Ingenta plc
(the 'Group' or the 'Company')

Final Audited Results

Ingenta plc (AIM: ING) the leading provider of software and services to the global publishing industry, announces its final audited results for the year ended 31 December 2016.

Highlights

- Revenues up 9% to £15.2m (2015: £13.9m).
- Gross profit up 45% to £5.8m (2015: £4.0m).
- Pre-tax results improved by £2.8m to a profit of £0.9m (2015: loss of £1.9m).
- Adjusted EBITDA profit of £1.3m (2015: loss of £0.8m).
- Successful integration of the acquired 5 Fifteen business now branded as Ingenta Advertising.
- Gross profit is calculated after Research & Development spend of £2.2m (2015: £2.5m).
- Profit from operations is calculated after restructuring costs of £0.6m (2015: £0.4m).
- Basic earnings per share of 6.03p (2015: loss of 11.28p).
- Net cash at year end of £2.0m (2015: £2.1m).
- Cash outflow from operations £0.5m (2015: £2.6m).
- Maiden dividend of 1p per share proposed.

Chairman's statement

2016 developments

The major development in the year was the acquisition of the UK advertising software company 5 Fifteen at the end of July. The business has been successfully integrated into the Group and trades under the Ingenta Advertising brand. The purchase has allowed Ingenta to diversify its client base and extend its offering into the wider media industry which includes newspapers, magazines and other creators of content.

In order to fund the additional working capital requirements resulting from the acquisition, the Company also raised £780K before costs via the issue of 600,000 new shares in August for £1.30 a share.

Within the wider Group, performance has also been encouraging with Ingenta CMS signing up five new customers during the year and Ingenta Commercial making strong progress on its current implementations with two customers expected to go live in the first half of 2017 and one more early in the second half.

After 12 years of service, Alan Moug resigned as Chief Financial Officer and the board would like to thank him for all his efforts over that period. Jon Sheffield took over on an interim basis with effect from 1 January 2017 and his position has been confirmed with immediate effect.

Results

The audited results for the year ended 31 December 2016 reflect a substantial improvement in performance with revenues and profit markedly up on 2015. The decisions made in 2015 have played a large part in this as the product development and rebranding exercise have produced a streamlined product set that can be sold to a much wider market place. The successes within Ingenta CMS bear testament to this with strong sales growth for the recently launched GO! product offering. It is anticipated that similar results can be achieved from the Ingenta Commercial suite of products in due course.

In addition to these product developments, the restructuring program implemented mid-way through 2015 has put the business in a strong position to deliver consistent profitability and shareholder return.

Shareholders' returns and dividends

The Directors reiterated their intention to pay an interim dividend in 2017 of 1 pence per share (2015: £nil).

Outlook

I am very pleased with the results David Montgomery and his team have produced for 2016 and excited about the potential for 2017. The target for the current year is to build on these sales successes and drive the business forward. To this effect, Kathryn Layland has been appointed to EVP of Business Development and will oversee the Group's sales strategy of selling Ingenta's product lines into global markets and widening the focus to a broader range of content owners.

M C Rose
Chairman
31 March 2017

Group strategic report

2016 has been an encouraging year for the Group with significant improvements in a number of areas of the business.

Product Strategy

The decision to develop a simplified GO! offering for the Ingenta products has proved successful and will be an important factor in the strategy to target mid-tier customers. Previously, the product solutions were typically complex, bespoke software packages which required substantial development and implementation effort. GO! is a simplified and standardised solution that can be offered at a lower price point and be implemented in a shorter time scale. Full enterprise solutions will also be offered for larger clients but it is clear these will have much longer sales and implementation cycles. The acquisition of 5 Fifteen has provided the Group with a new software product in the advertising space but importantly also provides a customer base in the wider media and newspaper segment which will be focused on to drive cross selling opportunities.

Another important strategy is to optimise operational practices in all areas of the business. Flexible working practices with the use of offshore development resources combined with the transferrable skills of the existing employee base means the Group can successfully deploy products and service the growing customer base.

