a discounted cash flow model for the revenues they will generate over the next 5 years.

The asset is amortised on a straight-line basis over a 5 year period. Residual values and useful lives are reviewed at each reporting date. Amortisation is included within depreciation, amortisation and impairment of non-financial assets.

Impairment of intangibles and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related goodwill.

Goodwill, other individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described herein.

Financial assets

The Group classifies its financial assets as 'loans and receivables' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group assesses at the date of each Statement of Financial Position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Statement of Financial Position.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method; less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Group Statement of Comprehensive Income within 'Sales and marketing expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Sales and marketing expenses' in the Group Statement of Comprehensive Income.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

On initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. After initial recognition, financial assets are measured at fair value, without any deduction of transaction costs.

Gains and losses arising from changes in the fair value of a financial asset are recognised in other comprehensive income, except for impairment losses. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified from equity to profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Financial liabilities

The Group's financial liabilities include borrowing and trade and other payables.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised within profit or loss within the Group Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an

unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits together with other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include bank overdrafts as they are repayable on demand and form an integral part of the Group's cash management. The Group's banking facility is all with one bank (HSBC) and the accounts are linked such that any facility limit is based on the net balance of all accounts.

Equity

Share capital represents the nominal value of shares that have been issued.

The translation reserve within equity relates to foreign currency translation differences arising on the translation of the Group's foreign entities.

Retained earnings include all current and prior year retained profits and losses.

Reverse acquisition reserve and merger reserve represent balances arising on the acquisition of Ingenta plc in 2007. The IFRS 3 acquisition adjustment reflects the entries required under reverse acquisition accounting, whereby consolidated shareholders' funds comprise the capital structure of the legal parent combined with the reserves of the legal subsidiary and the post-acquisition reserves of the parent.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts after eliminating sales within the Group.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of licences, consulting services, hosting services, managed services and support and upgrade services. These services and performance obligations are separately identifiable and contracted for allowing a reasonable allocation of price to each component.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Where certain products are sold as multi element arrangements, the Group evaluates the separability of the goods or services based on whether they are distinct. A good or service is distinct if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

Recognition of Ingenta Connect Revenue (within the Content products division):

Ingenta Connect revenues comprise 'Hosted services' and 'Consulting Services' revenue.

Hosted services:

Hosted services include annual fees for hosting publishers' content on the Ingenta Connect platform and revenues from document delivery under pay-per-view access, clearance and digitisation services.

Hosting revenue is recognised over time with reference to the contracted period. The performance obligation of hosting customers content on servers does not materially change over time and is recognised evenly over the contract period.

Pay per view revenue is recognised at a point in time when the documents are delivered to a customer. The performance obligation is to deliver content to an end user and facilitate a transfer of money for the purchase.

Consulting Services:

Consulting services includes revenues from the processing of e-journal content and ongoing services.

The consulting fees are based on a per article charge and are recognised at a point in time when the article is processed. The performance obligation is to convert a specified piece of content into a format suitable for ingestion onto the Ingenta Connect platform.

Recognition of Ingenta Commercial products, Ingenta CMS (within the Content products division), and Ingenta Advertising:

Revenues from these divisions comprise 'Licences', 'Consulting Services', 'Hosted Services', 'Managed Services' and 'Support and Upgrade' revenue.

Licences:

Licences can be sold as perpetual or under a software as a service (SaaS) agreement.

Perpetual software licence revenues are recognised at a point in time if there are no associated implementation requirements. This will only be the case where an existing customer purchases additional licences to increase the number of users on an existing installed software system.

Where perpetual software licences require consulting services to make the licences usable, the licence revenue is linked to the consulting services and is recognised over the period of the associated consulting services on a percentage complete basis. The software is deployed immediately onto the customer network and consulting services are used to perform integration work which enhances the software's functionality. The customer has benefit from the software over the implementation and gains increased benefit as the functionality extends. The percentage complete assessment is made by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end.

For SaaS licence arrangements, licences are deemed to be a right to access and revenue is recognised over time and taken in equal instalments over the period of the contract from the point the software is functional.

Consulting Services:

Revenue recognition from long term contracts within consulting services depends on the contractual terms.

Fixed price consulting contracts are recognised over time on the percentage of completion method. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end. The performance obligation is to provide man time to deliver a specified level of functionality within the software. The customer has access to the software throughout the consulting phase and gets benefit from the consulting work as functionality is

expanded over time.

Other consulting services contracts are on a time and materials basis and revenue is recognised over time as work is performed. The amount of revenue is calculated by the number of days worked at the contracted day rate. As under a fixed price contract, the customer has access to the software during the implementation phase and gets benefit from the consulting services as functionality is expanded over time.

Consulting services for a software implementation normally last for less than 12 months and payment terms are always in instalments during the period. As such, the Group does not adjust the receivable amounts for the effects of financing.

Hosted Services, Managed Services and Support and Upgrade:

Revenues collected or billed in advance for hosted services, managed services and support and upgrade revenue are recorded as deferred income and recognised evenly over the period to which the service relates. In all cases, the performance obligation is to provide a service evenly over a contracted period of time.

Recognition of PCG Revenues:

Ingenta's PCG division earns revenue from providing services to Publishers and Content providers. Some revenue is charged as a retainer for services provided throughout the period. These revenues are recognised over time as the performance obligation is to provide a dedicated sales representative over a contracted period.

Some revenues are earned on a commission basis associated with selling publishers' content. This revenue is recognised at a point in time when commission is earned which contractually is when PCG's publishing customer invoices the end user for the services sold by PCG. In some cases, PCG invoices the end user on behalf of the customer for the services sold by PCG and records PCG's commission when the invoice is issued as agreed in the contract. Where any sales representation and cash collection services are incorporated into the contract the work involved is minimal and does not affect recognition of commission.

Some further revenues are based on performing surveys for publishers. These revenues are based on a fixed number of calls at an agreed rate per call. Revenue is recognised at a point in time on a per call completed basis in the period the calls were made.

Employee benefits

Pension obligations

The Group operates various pension schemes which are by nature defined contribution plans. A defined contribution plan is a pension plan under which the Group pays a fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group does not operate a defined benefit plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

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 equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss. If vesting periods or other 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.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, 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 ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

The depreciation methods and useful lives for assets held under finance leases are described under "Property, Plant and Equipment" herein. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

Leases in which a significant risk and reward of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Group Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised within profit or loss within the Group Statement of Comprehensive Income as an integral part of the total lease expense and are spread on a straight-line basis over the lease term.

