

Registered no: 837205

Ingenta plc  
Annual report  
for the year ended 30 September 2001



# **Ingenta plc**

## **Annual report for the year ended 30 September 2001**

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## **Directors and Advisors**

### **Executive Directors**

Mark Rowse, Chief Executive  
David Callcott, Finance Director  
Simon Dessain, Chief Technology Officer

### **Non-Executive Directors**

Martyn Rose, Chairman  
David Embleton  
Ward Shaw

### **Company Secretary**

David Callcott

### **Registered Office and Head Office**

3-4 Riverside Court  
Lower Bristol Road  
Bath  
BA2 3DZ

### **Auditors**

PricewaterhouseCoopers  
9 Greyfriars Road  
Reading  
RG1 1JG

### **Bankers**

Lloyds TSB Bank plc  
PO Box 112  
Canons House  
Canons Way  
Bristol  
BS99 7LB

Coutts & Co.  
440 Strand  
London  
WC2R 0QS

### **Registrars**

Connaught St Michaels Limited  
Cresta House  
Alma Street  
Luton  
Bedfordshire  
LU1 2PU

### **Stockbrokers**

Old Mutual Securities  
Old Mutual Place  
2 Lambeth Hill  
London  
EC4V 4GG

## **Chairman's Statement 2001**

The Board is pleased to report that Ingenta generated profits ahead of schedule in the month of September. During the year to 30 September 2001 the Company continued to experience rapid sales growth in all its core markets, as well as a change in the mix of its business that led to and will sustain higher margins and profitability at lower levels of turnover growth going forward.

### **Results**

During the period, turnover increased by 130% to £9.9m (2000: £4.3m). This includes a contribution from CatchWord, which the Company acquired with effect from 1 February 2001, amounting to some 15% of the Company's turnover in the period. Gross profits were up by 161% to £8.1m (2000: £3.1m). Gross margins increased markedly from 72% to 82%, reflecting increased efficiency and greater relative contribution from the high margin Specialist Websites business. EBITDA loss before non-recurring items was £4.5m, which was in line with expectations.

As a result of growth rates exceeding expectations, a decision was taken during this period to make an additional investment in the Company's technology platform to significantly expand its scalability. The costs of this investment, together with the costs involved in integrating acquired businesses, have been fully provided for in 2001, resulting in integration and non-recurring costs of £5.9m and contributing in part to the reduction of cash balances to £2.2m. In addition, Pay-Per-View sales were held back for a short period in the second half while this process was completed, but these are now again showing strong growth. As a result of this investment the Company should be able to sustain further growth with higher margins and lower operating costs than previously anticipated. The Board believes that the Company's cash resources are sufficient for its foreseeable trading needs.

### **People**

Principally as a result of the CatchWord acquisition, the number of staff grew to 217 compared with 168 at the September 2000 year-end. The Board is confident that this overall level of staffing will be broadly sufficient to sustain the Company's plans for the foreseeable future.

To have managed and integrated the acquisition of a major competitor while continuing to produce rapid and accelerating organic growth is a very considerable achievement. The staff and management at every level should be proud of what has been achieved and on the Board's behalf I would like to thank everyone for their dedication and effort.

### **Board appointment**

The Board is pleased to announce the promotion to the Board of Simon Dessain, Chief Technology Officer, with effect from 1 January 2002. Simon has 21 years experience in the IT industry and will continue to make a significant contribution to the management and progress of the Company.

### **Prospects**

With only around 10% of published scientific, professional and academic research currently available in online format, the potential for Ingenta, with its first mover advantage and market leadership, remains significant.

Since the year-end, the Company has continued to move ahead with current trading levels in all areas of the business continuing to show substantial growth, both in terms of turnover and gross profits. With over 50% of expected revenue for this year already either contracted or repeat business, the Board is confident of the outcome for the year ahead.