Key Performance Indicators

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

- Revenue versus budget at a Group and business unit level
- Adjusted EBITDA (see note 2 for calculation) versus budget at Group and business unit level
- Group cashflow versus budget

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

At year end, Group revenues were £110K better than budget largely due to the mid-year acquisition of 5 Fifteen which did not form part of the 2016 budgeting process. The Ingenta Content division revenues were down on budget by £220K because of project commencement delays. PCG revenue was £200K down on budget as a number of sales were delayed until Q1 2017. Vista revenue was £430K better than budgeted due to extra consulting service work on the client base. Ingenta Commercial revenues were also affected by delayed project commencement dates and ended the year £600K down on budget. Ingenta Advertising, which was acquired from the purchase of 5 Fifteen, was not part of the budget and added £706K to revenue in the year.

Adjusted EBITDA numbers are included in the segmental information by business unit in the Group accounts. For the Group these were £270K better than budget due to the acquired advertising business. Ingenta Content EBITDA was £220K better than budget due to delayed hiring and general cost control. PCG EBITDA was in line with budget as new hires were delayed in line with new business wins. Vista EBITDA was £490K better than budget because of the additional consulting services revenue noted above. Ingenta Commercial was £715K behind budgeted EBITDA due to delayed sales. However, all modules have now gone live and are ready for sale.

Year-end cash balances were £600K better than budgeted mainly due to temporary timing differences as the 2017 annual renewals process was completed in good time allowing invoices to go out in Q4.

Financial Performance

Group revenues for the year have increased by £1.3m to £15.2m (2015: £13.9m). There have been several factors behind this growth including new sales wins, successful project implementations and growth via acquisition. Further details of this are included in the business unit review section below.

Elsewhere, the restructuring program initiated in 2015 has helped manage the cost base of the business which is illustrated by the savings in cost of sales, sales and marketing expenses and administration expenses. Profit from operations stands at £0.7m (2015: loss £1.5m), an improvement of £2.2m on the reported loss in 2015.

The Group's joint venture (JV) in China, Beijing Ingenta Digital Publishing Technology, has also performed well in the year. The Group holds a 49% stake in the JV and its share of reported profit was £170K as opposed to a loss of £100K in 2015. The driver behind this was increased revenues as the JV made good progress on its software implementations.

Finance costs within the business have been reduced substantially as the raising and offer in mid-2015 allowed repayment of interest-bearing debt. The finance costs in 2016 relate to finance leases.

A tax credit of £150K (2015: £405K) is included in the results for the year and relates to money expected to be received under the research and development tax credit scheme. The claim has been calculated in the same way as prior years and is subject to HMRC approval.

Financial Position

Non-current assets within the Group have increased by £1.8m. The main contributor to this increase was the goodwill and intangibles created because of the acquisition of 5 Fifteen. The intangibles relate to the software technology acquired and were valued at £0.5m using a discounted cashflow model. These are being amortised over 5 years. £1.1m of goodwill was also recognised on consolidation of the 5 Fifteen business. This was tested for impairment using discounted cashflows.

Current assets have decreased compared to 2015. The key factor in this, was the Group's decision to pay down all overdrafts. In prior years, large positive cash balances were offset by substantial overdraft positions which were reported in current liabilities. The reduction in the R&D tax debtor has arisen because of the improved trading performance in the year – current year losses in prior years augmented the value of the credit. Trade debtors were also higher at the end of 2016 as several project milestones were met allowing invoices to be raised. In addition, year-end accrued revenue balances were also higher than in prior years because of the acquisition of 5 Fifteen and its associated balances.

During the year, 600,000 shares were issued at £1.30 per share. This has resulted in the Share capital and Share premium increases in 2016.

As noted above, the Group paid down its overdrafts in the year and this has reduced reported borrowings in 2016. Trade and other payables includes additional accruals at the end of 2016 for contingent payments on the acquisition of 5 Fifteen.