Operating expenses

Operating expenses are recognised within profit or loss within the Group Statement of Comprehensive Income upon utilisation of the service or at the date of their origin.

Finance costs

Financing costs comprise interest payable, the amortisation of the costs of acquiring finance and the unwinding of discounts that are recognised within profit or loss within the Group Statement of Comprehensive Income. Interest payable is recognised in the Group Statement of Comprehensive Income as it accrues, using the effective interest method.

Income taxes

The tax expense recognised within profit or loss within the Group Statement of Comprehensive Income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary

differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and Joint Ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third-party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Foreign currency

The consolidated financial statements are presented in Sterling (GBP), which is also the functional currency of the parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using a monthly estimated rate set at the beginning of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at an approximation of the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Board, at which level strategic decisions are made.

IFRS 8 "Operating segments" requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and reported in a manner which is more consistent with internal reporting provided to the chief operating decision-maker.

Standards, amendments and interpretations to existing standards that are in issue but not effective for periods commencing on 1 January 2018 and have not been adopted early by the Group.

New standards and interpretations currently in issue but not effective based on EU mandatory effective dates, for accounting periods commencing on 1 January 2019 are:

- IFRS 16 'Leases' provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset over the lease term. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Ingenta expects to adopt IFRS 16 on 1 January 2019 using the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognized in opening retained earnings at the date of initial application. The group's evaluation of the effect of adoption of the standard is ongoing but it is expected that it will have a material effect on the group's financial statements, significantly increasing the group's recognized assets and liabilities. It is expected that the presentation and timing of recognition of charges in the income statement will also change as the operating lease expense currently reported under IAS 17, typically on a straight-line basis, will be replaced by depreciation of the right-to-use asset and interest on the lease liability. Information on the group's leases currently classified as operating leases, which are not recognised on the balance sheet, is provided in Note 20.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

2. Revenue

An analysis of the Group's revenue is detailed below by activity across the Group's operating units:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Licences	27	169
Consulting Services	2,522	4,036
Hosted Services	3,648	4,134
Managed Services	2,099	2,395
Support and upgrade	2,338	2,589
PCG	1,367	1,372
	12,001	14,695

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) by business division is as follows:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Ingenta Commercial product division	6,785	7,611
Ingenta Content products division	2,655	3,654
PCG	1,367	1,372
Ingenta Advertising	1,194	2,058
	12,001	14,695

A geographical analysis of the Group's revenue (excluding revenue of the equity accounted investment) is as follows:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
UK	4,487	6,126
USA	5,331	6,293
Rest of the World	2,183	2,276
	12,001	14,695

Revenue is allocated to geographical locations based on the location of the customer. All business divisions are active in each of the geographic areas.

3. Joint Venture / Investment

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Limited (BIDPT) which was purchased during the year to 31 December 2012.

BIDPT has a reporting date of 31 December. The shares are not publicly listed on a stock exchange and hence published price quotes are not available.

Certain financial information on BIDPT is as follows:

	As at 31 Dec 17 £'000
Assets	1,343
Liabilities	(690)

	Year ended 31 Dec 17 £'000
Revenues	1,481
Profit / (loss)	(203)
Revenue attributable to the Group	726
Profit / (loss) attributable to the Group	(99)

Changes in equity accounted investments

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Cost of 49% investment in BIDPT plus share of accumulated profit and loss	-	368
Retained (loss) / profit attributable to the Group	-	(99)
Other comprehensive income	-	51
Transfer to investments classified as held for sale	-	(320)
Investment book value	-	-

Dividends are subject to the approval of at least 51% of all shareholders of BIDPT. The Group has received no dividends.

In the 2017 financial statements, the Group outlined it has been actively engaged in discussions to sell or dispose of its shareholding in the Chinese Joint Venture and had reclassified it as an asset held for sale. These discussions are ongoing, but the Board does not believe a deal is imminent and have subsequently reclassified the Group's holding in the Joint Venture as an investment. Given the inherent uncertainty around valuing a Chinese non-listed, minority shareholding combined with flat earnings and an uncertain mechanism to repatriate funds, the Group have decided to fully impair the investment. The Group's strategy going forward is to concentrate on its core product set and given the lack of control it exerts over the Joint Venture, it will not continue to consolidate results into the Group.

4. Operating segments

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments", which defines the requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 follows the management approach, which is the basis for decision making within the Group.

The Board consider the Group on a business division basis. Reports by business division are used by the chief decision-maker in the Group. Significant operating segments are: Ingenta Commercial products; Ingenta Content products; PCG and Ingenta Advertising. This split of business segments is based on the products and services each offer.

Ingenta Commercial products are enterprise level publishing management systems. Ingenta Content products help content providers sell their content online. PCG provides consultancy services in sales and marketing to publishers. Ingenta Advertising provides a complete browser based multimedia advertising, CRM and sales management platform for content providers.

The reported operating segments derive their revenues from the revenue streams reported in the revenue analysis in note 2. A further discussion of revenue streams within each division is included on pages 4 to 9. All revenues are derived from trade with external parties.

Property, plant and equipment is held in the UK £157K (2017: £106K) and the USA £61K (2017: £34K).

Two customers contributed more than 10% of revenue (2017: two) and this amounted to £3,077K (2017: £3,502K). The Group's operations are located in the United Kingdom, North America, Brazil, Mexico, India, China and Australia. Any transactions between business divisions are on normal commercial terms and conditions.

Segment information by business unit is presented below.

