Ingenta plc
(the ‘Group’ or the ‘Company’)

Final Audited Results

Ingenta plc (AIM: ING) the leading provider of software and services to the global publishing industry, announces its final audited results for the year ended 31 December 2017.

Highlights

- Profit from operations up 29% to £0.9m (2016: £0.7m).
- Adjusted EBITDA* up 8% to £1.4m (2016: £1.3m).
- Acquired Advertising business delivering good results to the Group.
- Profit from operations is calculated after Research & Development spend of £2.1m (2016: £2.2m).
- Restructuring costs declined to £0.3m (2016: £0.6m).
- Basic earnings per share of 5.82p (2016: 6.03p).
- Net cash at year end of £2.1m (2016: £2.0m).
- Cash inflow from operations £0.4m (2016: outflow of £0.5m).
- Dividend of 1.5 pence per share proposed (2016: 1 pence).

*Adjusted EBITDA – earnings before interest, tax, depreciation, amortisation, gains / losses on revaluation, restructuring costs and foreign exchange gains / losses. See note 2 for details.

Chairman’s statement

2017 Developments

After the successes of 2016 it is pleasing to announce the business has made further progress in 2017. After some key go-lives in the Commercial division, the Group now has a complete set of referenceable clients across the product range. The development of the simplified GO! offering has enabled us to cater for all client profiles and generate a wider market for the Group’s solutions. The recently announced Sainsbury’s deal for the Group’s advertising product is an encouraging example of this with other opportunities being progressed in the wider media space. The more complex enterprise solutions have also performed well with strong project progress to date which is opening further opportunities for the business to explore.

Underpinning all this development is a fundamentally sound business with high levels of contracted recurring revenue and strong cost controls which will enable the Group to drive profitability into the future. The Group’s long-term business combination plans and strategy to improve operational efficiency will be concluded later in 2018.

Results

The audited results for the year ended 31 December 2017 show good progress in terms of operating profit and cash generation. Operating profit is up £0.2m to £0.9m (2016: £0.7m) and cash balances up £0.1m to £2.1m (2016: 2.0m) showing the ongoing restructuring efforts are delivering a more efficient organisational structure.

The results from our joint venture in China have shown a considerable improvement in the second half of the year as management actions to refocus operations onto CMS products have taken effect. To further enhance the refocus, the Group is exploring strategic options for this operation, including a merger of the business and/or a disposal of the Group's interest. See note 3 for further details.

Elsewhere, the acquired Advertising business has performed well, gaining new business and delivering efficient project implementations.

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. As a result of this, the Company’s distributable reserves have increased by £8,999K.

The Directors declared their intention to pay a dividend in 2018 of 1.5 pence per share (2017: 1 pence). This is subject to shareholder approval at the forthcoming AGM.

Outlook

As outlined previously, the product investment and hard work completed over the last 2 years to establish efficient operating procedures have laid the foundations for much improved operating performance in 2018 and beyond.

M C Rose
Chairman
28 March 2018

Group strategic report

2017 has been another successful year for Ingenta, building on the achievements of 2016 and setting the foundations for success in 2018.

Product Strategy

The decision to develop a simplified GO! offering for the Ingenta products has proved successful and will be an important factor in the strategy to target mid-tier customers. Previously, the product solutions were typically complex, bespoke software packages which required substantial development and implementation effort. GO! is a simplified and standardised solution that can be offered at a lower price point and be implemented in a shorter time scale. Full enterprise solutions will also be offered for larger clients, but it is clear these will have much longer sales and implementation cycles. The acquired Advertising business has provided the Group with a new software product in the advertising space though importantly also provides a customer base in the wider media, magazine and newspaper segment which will be focused on to drive cross selling opportunities.

A key objective for 2017 was to optimise operational practices with cross utilisation of resources across product lines. This has largely been achieved, though it is a continued focus. Offshore resources are being utilised, particularly when we need to market test emerging trends. Core development will remain within the onshore teams, as we believe this is the most productive way of incubating innovation.

Financial Performance

Group revenues for the year have decreased by £0.5m to £14.7m (2016: £15.2m). The reasons behind this were longer than anticipated sales cycles in new business wins and a restructuring of the revenue base towards fewer, more profitable contracts. Further details are included in the business unit review section below.

