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 2020.

Financial Key Points

- Revenues of £10.2m (2019: £10.9m) reflecting a focus on core software offerings.
- Annual Recurring Revenue of 86% (2019: 77%).
- Operating cash inflows of £0.8m in the year (2019: £1.7m inclusive of £0.5m of accelerated receipts).
- Cash balances at year end of £2.3m (2019: £2.6m).
- Adjusted EBITDA* of £1.2m (2019: £1.3m).
- Net profit of £0.3m (2019: loss of £1.4m).
- Proposed dividend of 1.5 pence per share, subject to shareholder approval at the 2021 AGM. (2019: 1.5 pence)
- Earnings per share of 1.61 pence (2019: loss 7.98 pence).

Operational Key Points

- 3 new customer sales and 5 Go-lives across the product portfolio during the year.
- Vista as a service operational within key customers sites.
- Company profile substantially de-risked with an ongoing annual cost base of approximately £9.7m.
- Remote working capability fully operational across all areas of the Group.

*Adjusted EBITDA – EBITDA before impairment, amortisation, gain / loss on disposal of fixed assets, foreign exchange gain / loss and exceptional non-recurring costs. See note 2 for details.

Scott Winner, Chief Executive Officer, commented:

"2020 was a challenging year but I'm pleased with the resilience the Group has shown across all our products and services. Although sales activity has been hampered by general economic uncertainty, Ingenta has managed to confirm several new deals which will enhance recurring revenue over the coming years.

Within our Content platform, we secured 3 new customers, 2 of which went live during the year thanks to our recently streamlined implementation methodology. The Commercial product had another 3 customer go lives during 2020.

Encouragingly, our existing customers have also looked to strengthen their relationships with Ingenta and we were delighted to announce a significant multiyear hosting arrangement with a global publishing partner. It is anticipated that similar offerings will be attractive to other publishers as they look to concentrate on core activities rather than manage complex IT infrastructure requirements."

Certain of the information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time.

For further information please contact:

Ingenta plc

Scott Winner / Jon Sheffield	Tel: 01865 397 800

Cenkos Securities plc

Nicholas Wells / Katy Birkin	Tel: 020 7397 8900

Chairman's statement

Overview

During a year of significant disruption, Ingenta's strategic focus remained the generation of recurring revenue by selling rapidly deployable, productised offerings with a clear upgrade path to future enhancements. This strategy is firmly in place within our Ingenta Content business where we won 3 new contracts in the second half of the year with 2 of them subsequently going live before the year end. The next stage is to replicate this strategy fully in the Commercial product portfolio where historically, implementations have included a significant element of bespoke development work.

On an operational front, we also went live with 3 Commercial customers during the year and have transitioned them to support which further supplements recurring revenue. In addition, our hosted services offering has also been taken up by several customers, most notably under the guise of Vista as a Service which allows our partners to concentrate on their core business rather than peripheral technology.

Traction in adjacent vertical markets has been slower than expected, partly due to uncertainty in the global economy as potential partners delayed or cancelled purchasing decisions. However, we remain confident that the product remains relevant for the wider contracts, rights and royalties challenges encountered by industries outside of our normal trade publishing partners. As previously announced, we already have a product specifically tailored to the music industry, however the core Commercial software engine can be readily adapted to other target markets as applicable.

Results

As anticipated, Group revenue decreased slightly from the prior year as the business refocussed itself towards its core software offering and reduced reliance on the sales consultancy services delivered by PCG. The Group now has recurring revenues of 86% and reported stable gross profit margins compared to the prior year.

The global pandemic led to a reduction in sales and marketing spend as the traditional trade events calendar was severely restricted. Administrative expenses remained broadly stable but also include £0.4m of non-recurring costs associated with premises exit costs and professional fees. There were no impairments charged in 2020 and the Group delivered a profit from operations of £0.3m compared to a loss of £1.2m in the prior year. The Group has brought forward tax losses of over £20m and will use them to offset future tax liabilities.

The Group's balance sheet remains strong, and the business generated £0.8m of cash inflows from operations to close the year with £2.3m of cash reserves. To support a stronger recurring revenue profile, substantial investments have been made in the Group's fixed asset base to provide increased hosting capabilities which are being utilised by our customers as they look to outsource internal IT infrastructure.

