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 2019.

Highlights

- 6 new customer sales of the Commercial product suite with one off fees of £1.4m and recurring fees of £0.2m.
- Vista as a service launched with a significant sale made in the year and further opportunities being progressed in 2020.
- Revenues of £10.9m (2018: £12.0m) reflecting increased emphasis on higher quality contracts.
- Company profile substantially de-risked with an ongoing annual cost base of approximately £9.5m.
- Over 70% of the reported revenues highly visible and recurring in nature.
- Operating cash inflows of £3.6m in the year (2018: £2.4m), including accelerated renewal receipts of £0.5m and before expenditure on research and development of £1.4m and reorganisation costs of £0.5m.
- Cash balances at year end of £2.6m (2018: £1.3m) with a normalised balance of £2.1m.
- Adjusted EBITDA* up c. 43% to £1.3m (2018: £0.9m).

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

Scott Winner, Chief Executive Officer, commented:

“I’m pleased with the progress made in 2019 and these results bear testament to the operational efficiencies we have implemented. The positive news is wide ranging and includes 6 new customer sales of our Commercial product during the year, having gained significant traction in our target markets.

“In addition, we have broadened our offering to new verticals, including Conchord as an IP management solution for the music industry, and look forward to promoting its benefits in 2020. We have also taken steps to strengthen Vista‘s offering for our customers in the wider publishing industry, and are excited to continue to serve our loyal client base.”

Chairman's statement

Overview

2019 was the first year the business has operated under its new structure and the results to date have been encouraging. The overriding aim of the restructuring effort was to remove product silos and encourage a unified approach to all aspects of business operations. The benefits of this are a more integrated service provision to customers across all products allowing efficient use of resources to meet or exceed customer requirements. In order to achieve this transformation, the business incurred a further £0.5m of restructuring costs in the year.

Strategically, the business has also switched its focus away from large bespoke ERP solutions to more productised offerings aimed at SMEs. The software solutions still retain the configurability options necessary to satisfy changing customer requirements, but these are offered after go-live as and when the need arises. The success of this approach is evidenced by the business winning 6 new SME customer deals for our Commercial product. In total these deals are anticipated to deliver initial implementation fees of approximately £1.4m with recurring revenues of £0.2m. From the existing customer base, we are pleased to report 3 go-lives during the year, 2 for our Edify content platform and 1 for the Commercial product which will enhance recurring revenues for 2020 and beyond.

Looking forward, Ingenta is planning to leverage existing expertise in contracts, rights and royalties developed in the traditional publishing sector into adjacent verticals with music being the primary target. The concepts are very closely aligned, and we released our ConChord product during 2019 to address the challenges faced in this growing industry.

Another way of driving value is to increase recurring revenue streams. To this end, we have had notable success selling Vista as a Service to an existing customer in 2019 and we will promote this product to our customers more widely in 2020. We also intend to accelerate growth in recurring revenues from our Commercial and Content product suites. Ingenta has previously sold perpetual software licences and annual support contracts, alongside project implementation revenues. Going forward it is our intention to prioritise contractually recurring revenues over perpetual licence and project revenues. This will enhance shareholder value in the longer term at the expense of revenues in the current period. This transition is facilitated by our strong financial foundations, and the board is confident this strategy is the right one for Ingenta shareholders, customers and employees.

Results

The underlying results of the Group in 2019 were strong but have been impacted by £2.2m of one-off charges which contributed to the comprehensive loss of £1.35m. These one-off costs include a non-cash £1.7m goodwill impairment charge relating to historic acquisitions and a £0.5m restructuring charge relating to the structural reorganisation mentioned above. The impairment charge relates to goodwill associated with the advertising and consulting revenue streams which the business anticipates will become less discrete and measurable as they are integrated into the commercial and content sectors of the business. Further details are included within note 10.

The revenue base continues to be aligned 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 £3.6m (2018: £2.4m), before expenditure on research and development of £1.4m (2018: £1.8m) and the planned reorganisation costs of £0.5m (2018: £0.8m), resulting in net cash balances at year-end of £2.6m (2018: £1.3m). The Group expects that the new organisational structure will help deliver improved cash generation.