Year to 31 December 2018	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
External sales	6,785	2,655	1,367	1,194	12,001
Segment result (adjusted EBITDA, see note 5)	1,659	(505)	137	(522)	769
Depreciation	(142)	(56)	(4)	(25)	(227)
Unallocated corporate income					(2)
Restructuring					(840)
Foreign exchange gain					(33)
Impairment of intangibles					(896)
Operating loss					(1,225)
Finance costs					(8)
Loss before tax					(1,233)
Tax					407
Loss after tax					(826)

Other information	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
Statement of Financial Position					
Assets					
Attributable Goodwill and intangibles	-	2,661	500	1,421	4,582
Property, plant and equipment	127	58	6	27	218
Segment assets	3,384	1,551	636	705	6,276
Unallocated corporate assets					10
Consolidated total assets					11,086
Liabilities					
Segment liabilities	3,245	1,487	523	676	5,931
Unallocated corporate liabilities					1
Consolidated total liabilities					5,932
Total equity and liabilities					11,086

Year to 31 December 2017	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
External sales	7,611	3,654	1,372	2,058	14,695
Segment result (adjusted EBITDA, see note 5)	1,411	(181)	(239)	433	1,424
Depreciation	(137)	(66)	(9)	(37)	(249)
Unallocated corporate income					178
Restructuring					(301)
Foreign exchange gain					(122)
Operating loss					930
Share of profit from equity accounted investment					(99)
Finance costs					(31)
Profit before tax					800
Tax					185
Profit after tax					985

Other information	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
Statement of Financial Position					
Assets					
Attributable Goodwill and intangibles	-	2,661	1,076	1,521	5,258
Property, plant and equipment	80	37	7	17	141
Segment assets	3,826	1,754	606	797	6,983
Unallocated corporate assets					335
Consolidated total assets					12,717
Liabilities					
Segment liabilities	3,360	1,540	801	700	6,401
Unallocated corporate liabilities					16
Consolidated total liabilities					6,417
Total equity and liabilities					12,717

Refer to note 10 and 11 for the estimates used in valuation of cash generating units.

In 2017 & 2018 there were no bank overdrafts. Social security and other taxation liabilities have been allocated to the relevant segments of the business.

5. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Research and development costs	1,867	2,066
Net foreign exchange loss	33	122
Depreciation of property, plant and equipment:		
- owned assets	12	165
- assets under finance leases	115	84
Operating lease rentals:		
- land and buildings	332	342
- other	-	-
Auditor's remuneration	101	113
Restructuring costs	840	301

A more detailed analysis of auditor's remuneration on a worldwide basis is provided below

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Fees payable to the Group's auditor for:		
Fees payable to the company's auditor for the audit of the company's annual accounts	20	20
Fees payable to the company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	39	42
Other assurance services	5	1
Tax advisory services	2	-
Tax compliance services	35	50
	<u>101</u>	<u>113</u>

A description of the work of the Audit Committee is set out in the corporate governance statement on pages 16 to 18 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

An analysis reconciling the profit from operations to adjusted EBITDA is provided below.

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Profit from operations	(1,225)	930
Add back:		
Depreciation	227	249
Impairment of intangibles	896	-
Gain on disposal of fixed assets	(2)	-
Gain on revaluation of deferred consideration	-	(178)
Restructuring costs	840	301
Foreign exchange losses	33	122
EBITDA before gain / loss on disposal of fixed assets, revaluation gain / loss, foreign exchange gain / loss and restructuring costs.	<u>769</u>	<u>1,424</u>

6. Staff numbers and costs

	Year ended 31 Dec 18 Average number	Year ended 31 Dec 17 Average number
Staff numbers:		
Operations	79	95
Sales and marketing	30	35
Administration	9	11
	118	141
Staff numbers exclude contractors		
	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Their aggregate remuneration comprised:		
Wages and salaries	6,335	7,846
Social security costs	719	885
Contribution to defined contribution plans	297	353
Health insurance	236	255
Share based payments	(35)	1
Other staff costs	15	13
Total staff costs	7,567	9,353
Remuneration in respect of Directors was as follows:		
Non-Executive	247	174
Executive Directors' emoluments	290	286
Company pension contributions to money purchase schemes	14	13
Compensation to director for loss of office	112	-
	663	473
Remuneration of the highest paid Director (aggregate emoluments)	239	216

Further unaudited information on Directors' remuneration is provided in the Directors' remuneration report. Key management personnel within the business are considered to be the Board of Directors. Pension contributions of £6K were paid in respect of the highest paid Director (2017: £9K). There were two (2017: two) Directors in a money purchase pension scheme.

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total cost charged to income of £297K (2017: £353K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2018, contributions of £34K (2017: £56K) due in respect of the current reporting period were included in the Group Statement of Financial Position for payment in January 2019.

The Group operates an Unapproved EMI Share Option plan. A reduction of £35K (2017: £1K charge) has been recognised in the income statement during the year. Further details on share options are included in note 22.

7. Finance costs

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Interest payable:		
Interest on bank overdraft and loans	-	-
Interest on finance leases	2	23
Interest on other loans	6	8
	8	31

8. Tax

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Analysis of credit in the year		
Current tax:		
Current research and development tax credit – UK	336	180
Current year State tax – US	(5)	(8)
Adjustment to prior year charge – UK	56	(7)
Deferred tax credit	20	20
Taxation	<u>407</u>	<u>185</u>

The Group has unutilised tax losses at 31 December 2018 in the UK and the USA of £15.0m (2017: £15.0m) and \$15.5m (2017: \$15.9m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA. The Board intends to make use of all losses wherever possible.

The US tax losses are restricted to \$491K per annum as a result of change of control legislation. Losses carried forward from the change of control in April 2008 are restricted and must be used within 20 years. The Board believes the Group will be able to make use of \$8.7m (2017: \$8.7m) of the total unutilised losses at 31 December 2018.

No deferred tax has been recognised in accordance with advice from US tax accountants on the basis that the US losses are restricted and there is uncertainty on the value of losses which will be able to be used.

No deferred tax assets have been recognised in relation to any other Group tax losses due to uncertainty over their recoverability.

The differences are explained below:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Reconciliation of tax credit		
Profit / (loss) on ordinary activities before tax	(1,233)	800
Tax at the UK corporation tax rate of 19% (2017 19.25%)	(234)	154
Expenses not deductible for tax purposes	1	2
Additional deduction for Research and Development expenditure	(285)	(284)
Surrender of losses Research and Development tax credit refund	120	69
Group relief	83	-
Utilisation of UK losses	79	(56)
Utilisation of US losses	(81)	(76)
Difference in timing of allowances	(19)	(9)
Adjustment to tax charge in respect of prior years	(56)	7
Refund of deferred tax liability	(20)	(19)
Effect of foreign tax rates	5	8
Unrelieved China losses carried forward	-	19
Total taxation	<u>(407)</u>	<u>(185)</u>

United Kingdom Corporation tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. Earnings per share and dividends

Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive ordinary share options. Management estimate 101,333 ordinary shares will be issued (2017: 125,000) in respect of share options. In the current year, this calculation would have an antidilutive effect on earnings per share so has been ignored.