Cashflow

At year end, the Group's cash balances have remained steady closing with a balance of £2.0m. Cash outflows from operations have improved by £2.2m compared to 2015. The key factor behind this improvement is the profitable trading in the year. Elsewhere, the business successfully raised £780K from a share issue in the year and £460K of this was spent on the acquisition of 5 Fifteen (net of acquired cash balances). Another important development in 2016 was the substantial reduction in interest costs which were down from £425K in 2015 to £33K in 2016. The R&D tax credit of £390K was received in the year and the estimate for 2016 is a further £150K although this is subject to HMRC approval.

Business Unit Review

Ingenta Commercial

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

2016 has been a year of significant progress. The team have 3 go-lives planned for 2017, two in the first half of 2017 and another early in the second half. The first of these go lives signals the completion of the last major product offering of the Commercial division, "order to cash". This is a referenceable client which we believe will open future sales opportunities. In addition to this, the onerous contract disclosed in prior years was successfully resolved in 2016. All provisions made in prior years were sufficient and have been fully released. There is no longer a burden on the business going forward into 2017.

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.

The Content team have won 5 new customers in 2016 and this success has been augmented by the widened product offering which now includes a full Content Management Solution (CMS) solution as well as a simpler GO! offering. The first sale of GO! was in South Africa where Ingenta has no local presence and the implementation was performed remotely. This has proven that GO! can be sold and deployed to a much wider audience which dramatically extends our addressable market. This deployment was also cloud based, meaning the solution is not reliant on our UK and USA hosting centres, which further enhances the market reach of the product.

Ingenta Advertising

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

The 5 Fifteen business was acquired at the end of July 2016 and formed the new Ingenta Advertising division. The division contributed £700K to reported Group revenues and has a strong pipeline with most new prospects purchasing the software as a service (SaaS), deployed in the cloud. Prior to acquisition, 5 Fifteen operated predominantly in the newspaper and magazine space though now have a live academic client on their platform. The academic market is already a primary space for Ingenta so the integration of the business will provide much wider market opportunities.

PCG

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

Revenues and profitability have improved compared to those reported in 2016 and the division has undergone a restructuring exercise to reduce risk. Several new clients were signed in 2016, some of which were outside of the traditional academic publishing market which has broadened the client base and opened new sales opportunities. The outlook for 2017 remains positive with several renewals and new business wins already being confirmed.

Vista

Vista provides services to support the author2reader publishing management system.

The Vista business remains core to the Group going forward recording revenues of £6.7m whilst also maintaining healthy profitability. Time based service utilisation rates are high within the division and Vista staff are now increasingly working on Ingenta Commercial projects as the business looks to benefit from their wealth of experience in the wider Group.

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.

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 risk as the development is usually fixed price or discounted to encourage the customer to purchase the product and in the knowledge that any development will enhance the product and be able to be re-sold. The risk is that the development will over-run or not be able to be delivered in the way envisaged at the time of contract. Management take care to fully scope these development projects and use developers who understand the products and the costs of building bespoke elements.

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

Outlook

The business is now well positioned for growth in 2017 after a solid set of results. The GO! product strategy has proved successful in the Ingenta Content space with 5 new customer wins. These deployments are in the cloud and can be implemented in any geographical area as they do not require a local presence. Now that all the modules of Ingenta Commercial are live the same strategy can be followed in this division, particularly so in the mid-market tier where there are a significant number of opportunities.

On behalf of the Board.

D R Montgomery

Chief Executive Officer

31 March 2017

Group Statement of Comprehensive Income
For the year ended 31 December 2016

	note	Year ended 31 Dec 16 £'000	Year ended 31 Dec 15 £'000
Group revenue		15,204	13,941
Cost of sales		(9,371)	(9,908)
Gross profit		5,833	4,033
Sales and marketing expenses		(1,290)	(1,494)
Administrative expenses		(3,827)	(4,055)
Profit / (loss) from operations	2	716	(1,516)
Share of profit / (loss) from equity accounted investments	3	170	(100)
Finance costs		(25)	(288)
Profit / (loss) before income tax		861	(1,904)
Income tax	4	138	472
Profit / (loss) for the year attributable to equity holders of the parent		999	(1,432)
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		15	16
Total comprehensive income \ (loss) for the year attributable to equity holders of the parent		1,014	(1,416)
Basic earnings \ (loss) per share (pence)	5	6.03	(11.28)
Dilutive earnings \ (loss) per share (pence)	5	5.98	(11.28)