Shareholders' returns and dividends

During the year, the Company announced a share buyback programme pursuant to which 66,104 Ordinary 10 pence shares were repurchased. At year end, these shares were held in treasury meaning 16,853,505 of the Company's total issued shares had voting rights.

Prior to the COVID-19 outbreak, the Directors declared their intention to pay a dividend in 2020 of at least 1.5 pence per share (2018: 1.5 pence). Given the current economic uncertainties, the Board consider it prudent to delay any dividend announcement until later in the year when a clearer outlook is available.

M C Rose
Chairman
1 June 2020

Group strategic report

2019 is the first year the Group has operated under its 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 product agnostic services architecture. The benefit of this is an integrated approach to servicing our customers whereby we can standardise service levels and utilise resources more efficiently. In conjunction with this, the Group is now targeting SME businesses with a standard product offering and 6 new customer sales were made during the year to this target market. This version of the product has been rebranded as 'Express' and is available across the Ingenta product portfolio.

The Group is also looking to leverage its existing expertise in contracts, rights and royalty's management by expanding into adjacent verticals. During the year, the business announced the release of ConChord, a solution designed for the music industry, where we believe there are further opportunities to pursue.

Product review

Ingenta Commercial
Ingenta Commercial provides enterprise and 'Express' 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. These efforts produced positive results and the business won 6 new customer contracts in the SME market tier. Encouragingly, the wins were diversified and included wider media companies and customers in the UK, US and France.

The Group have identified the concepts of intellectual property and the management associated rights and royalties as a potential opportunity in associated vertical markets. The most closely related vertical is music and the Group launched a new product labelled ConChord to address this market.

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 Edify content management solutions is offered in an Express format as well as the full enterprise version. During the year, there were 2 new go-lives for the content product with one enabling an Arabic interface for the software which provides further scope for the Group to expand into a wider geographical market.

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 which has already been taken up by J Sainsbury plc. The business anticipates that the Group's Advertising offering will become a component of the larger Commercial and Content Products divisions and its revenues will be less clearly distinguished as a separate CGU. As a result, £1.2m of goodwill associated with the Advertising segment was impaired.

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

PCG delivered impressive results to its customer base and maintained its revenue levels in line with the prior year. However, the Group expects that revenue will decline in 2020 with the loss of a significant contract and this has led to a goodwill impairment of £0.5m as detailed in note 10.

Financial Performance
Group revenues for the year were £10.9m (2018: £12.0m) reflecting our focus on higher quality earnings from which the restructured business can deliver improved margins.

The Group's cost of sales, sales and marketing and administrative costs have all declined driven by the business reorganisation to move away from a product siloed structure. The business incurred £1.7m of impairment charges (2018: £0.9m) and these relate to goodwill from historic business combinations. Further details on the impairment charge are included within note 10. Going forward, the overall cost base of the Group is approximately £9.5m before accounting for impairments, depreciation and restructuring costs.

No tax credit is included in 2019 (2018: £0.3m) as the Group intends to use losses against future taxable profits rather than claim cash receipts via the research and development tax credit scheme.

Financial Position
Non-current assets include goodwill and intangibles recognised on historic acquisitions. The intangibles relate to Advertising software technology acquired in 2016 and were originally valued at £0.5m using a discounted cashflow model. These are being amortised over 5 years. Goodwill relating to historic acquisitions was tested for impairment using discounted cashflows resulting in an impairment charge of £1.7m (2018: £0.6m). Further details are included within note 10 of the accounts. Property, plant and equipment now includes a right of use asset in alignment with IFRS 16 'Leases'. The Group have performed a retrospective transition and restated the comparative balances. Details of the transition are found in note 1 and 29.

Current assets have decreased compared to 2018 mainly because the business is not anticipating a tax credit refund (2018: £0.3m). It is believed it will be more beneficial to use these losses against future taxable income rather than cash them in at a discount. Net cash and trade other receivables are broadly in line.

Total liabilities have also declined compared to 2018. The main contributory factor here is a more efficient cost base meaning year end creditors and accruals for ongoing costs are lower.