**Martyn Rose**  
Chairman  
16 January 2002

## **Chief Executive's Review**

2001 was another exciting year for Ingenta which saw us move strongly ahead in all our core activities. Ingenta's revenue is derived from three core areas, namely:

- 1) Fees from scientific, professional and academic publishers and self-publishing societies for the conversion of 'raw' data into a Web usable format, and the hosting and distribution of that content over the Internet – **Publisher Services**;
- 2) Fees from scientific, professional and academic publishers, self-publishing societies and libraries for the development and maintenance of custom-developed websites, and a share of subscriptions paid to access those websites – **Specialist Websites**; and
- 3) Revenue from information professionals and researchers on a per article basis for downloading material to which they do not currently have access – **Pay-Per-View**.

The Company has long-term contracts with many of its customers, which provides it with a highly visible and sustained income stream. Additionally, around 80% of Pay-Per-View transactions are debited against pre-paid and corporate accounts.

### **Developments during the year**

#### **Publisher Services**

By acquiring CatchWord, which was fully integrated into Ingenta's business during the year, the Company gained supplementary proprietary software, enabling it to provide publishers with additional services and greater added value in converting 'raw' data into an intelligent format for use on the Web, particularly in terms of cross-referencing. This broader service offering has enhanced Ingenta's appeal to the many small and medium-sized scientific, professional and reference publishers who find in-house data conversion uneconomical. This is reflected in the number of publishers working with Ingenta rising from 72 a year ago to 183 at the year-end, bringing the number of publications handled by Ingenta to over 5,400 titles, from a potential market of some 11,000 publishers providing around 100,000 titles.

#### **Specialist Websites**

To date, Ingenta has been contracted to develop and maintain 163 Specialist Websites, with a further 24 already in the pipeline. This service represented 53% of Ingenta's overall turnover, an increase from the 45% contribution in the previous year. The market for building and maintenance of Specialist Websites on behalf of publishers, self-publishing societies and libraries is significant, with this service likely to be of benefit to over 20,000 further potential customers. Typical build fees range from £10,000 to over £1m, and recent site launches include [www.ency-astro.com](http://www.ency-astro.com) and [www.els.net](http://www.els.net) for Macmillan Publishers and [ww.heinemannexplore.com](http://ww.heinemannexplore.com) for Reed Educational Publishing.

#### **Pay-Per-View**

The process of merging the [ingenta.com](http://ingenta.com) and [catchword.com](http://catchword.com) Web services is now well underway, providing access to over 2.5 million online articles. This has contributed to rapid growth in usage of the sites, with the number of user sessions in September 2001 more than doubling over the previous year.

A more detailed review of each of these three main areas of activity follows.

## Publisher Services

Ingenta provides publishers of scientific, professional and academic research with a comprehensive set of solutions for leveraging the Web as a global distribution and marketing channel.

### The market

The rise of electronic publishing has impacted every part of the publishing value chain. In this segment of the publishing industry, the user community – libraries and researchers worldwide – are increasingly demanding that information that has traditionally only been provided in a print format is now made available to them online, whenever and wherever they need it. In the academic and professional world, where fast access to the right information is vital, the researcher's first response is to go online in search of the answers.

This presents publishers of this kind of content – journals, reports, newsletters and statistics, which are usually sold on an annual subscription – with a particular set of challenges as they migrate that content online.

### What we do

Ingenta provides commercial publishers, self-publishing societies, university presses, associations and non-governmental organisations with the solutions they need to convert and distribute their content online. This has involved the creation of a suite of software tools and online services in which Ingenta continues to invest. During the year, the Company has extended its menu of services to include:

- Content conversion: From 'raw' data such as type-set files to a variety of Web-friendly formats.
- Content hosting: Hosting and maintaining the online versions of millions of research articles.
- Access control: Enabling print subscribers to view the content for free and setting up Pay-Per-View for non-subscribers.
- Distribution: To millions of users a month from corporate and academic institutions, both through downloading via [ingenta.com](http://ingenta.com) and through Specialist Websites.
- Marketing: In addition, through our subsidiary PCG, we provide marketing and licensing services to publishers.

### Revenues

Publishers are charged annual fees per title based on the menu of services they select, together with a set-up fee in the first year.

Contracts are generally set for a three year period, which gives Ingenta strong forward visibility for future revenues.

At the year-end, Ingenta had contracted 183 publishers representing around 5,400 publication titles, a 154% increase during the year.