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Attributable profit	(826)	985
Weighted average number of ordinary shares used in basic earnings per share ('000)	16,920	16,920
Shares deemed to be issued in respect of share based payments	101	125
Weighted average number of ordinary shares used in dilutive earnings per share ('000)	17,021	17,045
Basic (loss) / profit per share arising from both total and continuing operations	(4.88)p	5.82p
Diluted (loss) / profit per share arising from both total and continuing operations	(4.88)p	5.78p

Dividends

On 25th June 2018 the company paid a dividend of 1.5 pence per share to holders of ordinary shares. After the year end, the directors declared their intention to pay a dividend of 1.5 pence per share. No liability in this respect has been recognised in 2018.

10. Goodwill

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Gross carrying amount		
Balance at 1 January	4,900	4,900
Impairment	(576)	-
Total goodwill	4,324	4,900

As at 31 December 2018 the goodwill reported in the Group accounts arose from the reverse acquisition of Ingenta plc in 2007. The acquired goodwill in 2016 resulted from the acquisition of 5 Fifteen Limited. Goodwill is reviewed at the end of each financial period for impairment.

At the year end, management carried out an impairment review of goodwill attached to each business unit. Following that review, management are of the opinion that an impairment of £576K should be recognised against the goodwill attributable to the PCG division due to the reduction in cash flow relating to a specific contract. In its review of other assets, management is also of the opinion that the carrying value of such assets is reasonably stated and that no impairment has occurred.

For the purpose of annual impairment testing, goodwill is allocated to the following cash-generating units (CGUs), which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Content Products division	2,661	2,661
PCG	500	1,076
Advertising division	1,163	1,163
Total goodwill	4,324	4,900

The recoverable amounts of the cash generating units were determined based on value in use calculations for the next five years which management believe will reflect the minimum period during which the business will benefit from the resulting cash generation.

The value in use calculation is based on the latest 5-year forecast for the Group. Over 60% of the revenue is regarded as recurring and unlikely to be adversely affected by technological change. Where applicable, management have assumed a forecast growth rate of 1-5% (2017: 1-100%).

Details are shown below.

	PCG %	Content Division %	Advertising Division %
Content sales revenue growth	1-5	-	-
GO! product hosting revenue growth	-	1-5	-
Hosting revenue growth	-	0-5	1-2
Time-based service revenue growth	-	1-5	2
Cost base growth	1-2	1-2	1-2

Although management have determined the value in use calculations based on the next 5-year forecast, management recognise that a period in excess of five years is relevant in determining the value in use and consider that an average growth percentage of 2% would be applicable after year five.

	PCG £000	Content Division £000	Advertising Division £000	Total £'000
Carrying amount	500	2,661	1,163	4,324
Value of intangibles	-	-	258	258
Total goodwill and intangibles	500	2,661	1,421	4,582
Recoverable amount	509	3,216	1,864	5,589
5-year gross profit reduction for fair value to equal carrying amount	-	900	700	1,600

Management assumptions include stable profit margins based on past experience in this market which the management see as the best available information for the market. Management consider a pre-tax discount factor of 10% will reflect the CGU's cost of capital during the review period (2017: 10%) and that this is applicable to all cash-generating units.

The key assumption in the recoverable amount calculations is gross profit. This item can reasonably be expected to change, and the table above shows the total 5-year reduction in gross profit that would be required for the recoverable amount to be equal to the carrying amount.

11. Other Intangibles

	Acquired Software Technology £'000
Cost	
At 31 December 2017	500
At 31 December 2018	500
Accumulated amortisation and impairment	
At 1 January 2017	42
Amortisation	100
At 31 December 2017	142
Amortisation	100
At 31 December 2018	242
Carrying amount	
At 31 December 2016	458
At 31 December 2017	358
At 31 December 2018	258

The cost of the acquired software was calculated by discounting expected cashflows from the acquired advertising software business over a 5 year period. Management expect a minimum of 5 years useful life from the product as current customers are on long term contracts and any customer migrations are very protracted in nature.

The discount rates used in the calculation of intangibles was 10%.

Amortisation has been charged on a straight-line basis from date of acquisition. All amortisation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

12. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2017	24	338	2,255	2,617
Additions	-	-	91	91
Disposals	-	-	(27)	(27)
Transfers in	-	-	-	-
Exchange differences	-	(21)	(85)	(106)
At 31 December 2017	24	317	2,234	2,575
Additions	-	-	202	202
Disposals	-	-	(1)	(1)
Transfers in	-	-	-	-
Exchange differences	-	10	60	70
At 31 December 2018	24	327	2,495	2,846
Accumulated depreciation and impairment				
At 1 January 2017	21	319	2,074	2,414
Charge for the year	1	9	140	150
Disposals	-	-	(27)	(27)
Exchange differences	-	(21)	(81)	(102)
At 31 December 2017	22	307	2,106	2,435
Charge for the year	1	2	124	127
Disposals	-	-	-	-
Exchange differences	-	13	53	66
At 31 December 2018	23	322	2,283	2,628
Carrying amount				
At 31 December 2018	1	5	212	218
At 31 December 2017	2	10	128	140
At 31 December 2016	3	19	181	203

Assets held under finance leases with a net book value of £118K (2017: £27K) are included in property, plant and equipment and £115K (2017: £84K) of depreciation was charged on these assets in the year, see note 19 for further details.

13. Trade and other receivables

Trade and other receivables comprise the following:

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Trade receivables - gross	3,315	2,817	3,716
Allowance for credit losses	(40)	(19)	(45)
Trade receivables - net	3,274	2,798	3,671
Other receivables	106	116	153
Accrued income	917	1,418	1,189
Financial assets (loans and receivables)	4,297	4,332	5,013
Prepayments	330	356	372
Non-financial assets	330	356	372
Trade and other receivables	4,627	4,688	5,385

All amounts are short term. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables at the reporting date comprise amounts receivable from the sale of goods and services of £3.3m (2017: £2.8m, 2016: £3.7m).

The average credit period taken on sales of goods is 58 days (2017: 58 days, 2016: 62 days).