All activities are classified as continuing

Group Statement of Financial Position
As at 31 December 2016

	note	31 Dec 16 £'000	31 Dec 15 £'000	31 Dec 14 £'000
Non-current assets				
Goodwill and other intangible assets		4,900	3,737	3,737
Other intangible assets		458	-	-
Property, plant and equipment		203	239	363
Investments accounted for using the equity method	3	368	198	298
		5,929	4,174	4,398
Current assets				
Trade and other receivables		5,385	4,234	4,377
Research and Development tax credit receivable	4	150	405	400
Cash and cash equivalents		2,027	8,807	2,790
		7,562	13,446	7,567
Total assets		13,491	17,620	11,965
Equity				
Share capital		1,692	1,632	841
Share Premium		8,999	8,294	-
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(871)	(887)	(904)
Retained earnings		(10,240)	(11,239)	(9,807)
Investment in own shares		-	(1)	(6)
Total equity		5,407	3,626	(4,049)
Non-current liabilities				
Borrowings		-	-	1,500
Deferred tax liability		92	-	-
Finance leases		35	69	134
		127	69	1,634
Current liabilities				
Trade and other payables		4,349	3,601	5,226
Deferred income		3,608	3,594	3,585
Borrowings		-	6,730	5,569
		7,957	13,925	14,380
Total liabilities		8,084	13,994	16,014
Total equity and liabilities		13,491	17,620	11,965

Group Statement of Changes in Equity

For the year ended 31 December 2016

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

For the year ended 31 December 2015

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2015	841	-	11,055	(5,228)	(903)	(9,807)	(7)	(4,049)
Employee Share Ownership Trust transactions	-	-	-	-	-	-	6	6
Share issue	791	8,294	-	-	-	-	-	9,085
Transactions with owners	791	8,294	-	-	-	-	6	9,091
Loss for the year	-	-	-	-	-	(1,432)	-	(1,432)
Other comprehensive expense:								
Exchange differences on translating foreign operations	-	-	-	-	16	-	-	16
Total comprehensive expense for the year	-	-	-	-	16	(1,432)	-	(1,416)
Balance at 31 December 2015	1,632	8,294	11,055	(5,228)	(887)	(11,239)	(1)	3,626

Group Statement of Cash Flows
For the year ended 31 December 2016

	Year ended 31 Dec 16 £'000	Year ended 31 Dec 15 £'000
Profit / (loss) before taxation	861	(1,904)
Adjustments for		
Share of (profit) / loss from joint venture	(170)	100
Depreciation	234	233
(Profit) / loss on disposal	(1)	3
Interest expense	25	288
Unrealised foreign exchange differences	16	16
(Increase) / Decrease in trade and other receivables	(650)	143
(Decrease) / increase in trade and other payables	(773)	(1,494)
Cash outflow from operations	(458)	(2,615)
Research and Development tax credit received	390	467
Tax paid	(5)	-
Net cash outflow from operating activities	(73)	467
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(460)	-
Purchase of property, plant and equipment	(69)	(9)
Net cash used in investing activities	(529)	(9)
Cash flows from financing activities		
Interest paid	(33)	(425)
Repayment from short term borrowings	-	(2,550)
Payment of finance lease liabilities	(165)	(146)
Costs associated with share raising	(15)	(396)
Share raising proceeds	780	9,487
Net cash from / (used in) financing activities	567	5,970
Net increase / (decrease) in cash and cash equivalents	(35)	3,813
Cash and cash equivalents at the beginning of the year	2,077	(1,729)
Exchange differences on cash and cash equivalents	(15)	(7)
Cash and cash equivalents at the end of the year	2,027	2,077

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2015 annual report and financial statements. These remain unchanged for the year ended 31 December 2016.

2. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 16 £'000	Year ended 31 Dec 15 £'000
Research and development costs	2,208	2,535
Net foreign exchange (profit) / loss	(288)	42
Depreciation of property, plant and equipment		
- owned assets	94	74
- assets under finance leases	139	159
Operating lease rentals:		
- land and buildings	303	316
- other	61	69
Auditor's remuneration	142	73
Restructuring costs	608	400

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

	Year ended 31 Dec 16 £'000	Year ended 31 Dec 15 £'000
Profit / (loss) from operations	716	(1,516)
Add back:		
Depreciation	234	233
(Profit) / loss on disposal of fixed assets	(1)	3
Restructuring costs	608	400
Foreign exchange (profits) / losses	(288)	42
EBITDA before profit / loss on disposal of fixed assets, foreign exchange profits / losses and restructuring costs	1,269	(838)

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 16 £'000	As at 31 Dec 15 £'000
Assets	1,974	1,571
Liabilities	(1,223)	(1,164)

	Year ended 31 Dec 16	Year ended 31 Dec 15
Revenues	2,080	1,395
Profit / (loss)	350	(205)
Revenue attributable to the Group	1,019	684
Profit / (loss) attributable to the Group	170	(100)

Changes in equity accounted investments

	Year ended 31 Dec 16 £'000	Year ended 31 Dec 15 £'000
Cost of 49% investment in BIDPT	198	298
Retained profit / (loss) attributable to the Group	170	(100)
Investment book value	368	198

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

4. Tax

	Year ended 31 Dec 16 £'000	Year ended 31 Dec 15 £'000
Analysis of credit in the year		
Current tax:		
Current research and development tax credit - UK	150	405
Current year State tax – US	(5)	-
Adjustment to prior year charge - UK	(15)	67
Deferred tax credit	8	-
Taxation	138	472

The Group has unutilised tax losses at 31 December 2016 in the UK and the USA of £15.0m (2015: £15.1m) and $17.8m (2015: $16.4m) 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 as a result of change of control legislation. Losses carried forward from the change of control in April 2008 are restricted and must be used within 20 years. The Board believes the Group will be able to make use of $10.8m (2015: $9.9m) of the total unutilised losses at 31 December 2016.

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 16 £'000	Year ended 31 Dec 15 £'000
Profit / (loss) on ordinary activities before tax	861	(1,904)
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	172	(386)
Expenses not deductible for tax purposes	4	5
Additional deduction for Research and Development expenditure	(311)	(307)
Surrender of losses Research and Development tax credit refund	55	143
Unrelieved UK losses carried forward	47	50
Utilisation of US losses	(105)	-
Difference in timing of allowances	17	12
Adjustment to tax charge in respect of prior years	15	(67)
Refund of deferred tax liability	1	-
Effect of foreign tax rates	1	-
Unrelieved China losses carried forward	(34)	20
Unrelieved Brazilian losses carried forward	-	3
Unrelieved US losses carried forward	-	55
Total taxation	(138)	(472)

United Kingdom Corporation tax is calculated at 20.00% (2015: 20.25%) 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 134,000 ordinary shares will be issued (2015: none) in respect of share options. There were none in 2015 because the Group held enough unallocated shares within the Employee Share Ownership Trust ('ESOT') to fulfil their exercise. For the year ended 31 December 2015, almost all outstanding options had an exercise price in excess of the average market price in the year, therefore there is no material dilutive impact from options granted and the basic and diluted earnings per share figures are the same.

	Year ended 31 Dec 2016 £'000	Year ended 31 Dec 2015 £'000
Attributable profit / (loss)	999	(1,432)
Weighted average number of ordinary shares used in basic earnings per share ('000)	16,568	12,696
Shares deemed to be issued in respect of share based payments	134	-
Weighted average number of ordinary shares used in dilutive earnings per share ('000)	16,702	12,696
Basic profit / (loss) per share arising from both total and continuing operations	6.03p	(11.28p)
Dilutive profit / (loss) per share arising from both total and continuing operations	5.98p	(11.28p)

6. Acquisitions

On 28th July 2016, the Group acquired 100% of the issued share capital of UK based advertising software company 5 Fifteen Limited, thereby obtaining control. The purchase will allow Ingenta to strengthen its product portfolio and strategically build on its existing plans to diversify its client base, extending its offering into the wider media industry as well as trade and academic publishers.