Cashflow
The Group generated a net cash increase of £1.3m (2018: £0.8m reduction) during the year. Operating cash inflows of £3.6m (2018: £2.4m) were reported before expenditure on research and development of £1.4m and reorganisation costs of £0.5m. The cash balances were improved by accelerated collections of approximately £0.5m compared to the prior year. As a result, these increased cash collections from the year end renewals cycle meant the Trade and other receivables were lower.

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 were below budget and 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. Sales and marketing efforts have been targeted towards the SME market sector and this has helped generate the 6 new customer sales wins reported in the year.

Adjusted EBITDA numbers are lower than budgeted with details included in the segmental information by product in the Group accounts. These shortfalls to budget were driven by lower sales mentioned above. Internally, the Group is moving away from a product reporting structure to that based around activity service streams which more closely mirror the new organisational structure of the business.

Year-end cash balances were £0.2m ahead of budget at £2.6m. The business reorganisation has dramatically improved cash generation within the business which was further boosted by the annual renewals cycle at the end of the year which continued into 2020.

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 Express products designed to meet the needs of the SME market.

The business monitors time utilisation at a contract level to enable accurate pricing decisions to be made ensuring profitable service delivery. Internal development costs are also reviewed to ensure the appropriate effort is spent supporting the products and deliver an effective product roadmap.

Section 172(1) Statement

The Directors continually monitor the operations of the business and take decisions to promote the success of the Group for the benefit of all its members. As described in the Business Strategy section of this report, the Directors have selected a business model and operational structure designed to maximise the effectiveness of the business for all stakeholders. The likely consequences of any decisions are modelled to provide assurance that they are in the long-term interest of stakeholders and, as detailed in the Corporate Governance Report, risk management and internal controls are a key oversight to ensure objectives are met. The Group have also adopted the QCA Corporate Governance code which is designed to foster strong relations with all stakeholders and details are included on the company website. In addition to our shareholders, the Board considers the employees, customers and suppliers to be critical to the long-term success of the business.

The Board is committed to maintaining active dialogue with its shareholders to ensure that its strategy, business model and performance are understood. The AGM is the main forum for dialogue between retail shareholders and the Board. The notice of the AGM is sent at least 21 days before the meeting which is held at the Companies Head Office and all Board members routinely attend. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. During the meeting, the Board members are available to answer any questions raised by shareholders. The results of the AGM are subsequently published on the Company's corporate website. The Chief Executive Officer and Chief Financial Officer are primarily responsible for shareholder liaison and can be contacted on 01865 397 800. The executive management make presentations to institutional shareholders and analysts each year following the release of full year and half year results. Conversations, when requested, are also held at other points in the year. The corporate website also includes details of recent annual and interim results plus a listing of the Companies RNS and RNS reach publications.

Staff are invited to regular Company wide meetings where the Executive Team share information and updates on strategy and recent news. At these meetings, there is also a forum where all members of staff can ask questions. The Company also carries out a formal staff survey so senior management and the Board can be kept abreast of major staff concerns. Ingenta also retain an independent HR resource to ensure all HR issues are dealt with in accordance with best practice and all rules and regulations are adhered to.

The Group have many customers of differing size and complexity with a variety of requirements. To best service them, the business has rolled out a new operating model to standardise its approach to all customers and provide a consistent level of service and support. The business also keeps regular contact with customers via account managers and user groups where demand exists so that our customers can feed back any issues, share experiences and help shape the development of our products. To ensure the business is keeping abreast of wider industry challenges, we actively participate in a variety of annual trade events.

The Group makes every effort to ensure our suppliers are treated fairly and paid on time and on average they are paid within 34 days. Ingenta opposes modern slavery in all its forms and endeavours to make sure any concerns raised are investigated. Where offshore resourcing is used, the business meets the suppliers prior to contract signing to satisfy itself that they are operating in a responsible manner.

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 allow the Board to monitor the Company's culture, as well as the ethical values and behaviours within the business.