Shareholders' returns and dividends

During the year, the Company announced a second share buyback programme and over the course of 2020 repurchased a further 81,000 ordinary shares. At the year end, the Company had 16,919,609 ordinary shares in issue, with a total of 147,104 shares held in treasury and 16,772,505 ordinary shares with voting rights.

The Directors declare their intention to pay a dividend in 2021 of 1.5 pence per share (2019: 1.5 pence) subject to approval at the forthcoming AGM.

Outlook

After the economic upheaval of 2020, Ingenta is now better placed to move forward with renewed optimism. The Group has streamlined its operations, improved its operational resilience, and refined its approach to capitalise on market opportunities as they arise. The strategy to enhance recurring revenue growth has started to deliver results driven by a focussed product set tailored to meet the needs of our customers, whilst providing a clear upgrade path as required.

M C Rose
Chairman
28 May 2021

Group strategic report

Business Strategy
The Group's focus is to accelerate growth of its recurring revenue streams. To facilitate this, the Group are moving away from selling perpetual licences and promoting a software as a service model wherever possible. Operationally, the Group has moved to a product agnostic services architecture so that it can offer an integrated approach to servicing customers whereby service levels are standardised, and resources are utilised more efficiently. In conjunction with this, the Group is now looking to offer standardised functionality to its product set which has led to the 'Express' software version which will be available across the Ingenta product portfolio.

Product review

Ingenta Commercial
Ingenta Commercial provides a variety of modular publishing management systems for both print and digital products. A core area of expertise is within Intellectual Property and the Group is looking to leverage its existing expertise in contracts, rights and royalty's management by expanding into adjacent verticals. ConChord, a solution designed for the music industry, has already been released and we believe there are further opportunities in other verticals where IP management is an increasing concern.

Reported revenues increased by £0.4m to £6.6m and the Group announced 3 further go lives in the year to add to the recurring revenue base. These deployments were for SME businesses which the Group has identified as a good fit for its standardised products. Unfortunately, the Covid pandemic restricted new sales activity as customers delayed making significant investment decisions and consequently this has also impacted on the Group's aim to diversify into adjacent verticals.

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.

Ingenta's Edify content management solution is offered in an ''Express' format as well as the full enterprise version. During the year, 3 new customer 'Express' sales were made, 2 of which went live before year end, which aligns with the strategy of efficiently adding to the Group's recurring revenues. In total, full year revenues declined marginally to £2.3m because of customer migrations.

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

The business anticipates that the Group's Advertising offering will become a component of the larger Commercial and Content Products divisions and, in time, its revenues will be less clearly distinguished as a separate CGU. Reported revenue remained stable at £0.8m.

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

As outlined in the prior year, PCG revenues were expected to decline after the termination of a significant contract. The business has been refocused on its key customer base and the team's skills are being increasingly used to drive sales pipeline for the wider Group. Reported revenue for the year was £0.4m.

Financial Performance
Group revenues for the year were £10.2m (2019: £10.9m) reflecting the PCG contract loss, the Group's focus towards recurring software revenue and challenging end markets. Encouragingly, the Ingenta Commercial business has performed well increasing turnover by £0.4m.

The Group's cost of sales declined in line with revenue to deliver stable gross margins. Sales and marketing spend was reduced due to the cancellation of a significant number of trade shows in 2020. Administrative costs were broadly stable however included £0.5m of non-recurring costs relating to premises and professional fees.

No tax charge is anticipated for 2020 as the Group continues to utilise brought forward tax losses.

Financial Position
Non-current assets include goodwill and intangibles recognised on historic acquisitions. In 2020 Goodwill relates solely to the core Content platform software and the intangibles to Advertising software technology acquired in 2016. Goodwill relating to historic acquisitions is tested for impairment each year using discounted cashflows. No impairment was identified in 2020. Property, plant and equipment increases are because of additional investment in hosting

infrastructure to support the growing service offering.

Current assets have decreased compared to 2019 mainly driven by reduced debtors as the business transitions away from upfront annual billing to a more even software as a service model with monthly invoicing.