During 2016, the Group began a restructuring program and these actions have improved operating efficiency whilst also reducing ongoing costs. The full year benefit of this can be seen in 2017's improved cost of sales and administrative expense figures. Going forward, the business combination plans will continue as the Group seeks to maximise operational efficiencies. Included within administrative expenses are foreign exchange losses of £0.1m (2016: £0.3m profit) and revaluation gains of £0.2m (2016: nil). Most of the foreign exchange movements are unrealised and relate to translation of foreign currency cash balances. The revaluation gain relates to the lower estimated contingent payment for the acquisition of 5 Fifteen. At year end, this stands at £0.3m (2016 £0.5m) and is due to be paid 2 weeks after the accounts sign off date. Profit from operations has improved by £0.2m to £0.9m (2016: £0.7m)

The Group's 49% joint venture (JV) in China, Beijing Ingenta Digital Publishing Technology, contributed a loss in the year of £0.1m (2016 £0.2m profit). The first half of the year was hampered by enterprise project delays, but it returned to profitability in the second half as these projects were completed and the business re-focused on its core strength within content management solutions. Further details are in note 3.

A tax credit of £180K (2016: £150K) 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 in the same way as prior years and is subject to HMRC approval. Further details are in note 4.

Financial Position

Non-current assets within the Group include goodwill and intangibles created on acquisition of 5 Fifteen during 2016. The intangibles relate to the software technology acquired and were valued at £0.5m using a discounted cashflow model. These are being amortised over 5 years. £1.1m of goodwill was also recognised on consolidation of the 5 Fifteen business. This was tested for impairment using discounted cashflows.

Current assets have decreased compared to 2016 because of a reduction in debtors. The main reason for this is the billing cycle of ongoing projects. In 2016, several project milestones were met at year end allowing invoices to be raised. In 2017, the ongoing projects have more regular billing profiles, so debtor peaks are less prevalent.

Total liabilities have also declined compared to 2016. The main factors here are reductions in accruals and deferred income. Accruals have reduced as restructuring liabilities have been paid down and because of the downward revaluation of the 5 Fifteen contingent payment mentioned above. Deferred income has also declined as some customers move to periodic billing rather than annually in advance.

Cashflow

At year end, the Group's cash balances have increased to £2.1m (2016: £2.0m). Operationally, the business is more efficient delivering work on time and to budget which enables timely billing and cash collection with cash inflows from operations standing at £0.4m compared to an outflow of £0.5m in 2016. The Group received a tax credit in the year of £0.1m (2016: £0.4m) and the estimate for 2017 is a for a further £0.2m, although this is subject to HMRC approval. The Company also paid its maiden dividend of 1 pence per share which amounted to £0.2m (2016: nil) and has declared its intention to pay a 1.5 pence dividend for the current financial year. This is subject to shareholder approval.

Business unit review

Ingenta Commercial

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

The Commercial team have had 2 successful go-lives in 2017, one of which was for the divisions first "order to cash" module. This means all modules of the product set are now live and referenceable which will provide extra impetus to the sales effort in 2018. The other ongoing projects are progressing well with further go-lives planned during 2018 plus significant opportunities to expand the offering to these customers. The business now has a fully staffed sales team which is building a robust sales pipeline which encouragingly now includes targets outside of the traditional publishing sector.

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.

2017 has seen 3 customers go-live on Ingenta's Content Management Solutions (CMS) with the products ranging from the simpler GO! solution right up to the more complex CMS offering. There is another major CMS implementation within the Non-Governmental Organisation arena which completed a staged go-live in the first quarter of 2018. This is proving to be a successful sector for the business with further deals expected to complete in early 2018. Ingentaconnect, the divisions content aggregation solution, also had a successful year adding 10 new customers to the platform. Development has also neared completion on an Open Access solution which will provide further opportunities for growth in 2018.

Ingenta Advertising

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

2017 was the first full year of results for the Ingenta Advertising division since the 5 Fifteen business was acquired in July 2016. Revenues for the division have increased from £0.7m to £2.1m helped in part by a significant 5-year contract win in the Hearst group. Prior to acquisition, the 5 Fifteen advertising business operated predominantly in the newspaper and magazine space where is continues to serve several high-profile customers. However, the division expects to announce a major new deal in the retail sector in early 2018 which demonstrates the flexibility of the system and its potential to successfully target a much wider market. We anticipate this trend continuing and accelerating as digital content producers look to monetise their digital channels.