### Growth drivers

- Potential market: With only 7,000 of around 100,000 publications in the scientific, professional and academic research market online, the scope for growth remains considerable.
- First mover advantage: As market leader, with over ten times as many titles as our nearest competitor, Ingenta is well-placed to build on its first mover advantage.
- Market demand: Researchers and libraries are increasingly demanding to access research content online.
- Market leadership:
  - Increasingly, publications that are not online are suffering because they are less visible and accessible.
  - As publishers consider their options for online delivery and global distribution, they are increasingly drawn to Ingenta as a partner focused on meeting their needs, and already working with many of their peers. These include nine of the ten largest publishers in this niche, and over 70% of all the publications that are online in this market.

## Specialist Websites

Ingenta creates and maintains Specialist Websites on behalf of the publishers of scientific, professional and academic research and the consumers of that research – academic and corporate libraries.

### The market

The Web offers two distinct ways of finding information: searching and browsing across a broad collection of content using 'search engines' such as Google or [ingenta.com](http://ingenta.com) – and the customised searching of a more focused collection of information via Specialist Websites. Researchers interested in specific topics value the ability to access research articles and associated community information via a Specialist Website.

In addition, information professionals are increasingly seeking to create their own Web presence to bring together within a single website the collection of online and links to offline resources which they provide for their colleagues.

### What we do

Ingenta provides the content and the technology to create and maintain a range of Specialist Websites for publishers:

- A branded publication website, such as <http://www.pubs.royalsoc.ac.uk>
- A highly customised reference website, such as <http://www.ency-astro.com>
- Collection websites bringing together a range of content, such as <http://content.naturesj.com>
- Topic-based websites, such as <http://www.animalscience.com>

Specialist sites are also created for libraries who wish to view research material within a customised and library branded website. These Library Gateways offer collection management tools and usage statistics to enable the information professional to manage and monitor Pay-Per-View purchasing of articles by their patrons. Many of our Specialist Website clients are also customers within the Publisher Services and Pay-Per-View areas of our business.

### Revenues

Fees for building Specialist Websites range from under £10,000 to over £1m, depending upon the level of customisation and other services. In addition, an annual fee is charged for ongoing hosting and maintenance.

In many cases, Ingenta also benefits from a share of the annual subscription charged for access to the website.

During the year, the number of Specialist Websites run by Ingenta increased by 128% to 163, with a further 24 in the pipeline. Agreements are generally between three to five years, which again gives strong forward visibility of revenues.

### Growth drivers

- Competitive advantage: Ingenta is a market leader, and has already invested in a range of technology solutions which meet the particular needs of content providers and consumers within the specialist field of research information.
- Sophisticated access control: Technology developed by Ingenta gives it an advantage in providing access to high-value research content. Ingenta has already registered thousands of institutions and hundreds of thousands of individuals worldwide, controlling access and determining on behalf of publishers who can and who cannot access content for free.
- Wealth of content: Ingenta can provide access to a huge range of high-value content across many scientific, professional and academic disciplines for integration within Specialist Websites – creating new distribution opportunities for its publisher clients.
- Market size: Potentially every one of the 20,000 plus publishers, societies, associations and libraries in this market could benefit from creating Specialist Websites.

### Pay-Per-View

Ingenta provides information professionals and researchers with a comprehensive way of searching for and purchasing articles across their specialist research discipline.

## The market

Demand for instant results – particularly within the corporate field of R&D – is influencing a ‘just-in-time’ rather than a ‘just-in-case’ mentality within libraries and research departments. Researchers are increasingly seeking a comprehensive view of research within their discipline – delivered to their desktop. Information professionals are meeting their needs through enabling the researcher to buy individual articles online.

## What we do

Ingenta provides information professionals and researchers with tools to allocate and manage budgets and purchase over 12 million articles for online or fax delivery.

In addition, if the researcher or organisation is already a print subscriber to the publication, Ingenta enables viewing of over 2.5 million of these articles for free.

To assist libraries and individuals in administering the purchase of articles, Ingenta offers deposit and debit accounts. Over 80% of articles are currently purchased against a deposit or debit account, while the remainder are paid by credit card online.

## Revenues

The cost of an article purchased by Pay-Per-View includes a royalty fee paid back to the publisher. The predominance of article purchase against deposit or debit account gives Ingenta an unusually high level of forward visibility even in predicting Pay-Per-View revenue.