Total liabilities have also declined compared to 2019 in part because of less upfront annual billing which reduces deferred income. Further, significant creditor balances were aligned with the terminated PCG contract and these were all paid off during the year.

Cashflow
The Group generated a cash inflow from operations of £0.8m compared to £1.7m in 2019. Timing of renewal receipts is a key factor and with a transition towards software as a service, there will be less upfront annual receipts. The unwinding of the PCG contract mentioned above also yielded a net repayment of cash as Ingenta acted as the sales receivable function on the contract. Other significant cash outflows were for hosting infrastructure purchased to support the growing hosting services offering.

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 budget largely because of shortfalls on new sales targets as the Covid pandemic severely restricted activity. However, new sales activity in Ingenta Content products increased towards the end of the year.

Adjusted EBITDA was also lower than budget driven by the same new sales shortfalls mentioned above.

Year-end cash balances were only £0.1m below budget which reflects the careful management of cash throughout the pandemic.

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.

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 in the 2020 Annual 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 Group's 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.

Shareholder engagement
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 Group's 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 via a Regulatory Information Service 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 and all of the Group's RNS and RNS Reach announcements.

Employee engagement
Staff are invited to 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. 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.

Customer engagement
The Group has many customers of differing sizes 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.

Supplier engagement
The Group makes every effort to ensure our suppliers are treated fairly and paid on time and on average they are paid within 29 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.

Company culture
The Board and senior management expect everyone in the company to act in a responsible and ethical manner because the reputation of the business is key to our success. The Group 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.

Going concern
The core fundamentals of the Group remain strong with cash reserves of over £2m and no debt beyond leasing arrangements. In addition, further cost saving opportunities have been identified as the Group look to reduce their physical premises cost and associated overheads as leases naturally expire over the coming years. Management have assured themselves that cash is sufficient for the needs of the business based on the cash flow forecast.

The COVID-19 outbreak continues to add some uncertainty to financial forecasting and modelling. However, at an operating profit level, the Group's results for the first quarter of 2021 have been in line with budget. New sales activity remains subdued with the timing of any uplift difficult to predict. The Group continues to embrace established remote working practices without any significant impact to services. Any ongoing implementations and professional services can also be delivered remotely by Ingenta personnel. The internal business infrastructure is contracted with large multinational corporations and remains resilient. The Group has modelled various downside scenarios and consider it appropriate to use the going concern basis to compile these financial statements. Further details on going concern are included in the accounting policies section of the financial statements.

Outlook
The Group's core Commercial and Content software solutions provide a mission critical service enabling publishers to run their business and manage their IP assets. Recent data suggests that the publishing market has performed well during the pandemic and is forecast to continue growing. In response, the Group is actively looking to broaden service provision to customers to enable them to concentrate on core activities and capitalise on growth opportunities as they arise. The Group sees further opportunities in adjacent markets where concepts of IP and its inherent complexity are increasingly prevalent. In many cases, existing solutions often struggle to keep pace with industry changes and Ingenta believes the Group's core royalty software engine can be readily integrated to provide a robust and flexible upgrade. These factors, combined with an ongoing drive to improve efficiency, give the Board an optimistic outlook for 2021 and beyond.

Risks and uncertainties

COVID-19

The COVID-19 pandemic continues to be considered a principal risk to the business bringing with it many significant uncertainties although to date they have been successfully mitigated. 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 80% 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 has modelled various potential future scenarios including delayed cash receipts and restrictions in new sales activity and predict the business will continue to operate profitably with sufficient working capital headroom. Also, a significant amount of the Group's renewals and cash are received in the first quarter of each year and at 31 March 2021 cash balances remained over £2m.

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). 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 undertakes detailed monthly revenue forecasting and assesses risk on an ongoing basis. Customer 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 further 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 principal 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. The new product agnostic operational structure has also accelerated knowledge sharing within groups.