Outlook

Ingenta can look forward to 2020 with cautious optimism. The Group has a focussed product set tailored to meet the needs of all sizes of customer, retaining the flexibility to grow with them and supplement additional services as required. The business intends to secure new Commercial customers on a recurring revenue model as in other parts of the business. This change is enabled by our strong financial footing and will impact short term revenue growth but will drive contracted revenue into the future adding long term value to the company.

As these results indicate, the operational structure is much improved and capable of dealing with fluctuations in activity. In that respect, we anticipate a reduction in PCG's revenues in 2020 of around £0.8m with associated cost savings of £0.4m after the completion of a long-term contract. As a result of this, and the intention to grow recurring revenues, we anticipate that profits and cashflow will be lower than 2019 subject to the issues identified in the risks and uncertainties section of this report.

Elsewhere, in the software core of the Group's business, we see further opportunities to leverage our expertise in intellectual property and rights management outside of traditional publishing sector markets and into the wider media sectors of music, film and gaming. The business has geared up its investment to capitalise on this and ensure software delivery quality.

Risks and uncertainties

COVID-19
The COVID-19 pandemic is considered a principal risk to the business bringing with it many significant uncertainties over the remainder of 2020. The Group has analysed the potential impacts and tailored its business continuity plan in response to the anticipated threats. All staff within the business have remote working capabilities and for many this is a normal operating procedure. In addition, the Group's new operating structure has fostered teams with interchangeable skills across the product offerings and technology stacks which, along with remote working, provides a more flexible staffing model better equipped to deal with illness and absence. The Group's IT infrastructure is hosted on resilient platforms using large corporate providers ideally suited to providing uninterrupted service.

The Group's customer base is reasonably diverse including trade and academic publishers who are not deemed to be at high risk at the present time. The Group also considers over 70% of its revenue to be recurring in nature with many customers on multiyear contracts. The Ingenta systems are central to the operations of its customer base and not deemed to be a discretionary spend although some project work may be impacted as customers wait to see what the implications of COVID-19 hold for them. The key concern identified by management is the inevitable delay in new sales as major investment decisions are put off. However, the Group have modelled a worst-case scenario of no new sales made in the year and predict the business will continue to operate profitably with ample working capital headroom. Also, a significant amount of the Group's renewals and cash were received in the first quarter of 2020 and at the end of February cash balances remained over £3m with additional facilities in place with HSBC bank if required.

Sales risk
The major risks for future trading are converting sales of Ingenta Edify 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. This is considered a principal risk for the business.

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 project 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. This is considered a principle risk for the business.

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 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
1 June 2020

Group Statement of Comprehensive Income
For the year ended 31 December 2019

	note	Year ended 31 Dec 19 £'000	Restated Year ended 31 Dec 18 £'000
Group revenue		10,920	12,001
Cost of sales		(6,184)	(7,258)
Gross profit		4,736	4,743
Sales and marketing expenses		(819)	(1,074)
Administrative expenses		(3,502)	(3,948)
Impairment of intangibles and investments		(1,663)	(896)
Loss from operations	2	(1,248)	(1,175)
Finance costs		(18)	(29)
Loss before income tax		(1,266)	(1,204)
Income tax	3	(83)	407
Loss for the year attributable to equity holders of the parent		(1,349)	(797)
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(4)	(31)
Total comprehensive loss for the year attributable to equity holders of the parent		(1,353)	(828)
Basic loss per share (pence)	4	(7.98)	(4.71)
Dilutive loss per share (pence)	4	(7.98)	(4.71)

All activities are classified as continuing

Group Statement of Financial Position
As at 31 December 2019

	note	31 Dec 19 £'000	Restated 31 Dec 18 £'000	Restated 1 Jan 18 £'000
Non-current assets				
Goodwill		2,661	4,324	4,900
Other intangible assets		158	258	358
Property, plant and equipment		473	583	627
		3,292	5,165	5,885
Current assets				
Trade and other receivables		3,219	4,627	4,688
Investments classified as held for sale		-	-	320
Research and Development tax credit receivable	3	-	336	180
Cash and cash equivalents		2,600	1,323	2,131
		5,819	6,286	7,319
Total assets		9,111	11,451	13,204
Equity				
Share capital		1,692	1,692	1,692
Share Premium		-	-	8,999
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Share option reserve		23	16	51
Translation reserve		(880)	(876)	(845)
Retained earnings		(3,131)	(1,477)	(9,425)
Total equity		3,531	5,182	6,299
Non-current liabilities				
Deferred tax liability		32	52	72
Leases		206	355	455
		238	407	527
Current liabilities				
Trade and other payables		2,459	2,757	3,435
Deferred income		2,883	3,105	2,943
		5,342	5,862	6,378
Total liabilities		5,580	6,269	6,905
Total equity and liabilities		9,111	11,451	13,204