## Growth drivers

- Comprehensive: ingenta.com is positioned as the most comprehensive service of its kind, offering access to over 70% of all available online research articles.
- Emergence of the ‘article economy’: The tendency for ‘just-in-time’ article purchase by institutions, companies and individuals is expected to be a continuing trend.
- Devolution of library budgets: Using our tools, budgets can be devolved to individual researchers, removing barriers to purchase, but retaining the ability for monitoring of expenditure by the library or department.
- Increasing usage: As researchers and librarians increasingly use ingenta.com as a source for locating and accessing of articles of interest, they purchase more of those articles on a Pay-Per-View basis.

## Prospects

During 2001 we established a solid, scaleable technology base, a comprehensive service offering and a strong market position. With substantial levels of contracted and repeat business, and a strong pipeline of prospects, we are well placed to take advantage of continuing rapid growth in all our key markets in 2002.



**Mark Rowse**  
Chief Executive  
16 January 2002

## **Financial Review**

In our first full year as a public company Ingenta has continued to grow rapidly while successfully integrating acquired businesses.

### **Operating results**

Revenues grew by 130% to £9.9m while gross profit increased by 161% to £8.1m.

While all areas experienced growth during the year, the Specialist Websites area of the business grew most rapidly, representing some 53% of turnover (2000: 45%).

Operating losses before goodwill amortisation and one-off costs totalled £5.5m which was in line with expectations.

During the year the Company incurred integration costs of £3.8m and spent a further £2.1m in one-off costs re-engineering and re-launching its core technology platform. In addition goodwill amortisation of £5.2m was charged to the profit and loss account.

### **Taxation**

A tax credit of £135k arose during the year relating to an amount receivable under the Research and Development Tax Credit Scheme introduced in the Finance Act 2000.

The Group has unutilised tax losses at 30 September 2001 totalling £11.1m.

### **Shareholders' returns and dividends**

The share price at 30 September 2001 was £1.21 giving the Company a market capitalisation of £66m.

The Directors do not recommend the payment of a dividend.

### **Balance sheet and cash**

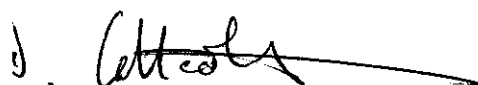
Shareholders' funds totalled £20m at the year-end.

Intangible assets increased by £11.8m during the year. Goodwill net of amortisation relating to the acquisition of CatchWord during the year totalled £14.2m at 30 September 2001.

During the year £9.8m was absorbed by operations, £1.3m was used for capital expenditure and £1.1m was spent on acquisitions. This was offset by a placing of 2.5 million new ordinary shares in October 2000 which raised £6.7m net of expenses.

### **Treasury**

The Company's policy with regard to cash balances is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise interest earned while maintaining sufficient funds to meet day to day requirements.



**David Callcott**  
Finance Director  
16 January 2002

## **Directors' Report**

The Directors present their report and the audited financial statements for the year ended 30 September 2001.

### **Principal activity**

The Group's principal activity is the provision of internet-based electronic hosting and delivery services and marketing services for publishers of research material and others and the delivery of internet-based search and access services for libraries and individual users of that material.

### **Review of business and future developments**

A review of the business, its results and future direction is included in the Chairman's Statement on page 2, the Chief Executive's Review on pages 3 to 5 and the Financial Review on pages 6 to 7.

### **Results and dividends**

The Consolidated Profit and Loss Account for the year is set out on page 17.

The Directors do not recommend the payment of a dividend (2000: £nil).

### **Directors**

The Directors of the Company during the year were:

#### **Executive Directors**

M A Rowse, Chief Executive  
D W Callcott, Finance Director  
S J Dessain was appointed on 1 January 2002.

#### **Non-Executive Directors**

M C Rose, Chairman  
D T Embleton  
W E Shaw

The interests of Directors in the shares of the Company at 30 September 2001 are disclosed in the Report of the Remuneration Committee on pages 13 to 14.

### **Corporate Governance**

Details of Corporate Governance and the Company's compliance with the Combined Code for the year to 30 September 2001 are given on pages 10 to 12.