PCG

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

PCG has had a challenging year with a market trend of customers taking work in house and a general trend of downward price pressure. In response to this, the PCG division was restructured in 2017 so it could focus on a smaller number of accounts enabling it to provide better service levels to its customer base. This has meant a reduction in revenues compared to 2016 plus some additional restructuring costs. However, the business is now better placed for 2018 with a broad range of profitable client engagements to deliver on.

Key Performance Indicators

The Board and senior management review several KPI's on an ongoing basis throughout the year. These are all part of the monthly management accounts process and include:

- Revenue versus budget and monthly reforecast at a Group and business unit level
- Adjusted EBITDA (see note 2 for calculation) versus budget at Group and business unit level
- Group cashflow versus budget
- Sales pipeline growth and conversion analysis

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

Full year revenues were lower than management's budget set at the start of the year, and lower than the prior year. One of the main reasons for this has been an elongated sales cycle, particularly for enterprise scale contracts. This has meant a few new sales wins were delayed until later in the year and some have been pushed out into early 2018. However, contract negotiations are moving ahead positively, and management expect to be able to announce new deals in the first quarter of 2018. 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 success in 2018.

Adjusted EBITDA numbers are included in the segmental information by business unit in the Group accounts. For the Group, these results were marginally down on budget which meant share options for the year did not vest. The delayed sales mentioned above impacted on EBITDA, but the effects were mitigated by management actions taken during the year. Cost control measures were implemented, so that resourcing was kept in line with sales activity, and operational efficiencies identified which helped improve margins.

Year-end cash balances were in line with expectation and showed an improvement of £0.1m over the prior year.

The Group monitor sales activity with reference to monthly sales pipeline reports. These reports detail sales opportunities by business unit and sales person 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.

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 are more difficult to predict, and these may cause revenue movement though this is not a reflection of the applicability of our solutions.

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 can 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 risk as the development is usually fixed price or discounted to encourage the customer to purchase the product and, in the knowledge, that any development will enhance the product and be able to be re-sold. The risk is that the development will over-run or 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 costs of building bespoke elements. This is further mitigated by Ingenta entering into “hybrid” contracts - fixed price on the known element and time and materials on the uncertain element.

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 if 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. At present, the main risks identified are currency fluctuations which have been reviewed above.

Outlook

The Group's ongoing business combination plans continue to deliver positive results with profitability and cash generation showing improvements over the prior year. These long-term plans are due to conclude later in 2018 allowing the business to further drive efficiency and profitability whilst better supporting its customer base.

On behalf of the Board.

D R Montgomery
Chief Executive Officer
28 March 2018

Group Statement of Comprehensive Income
For the year ended 31 December 2017

	note	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Group revenue		14,695	15,204
Cost of sales		(9,071)	(9,371)
Gross profit		5,624	5,833
Sales and marketing expenses		(1,253)	(1,290)
Administrative expenses		(3,441)	(3,827)
Profit from operations	2	930	716
Share of (loss) / profit from equity accounted investments	3	(99)	170
Finance costs		(31)	(25)
Profit before income tax		800	861
Income tax	4	185	138
Profit for the year attributable to equity holders of the parent		985	999
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		77	15
Total comprehensive income for the year attributable to equity holders of the parent		1,062	1,014
Basic earnings per share (pence)	5	5.82	6.03
Dilutive earnings per share (pence)	5	5.78	5.98

All activities are classified as continuing

Group Statement of Financial Position
As at 31 December 2017

	note	31 Dec 17 £'000	31 Dec 16 £'000	31 Dec 15 £'000
Non-current assets				
Goodwill and other intangible assets		4,900	4,900	3,737
Other intangible assets		358	458	-
Property, plant and equipment		140	203	239
Investments accounted for using the equity method	3	-	368	198
		5,398	5,929	4,174
Current assets				
Trade and other receivables		4,688	5,385	4,234
Investments classified as held for sale	3	320	-	-
Research and Development tax credit receivable	4	180	150	405
Cash and cash equivalents		2,131	2,027	8,807
		7,319	7,562	13,446
Total assets		12,717	13,491	17,620
Equity				
Share capital		1,692	1,692	1,632
Share Premium		8,999	8,999	8,294
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Share option reserve		51	-	-
Translation reserve		(845)	(871)	(887)
Retained earnings		(9,424)	(10,240)	(11,239)
Investment in own shares		-	-	(1)
Total equity		6,300	5,407	3,626
Non-current liabilities				
Borrowings		-	-	-
Deferred tax liability		72	92	-
Finance leases		8	35	69
		80	127	69
Current liabilities				
Trade and other payables		3,394	4,349	3,601
Deferred income		2,943	3,608	3,594
Borrowings		-	-	6,730
		6,337	7,957	13,925
Total liabilities		6,417	8,084	13,994
Total equity and liabilities		12,717	13,491	17,620