Group Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £'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
Restated balance at 1 January 2019	1,692	11,055	(5,228)	(876)	(1,477)	16	5,182
Dividends paid	-	-	-	-	(254)	-	(254)
Shares bought back into treasury	-	-	-	-	(51)	-	(51)
Share options granted in the year	-	-	-	-	-	7	7
Transactions with owners	-	-	-	-	(305)	7	(298)
Loss for the year	-	-	-	-	(1,349)	-	(1,349)
Foreign exchange differences on translation	-	-	-	(4)	-	-	(4)
Total comprehensive expense for the year	-	-	-	(4)	(1,349)	-	(1,353)
Balance at 31 December 2019	1,692	11,055	(5,228)	(880)	(3,131)	23	3,531

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 as previously reported	1,692	8,999	11,055	(5,228)	(845)	(9,424)	51	6,300
Adjustment from the adoption of IFRS16	-	-	-	-	-	(1)	-	(1)
Restated balance at 1 January 2018	1,692	8,999	11,055	(5,228)	(845)	(9,425)	51	6,299
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 (restated)	-	-	-	-	-	(797)	-	(797)
Foreign exchange differences on translation	-	-	-	-	(31)	-	-	(31)
Total comprehensive expense for the year	-	-	-	-	(31)	(797)	-	(828)
Restated balance at 31 December 2018	1,692	-	11,055	(5,228)	(876)	(1,477)	16	5,182

Group Statement of Cash Flows
For the year ended 31 December 2019

	Year ended 31 Dec 19 £'000	Restated Year ended 31 Dec 18 £'000
Loss before taxation	(1,266)	(1,204)
Adjustments for		
Impairment of intangibles	1,663	896
Depreciation	372	349
Loss / (profit) on disposal of fixed assets	2	(2)
Interest expense	18	29
Unrealised foreign exchange differences	(4)	(31)
Decrease in trade and other receivables	1,408	61
Decrease in trade and other payables and deferred income	(499)	(346)
Cash inflow / (outflow) from operations	1,694	(248)
Research and Development tax credit received	282	235
Tax paid	(49)	(6)
Net cash inflow / (outflow) from operating activities	1,927	(19)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(248)
Purchase of property, plant and equipment	(132)	(61)
Net cash used in investing activities	(132)	(309)
Cash flows from financing activities		
Interest paid	(4)	(8)
Payment of lease liabilities	(213)	(183)
Dividend paid	(254)	(254)
Costs of capital restructure	-	(31)
Costs of buy back of shares into treasury	(51)	-
Net cash used in financing activities	(522)	(476)
Net increase / (decrease) in cash and cash equivalents	1,273	(804)
Cash and cash equivalents at the beginning of the year	1,323	2,131
Exchange differences on cash and cash equivalents	4	(4)
Cash and cash equivalents at the end of the year	2,600	1,323

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2018 annual report and financial statements. IFRS 16 'Leases' became effective from the 1 January 2019.

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with its leased UK Head Office.

The new Standard has been applied retrospectively in line with IAS 8.

Full disclosure of the transition will be included in the 2019 Financial Statements.