### **Research and development activities**

The Group carries out research and development activities in connection with web delivery, access control and linking technologies. All costs relating to these activities are written off to the profit and loss account as incurred.

**Substantial shareholdings**

At 7 January 2002 the Company had been notified of the following shareholders who are interested, directly or indirectly, in three percent or more of the issued share capital of the Company:

	Number of ordinary £0.05 shares	Percentage of issued ordinary share capital
Clydesdale Bank Custodian Nominees Limited	6,153,300	11.2
Mark Rowse	5,867,558	10.6
University of Bath	5,000,767	9.1
Pershing Keen Nominees Limited	3,545,277	6.4
Nutraco Nominees Limited	2,796,712	5.1
Chase Nominees Limited	2,539,900	4.8
Publishers Services Limited	2,141,984	3.9
Chase (GA Group) Nominees Limited	1,996,256	3.6
Prudential Client HSBC GIS Nominee (UK) Limited	1,750,000	3.2

No other person has notified an interest in the ordinary shares of the Company required to be notified to the Company.

**Charitable and political contributions**

The Group made no political or charitable contributions during the year.

**Creditor payment policy**

The Group's payment policy is to negotiate with its suppliers at the time they are engaged and to abide by the terms agreed. During the year ended 30 September 2001 the Group and Company, on average, paid its creditors within 38 days of receipt of a valid invoice, (2000: 30 days).

**Employment policy**

Employees of the Group are regularly consulted by management and kept informed of matters affecting them and the overall development of the Group. The Group's policy is to give disabled people full and fair consideration for job vacancies, having due regard for their abilities and the safety of the individual. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and appropriate training is arranged.

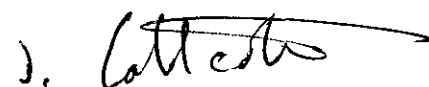
**Post balance sheet events**

There were no post balance sheet events.

**Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the Board.



**David Callcott**  
Company Secretary  
16 January 2002

## **Corporate Governance**

The Board of Directors is accountable to the Company's shareholders for good corporate governance and the Directors support the Combined Code published in June 1998. However, being a small company with limited resources, the Directors have decided to move towards full compliance with the Code over a reasonable period of time and as appropriate for the size of business. In accordance with the Code, this section is split into two parts. The first part sets out how the Company has applied the principles and the second part deals with compliance with the provisions of the Code during the accounting period.

### **Principles of the Combined Code**

#### **Board of Directors**

Board meetings are scheduled to take place at least quarterly, with additional meetings to review and approve significant transactions. Last year ten meetings were held. There is a Company procedure which describes the matters which are reserved for the Board and all members of the Board have access to this document. The main items reserved for the Board include business acquisitions and disposals, funding requirements, major capital expenditure and reviewing the financial results. In addition, approval of the annual budget and the quarterly reforecasts is performed by the Board.

If required, the Directors are entitled to take independent advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.

The Company Secretary's services are available to all members of the Board. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

At the year-end, the Board comprised the Non-Executive Chairman, the Chief Executive, two other Non-Executive Directors and one other Executive Director. A further Executive Director was appointed on 1 January 2002. All Non-Executive Directors are independent of management although all are either shareholders, or are associated with shareholders.

Non-Executive Directors are appointed on a contract with a three month notice period and the Executive Directors are appointed on contracts with a six month notice period. All Directors are subject to re-election. Each year, one third of the Directors are subject to re-election. The Company does not combine the role of Chairman and Chief Executive.

The Board is provided with extensive Board papers, usually the week before each Board meeting.

The Remuneration Committee, the report of which is on pages 13 to 14, is composed of two Non-Executive Directors. It is responsible for the terms and conditions and remuneration of the Executive Directors and Senior Management. The Remuneration Committee may consult external agencies when ascertaining market salaries. The Chairman of the Remuneration Committee is available at the AGM to answer any shareholder questions.

The Company has established an Audit Committee comprising two Non-Executive Directors. The Audit Committee monitors the adequacy of the Group's financial controls and provides the opportunity for the external auditors to communicate directly with the Non-Executive Directors.