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be individually impaired and an allowance for credit losses of £40K (2017: £19K, 2016: £45K) has been recorded accordingly within "sales and marketing" in the Group Statement of Comprehensive Income. This allowance has been determined by reference to expected receipts.

The movement in the allowance for credit losses can be reconciled as follows:

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Balance as at 1 January	19	45	18
Amounts written off (collected)	-	(45)	(8)
Additional allowance in year	21	19	35
Balance as at 31 December	40	19	45

14. Investments classified as held for sale

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
49% investment held in BIDPT	320	320	-
Impairment	(320)	-	-
Balance as at 31 December	-	320	-

In the 2017 financial statements, the Group outlined it has been actively engaged in discussions to sell or dispose of its shareholding in the Chinese Joint Venture and had reclassified it as an asset held for sale. These discussions are ongoing, but the Board does not believe a deal is imminent and have subsequently reclassified the Group's holding in the Joint Venture as an investment. Given the inherent uncertainty around valuing a Chinese non-listed, minority shareholding combined with flat earnings and an uncertain mechanism to repatriate funds, the Group have decided to fully impair the investment. The Group's strategy going forward is to concentrate on its core product set and given the lack of control it exerts over the Joint Venture, it will not continue to consolidate results into the Group.

15. Cash and cash equivalents

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Cash at bank and in hand:			
Cash at bank:			
- GBP	496	733	576
- USD	742	1,134	1,215
- EUR	84	193	172
- CNY	-	70	63
Cash in hand – GBP	1	1	1
	1,323	2,131	2,027
Bank Overdraft – GBP	-	-	-
Net cash and cash equivalents	1,323	2,131	2,027

Net cash and cash equivalents' is used for the Group Statement of Cash Flows. The net carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

16. Trade and other payables

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2017: 32 days, 2016: 39 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Payables falling due within one year:

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Trade payables	612	539	414
Accruals	712	1,089	1,987
Finance lease liabilities	57	27	95
Other payables	928	1,230	1,293
Financial liabilities at amortised cost	2,309	2,885	3,789
Social security and other taxes	414	509	560
Non-financial liabilities	414	509	560
Trade and other payables	2,723	3,394	4,349

Included within accruals is an amount of £195K related to restructuring (2017: £327K).

17. Borrowings

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Bank overdrafts (note 15)	-	-	-
On demand or within one year (shown under current liabilities)	-	-	-
In the second year	-	-	-

Interest rates:

	Year ended 31 Dec 18	Year ended 31 Dec 17	Year ended 31 Dec 16
Bank overdrafts	-	-	-

As at 31 December 2018, there was an overdraft facility of £250K (2017 & 2016: £Nil). During the year, the average effective interest rate on bank overdrafts approximates to 2.5% over base rate (2017: 0%, 2016: 0%) per annum.

At the year-end there was a £250K consolidated overdraft facility in place.

All borrowings are measured at amortised cost.

18. Deferred tax

A deferred tax liability of £100K has arisen from the intangible assets recognised during the business combination in 2016. The deferred tax liability balance unwinds as the intangible asset is amortised. During the year, £20K was credited to the Group Statement of Comprehensive Income.

Subject to agreement with HM Revenue and Customs, the Group has unrealised losses in the UK of £15.0m (2017: £15.0m). The Group also has unutilised losses in the USA of \$15.5m (2017: \$15.9m), these losses have yet to be agreed with the US tax authorities. The US tax losses have become restricted under US change of control laws after the capital raising in April 2008. At year end \$8.7m (2017: \$8.7m) could potentially be used going forward but due to US regulations and restrictions this is inherently uncertain. As a result, the Board believe conditions for the recognition of a deferred tax asset have not been met and consequently no deferred tax asset is recognised in respect of the losses (2017: £Nil).

19. Finance lease arrangements

The Group as lessee

Elements of the Group's IT equipment are held under finance lease arrangements. As at 31 December 2018, the net carrying amount of equipment under finance lease arrangements was £116K (2017: £27K). Finance lease liabilities are secured by the related assets. Future minimum finance lease payments are as follows:

Year ended 31 December 2018	< 1 year £'000	1 – 5 years £'000	5 years £'000	Total £'000
Lease payments	60	52	0	112
Finance charges	(2)	-	-	(2)
Net present value	58	52	0	110

Year ended 31 December 2017	< 1 year £'000	1 – 5 years £'000	5 years £'000	Total £'000
Lease payments	28	8	0	36
Finance charges	(1)	0	0	(1)
Net present value	27	8	0	35

The lease agreements include fixed payments and a purchase option at the end of the lease. The agreement is non-cancellable and does not contain any further restrictions.

20. Operating lease arrangements

The Group as lessee

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Land and buildings			
Minimum lease payments due within one year	273	311	457
Minimum lease payments due in the second to fifth years inclusive	408	647	975
Minimum lease payments due after the fifth year	-	-	-
	681	958	1,432
Other			
Minimum lease payments due within one year	-	-	-
Minimum lease payments due in the second to fifth years inclusive	-	-	-
	-	-	-

Operating leases for Land and Buildings represent contracts on the following offices: Oxford, UK; Slough, UK; New Brunswick, NJ, USA; and Boston, MA, USA.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

21. Share capital

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Issued and fully paid:			
16,919,609 (2017: 16,919,609, 2016: 16,919,609) ordinary shares of 10p each	1,692	1,692	1,692

Share issues

There were no shares issued during the year (2017: None).

In 2018, the Group announced a court approved reduction of capital whereby the Company cancelled its share premium account and increased its distributable reserves by £8,999K.

22. Share options

The Group have an unapproved Executive Management Incentive (EMI) share option scheme. Further details are detailed below.

Unapproved EMI scheme

This scheme is part of the remuneration package of the Group's senior management. Options will vest if certain conditions, as defined in the scheme, are met. It is based on Group performance compared to budget over a 3 year period and one third of the options will vest in each of the 3 reporting periods if the performance targets are met in that period. Participating employees have to be employed at the end of each period to which the options relate. Upon vesting, each option allows the holder to purchase ordinary shares at the market price on date of grant.