Group Statement of Changes in Equity
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)	-	1
Investment in own shares in the year	-	-	-	-	(51)	-	51	-
Transactions with owners	-	-	-	-	(51)	(169)	51	(169)
Profit for the year	-	-	-	-	-	985	-	985
Other comprehensive expense:								
Exchange differences on translating foreign operations	-	-	-	-	77	-	-	77
Total comprehensive expense 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

For the year ended 31 December 2016

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2016	1,632	8,294	11,055	(5,228)	(887)	(11,239)	(1)	3,626
Employee Share Ownership Trust transactions	-	-	-	-	-	-	1	1
Share issue	60	705	-	-	-	-	-	765
Transactions with owners	60	705	-	-	-	-	1	766
Profit for the year	-	-	-	-	-	999	-	999
Other comprehensive expense:								
Exchange differences on translating foreign operations	-	-	-	-	16	-	-	16
Total comprehensive expense for the year	-	-	-	-	16	999	-	1,015
Balance at 31 December 2016	1,692	8,999	11,055	(5,228)	(871)	(10,240)	-	5,407

Group Statement of Cash Flows
For the year ended 31 December 2017

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Profit / (loss) before taxation	800	861
Adjustments for		
Share of loss /(profit) from joint venture	99	(170)
Depreciation	250	234
(Profit) on disposal	-	(1)
Interest expense	31	25
Unrealised foreign exchange differences	26	16
Decrease / (increase) in trade and other receivables	697	(650)
(Decrease) in trade and other payables	(1,552)	(773)
Cash outflow from operations	351	(458)
Research and Development tax credit received	143	390
Tax paid	(8)	(5)
Net cash outflow from operating activities	486	(73)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(460)
Purchase of property, plant and equipment	(91)	(69)
Net cash used in investing activities	(91)	(529)
Cash flows from financing activities		
Interest paid	(31)	(33)
Payment of finance lease liabilities	(95)	(165)
Costs associated with share raising	-	(15)
Share raising proceeds	-	780
Dividend paid	(169)	-
Net cash (used in) / from financing activities	(295)	567
Net increase / (decrease) in cash and cash equivalents	100	(35)
Cash and cash equivalents at the beginning of the year	2,027	2,077
Exchange differences on cash and cash equivalents	4	(15)
Cash and cash equivalents at the end of the year	2,131	2,027

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2016 annual report and financial statements. These remain unchanged for the year ended 31 December 2017.

2. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Research and development costs	2,066	2,208
Net foreign exchange loss / (profit)	122	(288)
Depreciation of property, plant and equipment		
- owned assets	165	94
- assets under finance leases	84	139
Operating lease rentals:		
- land and buildings	342	303
- other	-	61
Auditor's remuneration	96	142
Restructuring costs	301	608

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

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Profit / (loss) from operations	930	716
Add back:		
Depreciation	249	234
(Profit) on disposal of fixed assets	-	(1)
(Gain) on revaluation of deferred consideration	(178)	-
Restructuring costs	301	608
Foreign exchange (profits) / losses	122	(288)
EBITDA before profit / loss on disposal of fixed assets, foreign exchange profits / losses, restructuring costs and gains / losses on revaluation	1,424	1,269

3. Joint venture

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

This investment is accounted for under the equity method. 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	As at 31 Dec 16 £'000
Assets	1,343	1,974
Liabilities	(690)	(1,223)

	Year ended 31 Dec 17	Year ended 31 Dec 16
Revenues	1,481	2,080
Profit / (loss)	(203)	350
Revenue attributable to the Group	726	1,019
Profit / (loss) attributable to the Group	(99)	170

Changes in equity accounted investments

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Cost of 49% investment in BIDPT	368	198
Retained (loss) / profit attributable to the Group	(99)	170
Other comprehensive income	51	-
Transfer to investments held for sale	(320)	-
Investment book value	-	368

Dividends are subject to the approval of at least 51% of all shareholders of BIDPT. The Group has received no dividends. During 2017, the Group entered negotiations to sell its shareholding in BIDPT. At year end, these were sufficiently advanced that the investment was reclassified as held for sale.