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
28 May 2021

Group Statement of Comprehensive Income

For the year ended 31 December 2020

	note	Year ended 31 Dec 20 £'000	Year ended 31 Dec 19 £'000
Group revenue		10,177	10,920
Cost of sales		(5,741)	(6,184)
Gross profit		4,436	4,736
Sales and marketing expenses		(671)	(819)
Administrative expenses		(3,479)	(3,502)
Impairment of intangibles and investments		-	(1,663)
Profit / (loss) from operations	2	286	(1,248)
Finance costs		(22)	(18)
Profit / (loss) before income tax		264	(1,266)
Income tax	3	7	(83)
Profit / (loss) for the year attributable to equity holders of the parent		271	(1,349)
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		41	(4)
Total comprehensive profit / (loss) for the year attributable to equity holders of the parent		312	(1,353)
Basic profit / (loss) per share (pence)	4	1.61	(7.98)
Dilutive profit / (loss) per share (pence)	4	1.55	(7.98)

All activities are classified as continuing

Group Statement of Financial Position

As at 31 December 2020

	note	31 Dec 20 £'000	31 Dec 19 £'000	1 Jan 19 £'000
Non-current assets				
Goodwill		2,661	2,661	4,324
Other intangible assets		58	158	258
Property, plant and equipment		1,119	473	583
		3,838	3,292	5,165
Current assets				
Trade and other receivables		2,226	3,219	4,627
Research and Development tax credit receivable	3	-	-	336
Cash and cash equivalents		2,323	2,600	1,323
		4,549	5,819	6,286
Total assets		8,387	9,111	11,451
Equity				
Share capital		1,692	1,692	1,692
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Share option reserve		61	23	16
Translation reserve		(839)	(880)	(876)
Retained earnings		(3,175)	(3,131)	(1,477)
Total equity		3,566	3,531	5,182
Non-current liabilities				
Deferred tax liability		12	32	52
Leases		430	206	355
		442	238	407
Current liabilities				
Trade and other payables		2,061	2,459	2,757
Deferred income		2,318	2,883	3,105
		4,379	5,342	5,862
Total liabilities		4,821	5,580	6,269
Total equity and liabilities		8,387	9,111	11,451

Group Statement of Changes in Equity
For the year ended 31 December 2020

	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
Balance at 1 January 2020	1,692	11,055	(5,228)	(880)	(3,131)	23	3,531
Dividends paid	-	-	-	-	(252)	-	(252)
Shares bought back into treasury	-	-	-	-	(63)	-	(63)
Share options granted in the year	-	-	-	-	-	38	38
Transactions with owners	-	-	-	-	(315)	38	(277)
Profit for the year	-	-	-	-	271	-	271
Foreign exchange differences on translation	-	-	-	41	-	-	41
Total comprehensive income for the year	-	-	-	41	271	-	312
Balance at 31 December 2020	1,692	11,055	(5,228)	(839)	(3,175)	61	3,566

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
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

Group Statement of Cash Flows
For the year ended 31 December 2020

	Year ended 31 Dec 20 £'000	Year ended 31 Dec 19 £'000
Profit / (loss) before taxation	264	(1,266)
Adjustments for		
Impairment of intangibles	-	1,663
Depreciation	439	372
(Profit) / loss on disposal of fixed assets	(2)	2
Interest expense	22	18
Unrealised foreign exchange differences	41	(4)
Decrease in trade and other receivables	993	1,408
Decrease in trade and other payables and deferred income	(953)	(499)
Cash inflow from operations	804	1,694
Research and Development tax credit received	-	282
Tax paid	(13)	(49)
Net cash inflow from operating activities	791	1,927
Cash flows from investing activities		
Purchase of property, plant and equipment	(200)	(132)
Net cash used in investing activities	(200)	(132)
Cash flows from financing activities		
Interest paid	(5)	(4)
Payment of lease liabilities	(550)	(213)
Dividend paid	(252)	(254)
Costs of buy back of shares into treasury	(63)	(51)
Net cash used in financing activities	(870)	(522)
Net (decrease) / increase in cash and cash equivalents	(279)	1,273
Cash and cash equivalents at the beginning of the year	2,600	1,323
Exchange differences on cash and cash equivalents	2	4
Cash and cash equivalents at the end of the year	2,323	2,600

1. Basis of preparation

The financial information of the Group set out above does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2020 has been extracted from the Group's audited financial statements which were approved by the Board of directors on 28 May 2021 and delivered to the Registrar of Companies for England and Wales following the Company's 2020 Annual General Meeting.