Share options and weighted average exercise prices are as follows:

	Number of shares	Weighted average exercise price per share (£'s)
Outstanding at 1 January 2017	401,000	1.27
Granted	65,000	1.56
Lapsed	(25,000)	1.30
Outstanding at 31 December 2017	441,000	1.31
Granted	-	-
Lapsed	(339,667)	1.27
Outstanding at 31 December 2018	101,333	1.33

The fair value of options granted were determined using the Black Scholes method. The following principle assumptions were used in the valuation:

Grant date	January 2016	February 2016	August 2016	September 2017
Vesting period ends	31 Dec 16 31 Dec 17 31 Dec 18	31 Dec 16 31 Dec 17 31 Dec 18	31 Dec 16 31 Dec 17 31 Dec 18	31 Dec 18 31 Dec 19 31 Dec 20
Share price at grant	£1.27	£1.27	£1.30	£1.56
Volatility	26%	26%	16%	16%
Risk free investment rate	5%	5%	5%	5%
Fair value of option – 31 December 2016 vesting period	18p	18p	9p	-
Fair value of option – 31 December 2017 vesting period	26p	26p	17p	-
Fair value of option – 31 December 2018 vesting period	32p	32p	23p	16p
Fair value of option – 31 December 2019 vesting period	-	-	-	24p
Fair value of option – 31 December 2020 vesting period	-	-	-	31p

The underlying volatility was determined with reference to the historical data of the Company's share price. In total £35K has been credited (2017: £1K charged) of employee remuneration expense and has been included in the loss for the year and released to retained earnings.

23. Notes to the cash flow statement

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 15 'cash and cash equivalents'. The initial recognition of finance lease liabilities are non-cash transactions excluded from the statement of cash flows.

24. Contingent liabilities

There were no contingent liabilities at 31 December 2018, 31 December 2017 or 31 December 2016.

25. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Directors' remuneration report on page 19.

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Short term employee benefits	663	489	549

Directors' transactions

The amounts outstanding as at 31 December 2018 relate to amounts due from Ingenta plc to Directors in connection with invoiced Non-Executive fees.

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Amounts outstanding with Directors	168	28	259

Joint Venture transactions

The Joint Venture loan amounts to £149K (2017: £149K).

26. Financial risk management

The Group is exposed to various risks in relation to financial assets and liabilities. The main types of risk are foreign currency risk, interest rate risk, market risk, credit risk and liquidity risk.

The Group's risk management is closely controlled by the Board and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not actively trade in financial assets for speculative purposes nor does it write options. The most significant financial risks are currency risk and certain price risks.

Foreign currency sensitivity

The Group trades in Sterling (GBP), US Dollars (USD) and Euros (EUR). Most of the Group's transactions are carried out in Sterling and US Dollars. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily in USD, through the trading divisions in the USA (Ingenta Inc. and Publishers Communication Group Inc.). The Group does not borrow or invest in USD other than an intercompany loan denominated in USD between Vista International Ltd and Vista North America Holdings Ltd, the currency movement on which offsets within the Group Statement of Comprehensive Income.

In order to mitigate the Group's foreign currency risk, non-GBP cash flows are monitored and excess USD and EUR not required for foreign currency expenditure are translated into GBP on an on-going basis. The Group is a net importer of USD being cash flow positive by approximately \$2.0m per annum. No further hedging activity is undertaken. The Group does not enter into forward exchange contracts.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

	Short-term exposure	Long-term exposure
	USD £'000	USD £'000
31 December 2018		
Financial assets	1,171	-
Financial liabilities	(764)	-
Total exposure	407	-
31 December 2017		
Financial assets	1,209	-
Financial liabilities	(1,080)	-
Total exposure	129	-

The following table illustrates the sensitivity of profit and equity with regard to the Group's financial assets and financial liabilities and the USD / GBP exchange rate "all other things being equal". Transactions in EUR are immaterial and therefore movements of the EUR / GBP exchange rate have not been analysed.

It assumes a + / - 10% change of the USD / GBP exchange rate for the year ended 31 December 2018 (2017: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group foreign currency financial instruments held at each reporting date.

If GBP had strengthened against USD by 10% (2017: 10%) then this would have had the following impact:

	Profit for the year	Equity
	USD £'000	USD £'000
31 December 2018	(75)	(107)
31 December 2017	(64)	(110)

If GBP had weakened against USD by 10% (2017: 10%) then this would have had the following impact:

	Profit for the year	Equity
	USD £'000	USD £'000
31 December 2018	91	131
31 December 2017	78	135

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long term financing. Long term borrowings are therefore usually at fixed rates. At 31 December 2018 the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of + / - 1%. These changes are considered to be reasonably possible based on market movements and current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year and Equity £'000 + 1%	Profit for the year and Equity £'000 - 1%
31 December 2018	-	-
31 December 2017	-	-
31 December 2016	-	-

Credit risk analysis

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2018 £'000	2017 £'000	2016 £'000
Cash and cash equivalents (note 15)	1,323	2,131	2,027
Trade receivables - net (note 13)	3,274	2,798	3,671
	4,597	4,929	5,698

The Group continuously monitors defaults of customers and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and reports on customers are used. The Group's policy is only to deal with creditworthy customers.

The Group's management considers that the financial assets above, that are not impaired or past due for each of the reporting dates under review, are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Some of the unimpaired trade receivables are past due at the reporting date.

Financial assets not impaired can be shown as follows:

	2018 £'000	2017 £'000	2016 £'000
Not more than 3 months	2,862	2,604	3,454
More than 3 months but less than 6 months	69	213	262
More than 6 months but not more than 1 year	108	-	-
More than 1 year	235	-	-
	3,274	2,817	3,716

In respect of trade and other receivables, the Group is not exposed to any significant credit risk from any single customer or group of customers having the same characteristics. Trade receivables consist of a large number of customers in different sectors of the market and geographical locations.

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is £Nil (2017 & 2016: £Nil).

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with various reputable banks.

Liquidity risk analysis

The Group manages its liquidity needs by monitoring scheduled debt repayments for long term financial liabilities as well as forecast cash flows due in day to day business. Liquidity needs are monitored in various time bands. Short term cash flow is monitored daily using known daily inflows and outflows for cash within 8 to 12 weeks. Medium term cash flows within 12 months are monitored using monthly rolling forecast data. Longer term cash flows are monitored using higher level management strategy documents. Net cash requirements are compared to cash balances and forecast in order to determine headroom or any shortfalls. This analysis shows if available cash is expected to be sufficient over the lookout period of 15 months to March 2019.

