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

Final Audited Results

Ingenta plc (AIM: ING) a leading provider of software and services to the global publishing industry, announces its final audited results for the year ended 31 December 2018.

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. See note 2 for details.

Scott Winner, Chief Executive Officer, commented:

“Our strategic move away from product silos towards a more client centric structure is starting to produce real results, and we look forward to 2019 with great enthusiasm. Our business is now leaner and focussed on delivering first class services for all our customers with significantly improved positioning for the next stage of our growth”.

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.

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.

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.

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.

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 2 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 were below the prior year and have been impacted by the strategy to focus on higher quality revenue streams which the Group believe will deliver better margins. 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 chance 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.

G S Winner
Chief Executive Officer
29 March 2019

Group Statement of Comprehensive Income

For the year ended 31 December 2018

	note	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Group revenue		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	2	(1,225)	930
Share of loss from equity accounted investments	3	-	(99)
Finance costs		(8)	(31)
(Loss) / profit before income tax		(1,233)	800
Income tax	4	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)	5	(4.88)	5.82
Dilutive (loss) / earnings per share (pence)	5	(4.88)	5.78

All activities are classified as continuing

Group Statement of Financial Position
As at 31 December 2018

	note	31 Dec 18 £'000	31 Dec 17 £'000	31 Dec 16 £'000
Non-current assets				
Goodwill and other intangible assets		4,324	4,900	4,900
Other intangible assets		258	358	458
Property, plant and equipment		218	140	203
Investments accounted for using the equity method	3	-	-	368
		4,800	5,398	5,929
Current assets				
Trade and other receivables		4,627	4,688	5,385
Investments classified as held for sale	3	-	320	-
Research and Development tax credit receivable	4	336	180	150
Cash and cash equivalents		1,323	2,131	2,027
		6,286	7,319	7,562
Total assets		11,086	12,717	13,491
Equity				
Share capital		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		-	-	-
Total equity		5,154	6,300	5,407
Non-current liabilities				
Borrowings		-	-	-
Deferred tax liability		52	72	92
Finance leases		52	8	35
		104	80	127
Current liabilities				
Trade and other payables		2,723	3,394	4,349
Deferred income		3,105	2,943	3,608
Borrowings		-	-	-
		5,828	6,337	7,957
Total liabilities		5,932	6,417	8,084
Total equity and liabilities		11,086	12,717	13,491

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	-	(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)
Other comprehensive expense:								
Exchange differences on translating foreign operations	-	-	-	-	(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
Employee Share Ownership Trust transactions	-	-	-	-	-	(169)	-	(169)
Reclassification of share option reserve	-	-	-	-	(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

Group Statement of Cash Flows

For the year ended 31 December 2018

	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 flows 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)
Costs of capital restructure	(31)	-
Dividend paid	(254)	(169)
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	2,131	2,027
Exchange differences on cash and cash equivalents	(4)	4
Cash and cash equivalents at the end of the year	1,323	2,131

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2017 annual report and financial statements. A number of new or amended standards became effective from the 1 January 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

Full disclosure of the transition will be included in the 2018 Financial Statements, but the Company has not identified any changes to its accounting policies that require retrospective adjustment.

2. 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

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 / (loss) from operations	(1,225)	930
Add back:		
Depreciation	227	249
Profit on disposal of fixed assets	(2)	-
Gain on revaluation of deferred consideration	-	(178)
Restructuring costs	840	301
Foreign exchange losses	33	122
EBITDA before profit / loss on disposal of fixed assets, foreign exchange profits / losses, restructuring costs and gains / losses on revaluation	769	1,424

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
Assets	1,343
Liabilities	(690)

	Year ended 31 Dec 17
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	-	368
Retained (loss) / profit attributable to the Group	-	(99)
Other comprehensive income	-	51
Transfer to investments 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. 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	407	185

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 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 (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:

Reconciliation of tax expense	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
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	(407)	(185)

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.

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 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 2018 £'000	Year ended 31 Dec 2017 £'000
Attributable (loss) / 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
Dilutive (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.

6. 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 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 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
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 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 £35K has been credited (2017: £1K charged) of employee remuneration expense has been included in the loss for the year and released to retained earnings.

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 2018 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.

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