#### **Relations with shareholders**

The Company gives high priority to its communication with shareholders by means of an active investor relations programme. This is achieved through correspondence and extensive corporate information. In addition, the Company visits its main institutional investors on an ongoing basis and makes available, free of charge, its Interim and Annual Reports from the Company's head office or via the Financial Times Annual Report Service. At the AGM the shareholders are given the opportunity to question members of the Board. The notice of the AGM is sent to shareholders at least 20 working days before the meeting.

**Internal controls**

The Board of Directors acknowledges their responsibility for the Group's system of internal control, including suitable monitoring procedures. There are inherent limitations in any system of internal control and accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Group's control environment is the responsibility of the Group's Directors and Managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the operational management, including key risk assessment. Investment policy, acquisition and disposal proposals and major capital expenditure are authorised and monitored by the Group Board.

The Group operates a comprehensive budgeting and financial reporting system and as a matter of routine, compares actual results with budgets, which are approved by the Group Board of Directors. Management accounts are prepared for each subsidiary Company and for the Group on a monthly basis. Material variances from budget are thoroughly investigated. In addition updated forecasts are prepared, at least quarterly, to reflect actual performance and the revised outlook for the year.

The Board considered the usefulness of establishing an internal audit function and decided in view of the size of the Company it was not cost-effective to establish. This will be kept under review.

**Provisions of the Combined Code**

As stated in the introduction, the Company is obliged to report on its compliance with the detailed requirements of the Combined Code throughout the period ended 30 September 2001. Other than the provisions of the Code mentioned below, the Company believes it has complied with the provisions throughout the year.

**Internal controls**

In accordance with the Turnbull report giving guidance with reference to provision D.2.1. of the Code (effectiveness of systems of internal control) the company conducted a formal review of its internal controls during the year and the results of that review were presented to the Board on 25 October 2001.

**Training of Directors**

The Company as yet does not have a formal training procedure for new Directors as recommended by provision A.1.6.

**Senior independent Non-Executive Directors**

The Non-Executive Directors are independent of management, but will not be regarded as independent under the terms of the Combined code, due to their interests in the shares of the company. Accordingly, there is no senior independent Non-Executive Director, as recommended by provision A.2.1.

**Nomination Committee**

The Company feels that at this stage in its development it is too small to establish a separate Nomination Committee as recommended in provision A.5.1. All Board Directors have a major input to the appointment of new Directors.

**Audit Committee**

Due to the size of the Board, the Audit Committee comprises two rather than three Non-Executive Directors as recommended by provision D.3.1 of the Code. The Audit Committee has been established and the first meeting was held on 14 January 2002 at which the terms of reference were agreed and draft financial statements and effectiveness and quality of control procedures were discussed with the external auditors.

**Other matters****Going concern**

After making appropriate enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

**Statement of Directors' responsibilities**

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that period. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2001 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Ingenta plc website is the responsibility of the Directors'; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**David Callcott**  
Company Secretary  
16 January 2002

## Report of the Remuneration Committee

The Remuneration Committee comprises M C Rose and D T Embleton who are both Non-Executive Directors. The Remuneration Committee decides the remuneration policy that applies to Executive Directors and Senior Management. The Remuneration Committee meets regularly in order to consider and set the annual remuneration for Executive Directors, having regard to personal performance and industry remuneration rates. In determining that policy, it considers a number of factors including:

- (a) the basic salaries and benefits available to Executive Directors of comparable companies;
- (b) the need to attract and retain Directors of an appropriate calibre;
- (c) the need to ensure Executive Directors' commitment to the success of the Group.

Non-Executive Directors are appointed on a contract with a three month notice period and may be awarded fees in relation to the Board and Committee meetings attended. Any fees awarded to Non-Executive Directors are determined by the Board. Non-Executive Directors do participate in the Company's share option scheme, but they do not receive pension contributions.

Executive Directors are appointed on contracts with a six month notice period. The company makes contributions to an externally administered defined contribution pension scheme for two Executive Directors.