4. Tax

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Analysis of credit in the year		
Current tax:		
Current research and development tax credit - UK	180	150
Current year State tax – US	(8)	(5)
Adjustment to prior year charge - UK	(7)	(15)
Deferred tax credit	20	8
Taxation	185	138

The Group has unutilised tax losses at 31 December 2017 in the UK and the USA of £15m (2016: £15.0m) and $15.9m (2016: $17.8m) 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 because 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 (2016: $10.8m) of the total unutilised losses at 31 December 2017.

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:

Reconciliation of tax expense	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Profit / (loss) on ordinary activities before tax	800	861
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	154	172
Expenses not deductible for tax purposes	2	4
Additional deduction for Research and Development expenditure	(284)	(311)
Surrender of losses Research and Development tax credit refund	69	55
Unrelieved UK losses carried forward	-	47
Utilisation of UK losses	(56)	-
Utilisation of US losses	(76)	(105)
Difference in timing of allowances	(9)	17
Adjustment to tax charge in respect of prior years	7	15
Refund of deferred tax liability	(19)	1
Effect of foreign tax rates	8	1
Unrelieved China losses carried forward	19	(34)
Total taxation	(185)	(138)

United Kingdom Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable profit for the year.
Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. 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 134,000 ordinary shares will be issued (2015: none) in respect of share options. There were none in 2015 because the Group held enough unallocated shares within the Employee Share Ownership Trust (‘ESOT’) to fulfil their exercise. For the year ended 31 December 2015, almost all outstanding options had an exercise price more than the average market price in the year, therefore there is no material dilutive impact from options granted and the basic and diluted earnings per share figures are the same.

	Year ended 31 Dec 2017 £’000	Year ended 31 Dec 2016 £’000
Attributable profit / (loss)	985	999
Weighted average number of ordinary shares used in basic earnings per share (‘000)	16,920	16,568
Shares deemed to be issued in respect of share-based payments	125	134
Weighted average number of ordinary shares used in dilutive earnings per share (‘000)	17,045	16,702
Basic profit per share arising from both total and continuing operations	5.82p	6.03p
Dilutive profit per share arising from both total and continuing operations	5.78p	5.98p

Dividends

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 2017.

6. Share options

The Group have an unapproved Executive Management Incentive (EMI) share option scheme and had an approved scheme which closed in 2015. Further details on both schemes 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 the next 3 years. One third of the options will vest at the end of 2016 and each of the subsequent 2 years. In addition, participating employees must 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 2016	-	-
Granted	556,000	1.27
Lapsed	(155,000)	1.27
Outstanding at 31 December 2016	401,000	1.27
Granted	65,000	1.56
Lapsed	(25,000)	1.30
Outstanding at 31 December 2017	441,000	1.31

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 16	31 Dec 16	31 Dec 18
	31 Dec 17	31 Dec 17	31 Dec 17	31 Dec 19
	31 Dec 18	31 Dec 18	31 Dec 18	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 £1K (2016: £50K) of employee remuneration expense has been included in the profit for the year and credited to retained earnings.

Approved scheme

The Group had an approved option scheme, which was an HM Revenue and Customs approved scheme, available to eligible Directors and employees. As at 31 December 2017, no options are outstanding which have been granted and not exercised or lapsed. (2016: Nil, 2015: nil).

The approved option scheme is now out with the operative period of 10 years from adoption date as set down in the scheme rules. Therefore, no more options will be granted under this approved scheme and it was closed before 31 December 2015.

7. Publication of non-statutory accounts

The financial information set out in this announcement does not constitute statutory accounts as defined in the Companies Act 2006.

The Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and associated notes have been extracted from the Group's 2017 statutory financial statements upon which the auditor's opinion is unqualified and which do not include any statement under section 498 of the Companies Act 2006.

Those financial statements will be delivered to the Registrar of Companies following the release of this announcement.

This announcement and the annual report and accounts are available on the Company's website www.ingenta.com. A copy of the report and accounts will be sent to shareholders who have elected to receive a printed copy with details of the annual general meeting in due course.

For further information please contact:

Ingenta plc

David Montgomery	Tel: 01865 397 800

Cenkos Securities plc

Nicholas Wells / Elizabeth Bowman	Tel: 020 7397 8900