The Group maintains sufficient cash balances and enters into finance lease arrangements to meet its liquidity requirements for the medium-term forecast period (1 year).

As at 31 December 2018, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2018:	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Bank borrowings (note 17)	-	-	-	-
Finance lease obligations	32	28	52	-
Trade and other payables (note 16)	2,252	-	-	-
Total	2,284	28	52	-

This compares to the Group's financial liabilities in the previous reporting period as follows:

31 December 2017:	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Bank borrowings (note 17)	-	-	-	-
Finance lease obligations	15	15	6	-
Trade and other payables (note 16)	2,858	-	-	-
Total	2,873	15	6	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying value of the liabilities at the reporting date. Where the customer has a choice of when an amount is paid the liability has been included on the earliest date on which payment can be required.

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities.

An analysis of the Group's assets is set out below:

	As at 31 December 2018			As at 31 December 2017		
	Loans and receivables	Non-financial assets	Total for financial position heading	Loans and receivables	Non-financial assets	Total for financial position heading
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	3,274	-	3,274	2,798	-	2,798
Other receivables	106	-	106	116	-	116
Prepayments and accrued income	917	330	1,247	1,418	356	1,774
Cash and cash equivalents	1,323	-	1,323	2,131	-	2,131
	5,620	330	5,950	6,463	356	6,819

An analysis of the Group's liabilities is set out below:

	As at 31 December 2018			As at 31 December 2017		
	Loans and receivables	Non-financial assets	Total for financial position heading	Loans and receivables	Non-financial assets	Total for financial position heading
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	612	-	612	539	-	539
Social security and other taxes	-	414	414	-	509	509
Finance leases	-	109	109	-	35	35
Other payables	928	-	928	1,230	-	1,230
Accruals	712	-	712	1,089	-	1,089
Deferred income	-	3,105	3,105	-	2,943	2,943
Deferred tax	-	52	52	-	72	72
	2,252	3,680	5,932	2,858	3,559	6,417

27. Capital management policies and procedures

The Group's capital management objectives are:

To ensure the Group's ability to continue as a going concern; and
To provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity plus any loan notes less cash and cash equivalents. The Group's goal in capital management is a capital to overall financing ratio of 1:6 to 1:4.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities other than loan notes. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

	2018 £'000	2017 £'000	2016 £'000
Total equity	5,154	6,300	5,407
Loan notes	-	-	-
Short term loans	-	-	-
Cash and cash equivalents	(1,323)	(2,131)	(2,027)
Capital	3,831	4,169	3,380
Total equity	5,154	6,300	5,407
Borrowings	-	-	-
Overall financing	5,154	6,300	5,407
Capital to overall financing ratio	0.74	0.66	0.63

28. Post balance sheet events

The Board declared its intention to pay an interim dividend of 1.5 pence per share. The dividend has not been included in the results for the year and is subject to shareholder approval at the forthcoming AGM.

Company statement of financial position

	note	31 Dec 18 £'000	31 Dec 17 £'000	31 Dec 16 £'000
Non-current assets				
Investments	4	4,075	4,310	4,309
Current assets				
Trade and other receivables	5	6,032	7,620	9,504
Cash and cash equivalents		9	82	110
		6,041	7,702	9,614
Total assets		10,116	12,012	13,923
Equity				
Called up share capital	7	1,692	1,692	1,692
Share premium account		-	8,999	8,999
Share option reserve		16	51	50
Retained earnings		7,161	(299)	1,435
Total Equity		8,869	10,443	12,176
Current liabilities				
Trade and other payables	6	1,247	1,569	1,747
Non-current liabilities				
Borrowings	8	-	-	-
Total liabilities		1,247	1,569	1,747
Total equity and liabilities		10,116	12,012	13,923

The loss recognised in the year was £1,255K (2017: £1,565K)

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2019 and were signed on its behalf by:

J R Sheffield
Director

G S Winner
Director

Registered number: 00837205

The accompanying notes form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	1,692	8,999	51	(299)	10,443
Capital reconstruction	-	(8,999)	-	8,999	-
Costs of capital reconstruction	-	-	-	(30)	(30)
Dividends paid	-	-	-	(254)	(254)
Share options lapsed	-	-	(35)	-	(35)
Transaction with owners	-	(8,999)	(35)	8,715	(319)
Loss for the year	-	-	-	(1,255)	(1,255)
Total comprehensive income / (expense) for year	-	(8,999)	(35)	7,460	(1,574)
Balance at 31 December 2018	1,692	-	16	7,161	8,869

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	1,692	8,999	50	1,435	12,176
Share issue	-	-	-	(169)	(169)
Share options granted	-	-	1	-	1
Transaction with owners	-	-	1	(169)	(168)
Loss for the year	-	-	-	(1,565)	(1,565)
Total comprehensive income / (expense) for year	-	-	1	(1,734)	(1,733)
Balance at 31 December 2017	1,692	8,999	51	(299)	10,443

Company statement of cash flows

	note	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Loss before taxation		(1,255)	(1,565)
Adjustment for impairment of investments		200	-
Decrease / (increase) in trade and other receivables		479	(76)
Impairment of intercompany receivables		1,144	1,960
Decrease in trade and other payables		(322)	(179)
Share based payment (credit) / expense		(35)	1
Cash inflow / (outflow) from operations		211	141
Cash flows from financing activities			
Costs associated with capital restructure		(30)	-
Dividend paid		(254)	(169)
Net cash used in financing activities		(284)	(169)
Net decrease in cash and cash equivalents		(73)	(28)
Cash and cash equivalents at the beginning of the year		82	110
Cash and cash equivalents at the end of the year		9	82

The accompanying notes form part of these financial statements.

Notes to the Company financial statements

1. Accounting Policies

Statement of compliance

These financial statements have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies

A summary of the principal Company accounting policies, which have been applied consistently, is set out below.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value. The Directors have impaired the investments as appropriate based on the findings of the wider impairment review detailed in note 10 of the Group accounts.

Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Going concern

The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all relevant available information about the future including a profit and cash forecast, the continued support of the shareholders and Directors, banking facilities and management's ability to affect costs and revenues.

Management regularly forecast profit, financial position and cash flows for the Group. The rolling annual forecast is normally updated monthly.