The financial information for the year ended 31 December 2020 has been extracted from the Group's financial statements for that period. The report of the auditor on the 2020 financial statements was unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Accounting Standards ("IASs") in conformity with the requirements of the Companies Act 2006, the International Financial Reporting Interpretations Committee ("IFRIC"), interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and adopted as at the time of preparing these financial statements, and in accordance with the provisions of the Companies Act 2006 that are relevant to companies that report under IFRSs, this announcement does not itself contain sufficient information to comply with those IFRSs. This financial information has been prepared in accordance with the accounting policies set out in the 2020 Report and Accounts and updated for new standards adopted in the current year.

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in UK sterling (£), which is the Group's presentational currency.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

The principal activity of Ingenta plc and its subsidiaries is the sale of software and ancillary services.

2. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 20 £'000	Year ended 31 Dec 19 £'000
Research and development costs	1,409	1,398
Net foreign exchange loss	40	37
Depreciation of property, plant and equipment		
- owned assets	110	92
- leasehold property	122	122
- assets under leases	107	58
Amortisation	100	100
Auditor's remuneration		
- audit fees	71	65
- taxation services	12	85
Exceptional non-recurring costs	447	513

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

	Year ended 31 Dec 20 £'000	Year ended 31 Dec 19 £'000
Profit / (loss) from operations	286	(1,248)
Add back:		
Depreciation and amortisation	439	372
Impairment of intangibles and investments	-	1,663
(Gain) / loss on disposal of fixed assets	(2)	2
Foreign exchange losses	40	37
Exceptional non-recurring costs	447	513
EBITDA before impairment, amortisation, gain / loss on disposal of fixed assets, foreign exchange gain / loss and exceptional non-recurring costs	1,210	1,339

Exceptional non-recurring costs include restructuring costs, premises exit costs, non-recurring professional fees and debt write offs.

3. Tax

	Year ended 31 Dec 20 £'000	Year ended 31 Dec 19 £'000
Analysis of (charge) / credit in the year		
Current tax:		
Current research and development tax credit - UK	-	-
Current year State tax – US	(10)	(49)
Adjustment to prior year charge - UK	(3)	(54)
Deferred tax credit	20	20
Taxation	7	(83)

The Group has unutilised tax losses at 31 December 2020 in the UK and the USA of £15.6m (2019: £15.6m) and $14.2m (2019: $15.4m) 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 $7.7m (2019: $8.7m) of the total unutilised losses at 31 December 2020.

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 20 £'000	Year ended 31 Dec 19 £'000
Profit / (loss) on ordinary activities before tax	264	(1,266)
Tax at the UK corporation tax rate of 19% (2019: 19%)	50	(241)
Expenses not deductible for tax purposes	14	297
Unrelieved UK losses carried forward	245	149
Utilisation of UK losses	(102)	(110)
Utilisation of US losses	(77)	(103)
Difference in timing of allowances	(129)	(13)
Adjustment to tax charge in respect of prior years	(8)	104
Total taxation	(7)	83

United Kingdom Corporation tax is calculated at 19% (2019: 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 681,000 ordinary shares will be issued (2019: 685,000) 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 2020 £'000	Year ended 31 Dec 2019 £'000
Attributable profit / (loss)	271	(1,349)
Weighted average number of ordinary shares used in basic earnings per share ('000)	16,834	16,908
Shares deemed to be issued in respect of share-based payments	681	685
Weighted average number of ordinary shares used in dilutive earnings per share ('000)	17,515	17,593
Basic profit / (loss) per share arising from both total and continuing operations	1.61p	(7.98)p
Dilutive profit / (loss) per share arising from both total and continuing operations	1.55p	(7.98)p

Dividends

On 2 November 2020, the Company paid a dividend of 1.5 pence per share to holders of ordinary shares.

The Directors declared their intention to pay a dividend in 2021 of 1.5 pence per share (2020: 1.5 pence).

5. 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 2020 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, including the Notice of Annual General Meeting, 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.