2. Loss from operations

Loss from operations has been arrived at after charging:

	Year ended 31 Dec 19 £'000	Restated Year ended 31 Dec 18 £'000
Research and development costs	1,398	1,867
Net foreign exchange loss	37	33
Depreciation of property, plant and equipment		
- owned assets	92	12
- leasehold property	122	122
- assets under leases	58	115
Auditor's remuneration	150	101
Restructuring costs	513	840

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

	Year ended 31 Dec 19 £'000	Restated Year ended 31 Dec 18 £'000
Loss from operations	(1,248)	(1,175)
Add back:		
Depreciation and amortisation	372	349
Impairment of intangibles and investments	1,663	896
Loss / (gain) on disposal of fixed assets	2	(2)
Foreign exchange losses	37	33
Restructuring costs	513	840
EBITDA before gain / loss on disposal of fixed assets, foreign exchange gain / losses, restructuring costs and gains / losses on revaluation	1,339	941

3. Tax

	Year ended 31 Dec 19 £'000	Year ended 31 Dec 18 £'000
Analysis of (charge) / credit in the year		
Current tax:		
Current research and development tax credit - UK	-	336
Current year State tax – US	(49)	(5)
Adjustment to prior year charge - UK	(54)	56
Deferred tax credit	20	20
Taxation	(83)	407

The Group has unutilised tax losses at 31 December 2019 in the UK and the USA of £15.6m (2018: £15.0m) and $15.4m (2018: $15.5m) 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 (2018: $8.7m) of the total unutilised losses at 31 December 2019.

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 19 £'000	Restated Year ended 31 Dec 18 £'000
Loss on ordinary activities before tax	(1,266)	(1,204)
Tax at the UK corporation tax rate of 19% (2018: 19%)	(241)	(229)
Expenses not deductible for tax purposes	297	59
Additional deduction for Research and Development expenditure	-	(285)
Surrender of losses Research and Development tax credit refund	-	120
Unrelieved UK losses carried forward	149	-
Utilisation of UK losses	(110)	79
Utilisation of US losses	(103)	(81)
Difference in timing of allowances	(13)	(19)
Adjustment to tax charge in respect of prior years	104	(56)
Effect of foreign tax rates	-	5
Total taxation	83	(407)

United Kingdom Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

4. 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 685,000 ordinary shares will be issued (2018: 101,333) 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 2019 £'000	Restated Year ended 31 Dec 2018 £'000
Attributable loss	(1,349)	(797)
Weighted average number of ordinary shares used in basic earnings per share ('000)	16,908	16,920
Shares deemed to be issued in respect of share-based payments	685	101
Weighted average number of ordinary shares used in dilutive earnings per share ('000)	17,593	17,021
Basic loss per share arising from both total and continuing operations	(7.98)p	(4.71)p
Dilutive loss per share arising from both total and continuing operations	(7.98)p	(4.71)p

Dividends

On 28th June 2019, the company paid a dividend of 1.5 pence per share to holders of ordinary shares.
Prior to the COVID-19 outbreak, the Directors declared their intention to pay a dividend in 2020 of at least 1.5 pence per share (2018: 1.5 pence). Given the current economic uncertainties, the Board consider it prudent to delay any dividend announcement until later in the year when a clearer outlook is available.

5. Post balance sheet events

Prior to the COVID-19 outbreak, the Directors declared their intention to pay a dividend in 2020 of at least 1.5 pence per share (2018: 1.5 pence). Given the current economic uncertainties, the Board consider it prudent to delay any dividend announcement until later in the year when a clearer outlook is available.

Since 31 December 2019, the COVID-19 pandemic has significantly affected the global economy. Measures taken by governments around the world to contain the spread of the virus including travel bans, social distancing and closure of non-essential services have had a detrimental effect on businesses worldwide. The Group have already experienced the cancellation of trade shows and other marketing events which formed part of the sales strategy for 2020. This combined with a more cautious investment outlook in the wider economy will cause delays to customer discretionary spend activity affecting the Group's new revenue targets in 2020. The Ingenta customer base is relatively diverse and the publishing industry as a whole has been resilient to date although future impacts are hard to predict. It would be reasonable to expect that any increase in severity of the disease may impact on customers and could potentially cause them to struggle to pay outstanding receivable balances or go into administration and cancel ongoing services.

The Company has determined that these events are non-adjusting subsequent events and consequently the financial position and results of operations for the year ended 31 December 2019 have not been altered. Furthermore, it is not possible to reliably estimate the duration and severity of any future consequences of COVID-19 nor the impact they may have on financial statements.

6. 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 2019 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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