Having reviewed the latest forecast, management regard the forecast to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and concluded that forecast costs are robust (refer to the Group Strategic report on pages 11 to 13 and the Group accounting policies).

Share options

Please refer to the Group accounting policies note for full details. Within the parent company accounts, share based payments are recorded as an increase to investments and credited to the share option reserve within equity.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the year are recorded at a monthly estimated rate set at the beginning of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

Deferred taxation

Provision is made for deferred taxation, using the full provision method, on all taxable temporary 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.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Intercompany loans

Intercompany receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Intercompany payable balances are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

2. Profit / Loss for the financial year

The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The parent Company's loss for the year was £1,255K (2017: £1,565K) which included an impairment for intercompany debtors of £1,144K (2017: £1,960K). An audit fee of £20K was paid in respect of the parent Company audit (2017: £20K).

Tax fees for the Group of £53K (2017: £37K) have been borne by the subsidiary companies.

The Company employed two Executive Directors (2017: two), four Non-Executive Directors (2017: four) and the Non-Executive Chairman. The costs of these employees and the fees for the other Non-Executive Directors were borne by the subsidiaries.

3. Staff Numbers and Costs

	Year ended 31 Dec 18 Average number	Year ended 31 Dec 17 Average number
Staff numbers:		
Operations	7	7

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Their aggregate remuneration comprised:		
Wages and salaries	247	174
Other staff costs	10	10
Total staff costs	257	184

4. Investments

	As at 31 Dec 18 £'000	Restated As at 31 Dec 17 £'000
Cost		
At 1 January	4,310	4,309
Impairment of China JV investment	(200)	-
Share options (lapsed) / issued to employees of subsidiaries	(35)	1
At 31 December	4,075	4,310

Investments are investments in subsidiary and Joint Venture undertakings.

Details of subsidiary undertakings, in which the Company holds majority shareholdings and investments in which the Company holds significant interest and which have been consolidated and disclosed respectively in the Group financial statements, are as follows:

Company	Country of registration	Holding	Proportion held	Nature of the business
Catchword Limited	England	Ordinary shares	100%	Dormant
		Preference shares	100%	
Ingenta Limited	England	Ordinary shares	100%	Dormant
Ingenta US Holdings Inc.	USA	Ordinary shares	100%	Holding Company
Publishers Communication Group Inc	USA	Ordinary shares	100%	Marketing and Sales Consultancy
Ingenta UK Limited	England	Ordinary shares	100%	Publishing Software and Services
Ingenta Inc	USA	Ordinary shares	100%	Publishing Software and Services
Publishing Technology do Brasil LTDA	Brazil	Ordinary shares	100%	Publishing Software and Services
Publishing Technology Australia Pty Ltd	Australia	Ordinary shares	100%	Publishing Software and Services
Vista Computer Services Limited	England	Ordinary shares	100%	Dormant
Vista Computer Services LLC	USA	Ordinary shares	100%	Dormant
Vista Holdings Limited	England	Ordinary shares	100%	Dormant
Vista International Limited	England	Ordinary shares	100%	Holding Company
Vista North America Holdings Limited	England	Ordinary shares	100%	Non Trading Holding Company
Uncover Inc	USA	Ordinary shares	100%	Dormant
Beijing Ingenta Digital Publishing Technology Limited	China	Ordinary shares	49%	Publishing Software and Services
5 Fifteen Limited	England	Ordinary shares	100%	Digital Advertising Solutions
5 Fifteen Inc.	USA	Ordinary shares	100%	Digital Advertising Solutions

5. Trade and other receivables

Amounts falling due within one year

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000
Other debtors:		
Amounts due from subsidiary undertakings	7,620	9,504
Movement in intercompany loans	(444)	76
Provision for intercompany debtors	(1,144)	(1,960)
	6,032	7,620

The impairment review performed by management which resulted in an impairment charge against goodwill continues to support the carrying value of the investments in subsidiaries of the parent company. Recoverable amounts from the subsidiaries were determined to be in excess of the balances based on discounted cash flows using a cost of capital of 10%.

6. Trade and other payables

Amounts falling due within one year

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000
Other creditors:		
Amounts due to subsidiary undertakings	1,098	1,098
Accruals	149	471
	1,247	1,569

7. Share Capital

	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000
Issued and fully paid:		
16,919,609 (2017: 16,919,609) ordinary shares of 10p each	1,692	1,692

Share issues

There were no share issues during the year.

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

8. Borrowings

	Year ended 31 Dec 18	Year ended 31 Dec 17
Bank overdrafts	£250K facility in place	No facility in place

The Company bank accounts form part of the wider Group facility with HSBC. These accounts are linked and any facility limit is based on the net balance of all Group accounts taken together. There was a Group overdraft facility in place during 2018 of £250K (2017: £Nil).

9. Related party transactions

Other related party transactions

Please refer to note 25 of the Group financial statements.

A summary of related party transactions and balances is shown herein:

	As at 31 Dec 17 £'000	Recharges £'000	Impairment £'000	Provision £'000	As at 31 Dec 18 £'000
Ingenta UK Limited	6,848	(636)	(826)	-	5,386
Ingenta Inc	593	168	(115)	-	646
Publishers Communication Group Inc.	179	24	(203)	-	-
Catchword Limited	(429)	-	-	-	(429)
Ingenta US Holdings Inc.	(669)	-	-	-	(669)
	6,522	(444)	(1,144)	-	4,934

10. Financial assets and liabilities

An analysis of the company's assets is set out below:

	As at 31 December 2018			As at 31 December 2017		
	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000
Other receivables	6,032	-	6,032	7,620	-	7,620
Cash and cash equivalents	9	-	9	82	-	82
	<u>6,041</u>	<u>-</u>	<u>6,041</u>	<u>7,702</u>	<u>-</u>	<u>7,702</u>

	As at 31 December 2018			As at 31 December 2017		
	Financial liabilities at amortised cost £'000	Non-financial liabilities £'000	Total for financial position heading £'000	Financial liabilities at amortised cost £'000	Non-financial liabilities £'000	Total for financial position heading £'000
Other payables	1,098	-	1,098	1,098	-	1,098
Accruals	149	-	149	471	-	470
	<u>1,247</u>	<u>-</u>	<u>1,247</u>	<u>1,569</u>	<u>-</u>	<u>1,568</u>

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