Details of the business combination are as follows:

	Year ended 31 Dec 2016 £'000
Fair value of consideration transferred	
Amount settled in cash	490
Fair value of contingent consideration	500
Total	990
Recognised amounts of identifiable net assets	
Property, plant and equipment	16
Intangible assets	500
Total non-current assets	516
Trade and other receivables	499
Cash and cash equivalents	30
Total current-assets	529
Provisions	(75)
Total non-current liabilities	(75)
Trade and other payables	(188)
Deferred income	(855)
Deferred tax	(100)
Total current liabilities	(1,143)
Identifiable net liabilities	173
Goodwill	1,163
Consideration transferred settled in cash	490
Cash and cash equivalents acquired	(30)
Net cash outflow on acquisition	460

Consideration transferred

The acquisition of 5 Fifteen was settled in cash amounting to £490K and an additional consideration of up to £500K payable only if sales exceed a target set by both parties in 2016 and 2017. The additional consideration will be payable after 31 December 2017 and could be in the range of no further payment up to a maximum of £500K. At the date of acquisition management believe the acquired business will exceed the targets set and reach the maximum pay out based on the available forecasts. Legal fees of £35K were incurred as part of the transaction and are included within administrative expenses in the Group Statement of Comprehensive Income.

Identifiable net assets

The fair value of trade and other receivables acquired as part of the business combination amounted to £499K which included a provision against bad debts of £2K.

Goodwill
Goodwill of £1,163K is primarily related to future profitability, the substantial skill and expertise of the 5 Fifteen workforce and expected cost synergies. Goodwill has been allocated to a new Advertising segment of the wider Ingenta Group.

5 Fifteen's contribution to Group results
Over the 5 months to 31 December 2016, 5 Fifteen contributed £706K to Group revenues and £270K to Group EBITDA.

Deferred tax Liability
On consolidation, a deferred tax liability of £100K was recognised in respect of the software technology intangible asset. During the year £8K was credited to the Statement of Comprehensive income.

7. Share options

The Group have an unapproved Executive Management Incentive (EMI) share option scheme and had an approved scheme which closed in 2015. Further details on both schemes are detailed below.

Unapproved EMI scheme

This scheme is part of the remuneration package of the Group's senior management. Options will vest if certain conditions, as defined in the scheme, are met. It is based on group performance compared to budget over the next 3 years. One third of the options will vest at the end of 2016 and each of the subsequent 2 years. In addition, participating employees have to be employed at the end of each period to which the options relate. Upon vesting, each option allows the holder to purchase ordinary shares at the market price on date of grant.

Share options and weighted average exercise prices are as follows:

	Number of shares	Weighted average exercise price per share (£'s)
Outstanding at 1 January 2016	-	-
Granted	556,000	1.27
Lapsed	(155,000)	1.27
Outstanding at 31 December 2016	401,000	1.27

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
Vesting period ends	31 Dec '16 31 Dec '17 31 Dec '18	31 Dec '16 31 Dec '17 31 Dec '18	31 Dec '16 31 Dec '17 31 Dec '18
Share price at grant	£1.27	£1.27	£1.32
Volatility	26%	26%	16%
Risk free investment rate	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

The underlying volatility was determined with reference to the historical data of the Company's share price.
In total £50K (2015: £nil) of employee remuneration expense has been included in the profit for the year and credited to retained earnings.

Approved scheme

The Group had an approved option scheme, which was an HM Revenue and Customs approved scheme, available to eligible Directors and employees. As at 31 December 2016, no options are outstanding which have been granted and not exercised or lapsed. (2015: Nil, 2014: 5,100).

The change from 31 December 2014 is due to options lapsing as they reached the 10th anniversary of the grant date during the year, due to staff ceasing to be eligible employees or due to options lapsing due to criteria for their vesting not being met. No charge has been made for the year under IFRS 2 as the Directors do not consider there is a material impact on the reported result.

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

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 2016 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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