### Directors' Remuneration

	Salary & Fees £'000	Benefits £'000	Sums paid to a third party for Director's services £'000	Pension contributions £'000	2001 Total £'000	2000 Total £'000
<b>Executive</b>						
D W Callcott	86	6	-	8	100	71
M A Rowse	130	15	-	13	158	148
<b>Non-Executive</b>						
D T Embleton	-	-	-	-	-	-
M C Rose	-	-	30	-	30	30
W E Shaw	33	-	-	-	33	19
	<b>249</b>	<b>21</b>	<b>30</b>	<b>21</b>	<b>321</b>	<b>268</b>

**Directors' interests**

The interests of the directors at 30 September 2001 in the shares of the Company were as follows:

	Number of ordinary shares of £0.05 each	
	September 2001	September 2000
D W Callcott	2,500	-
D T Embleton	12,500	-
M C Rose	1,354,756	1,329,756
M A Rowse	5,867,558	5,842,558
W E Shaw <sup>1</sup>	864,494	403,578

<sup>1</sup> W E Shaw is interested by reason of his controlling shareholding in 966 Corporation Inc.

Since 30 September 2001, M C Rose has sold 250,000 shares and D T Embleton has purchased 59,000 shares.

Under the terms of an Inland Revenue approved option scheme and an executive option scheme, the Directors at 30 September 2001 had an interest in options over ordinary shares of £0.05 each of the Company, as follows:


	1 Oct 2000	Number of options Granted in the year	Exercised in the year	30 Sept 2001	Exercise price £	Date from which exercisable	Expiry date
D W Callcott	143,100	-	-	143,100	0.14	30 July 2000 <sup>1</sup>	30 July 2009
	14,310	-	-	14,310	0.70	23 Dec 2000 <sup>2</sup>	23 Dec 2009
	138,490	-	-	138,490	0.70	26 June 2000	26 June 2003
D T Embleton	-	-	-	-	-	-	-
M C Rose	286,200	-	-	286,200	0.70	26 June 2000	26 June 2003
M A Rowse	-	-	-	-	-	-	-
W E Shaw	-	-	-	-	-	-	-

<sup>1</sup> One third of the options are exercisable from 30 July 2000, another third from 30 July 2001 and the remainder from 30 July 2002.

<sup>2</sup> One third of the options are exercisable from 23 December 2000, another third from 23 December 2001 and the remainder from 23 December 2002.

No options lapsed during the year. No other Directors have been granted share options in the shares of the Company or other Group Companies.

The market price of the Company's shares at the end of the financial year was £1.21 and the range of market prices during the year was between £1.185 and £2.865.

On behalf of the board  
  
**Martyn Rose**  
 Chairman of the Remuneration Committee

## **Independent auditors' report to the members of Ingenta plc**

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes.

### **Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom auditing standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Report of the Remuneration Committee and the Corporate Governance statement.

We also, at the request of the Directors (because the Company applies the Financial Services Authority Listing Rules as if it is a company on the United Kingdom Listing Authority Official List) review whether the Corporate Governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified by the listing rules of the Financial Services Authority for review by auditors of fully listed companies, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

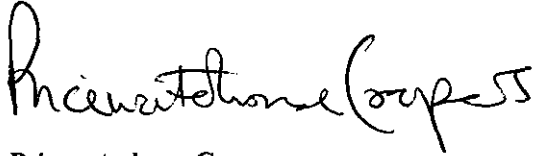
### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2001 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers". The signature is written in black ink and is positioned above the printed name of the firm.

**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Reading  
16 January 2002

## Consolidated Profit and Loss Account for the year ended 30 September 2001

	Notes	Continuing Operations		Total 2001 £'000	Total 2000 £'000
		2001 £'000	Acquisitions 2001 £'000		
<b>Turnover</b>	2	<b>8,395</b>	<b>1,467</b>	<b>9,862</b>	<b>4,319</b>
<b>Cost of sales</b>		<b>(1,664)</b>	<b>(64)</b>	<b>(1,728)</b>	<b>(1,232)</b>
<b>Gross profit</b>		<b>6,731</b>	<b>1,403</b>	<b>8,134</b>	<b>3,087</b>
Operational costs		(18,503)	(1,147)	(19,650)	(6,938)
Write-off of goodwill		-	-	-	(15,637)
Amortisation of goodwill		(2,397)	(2,836)	(5,233)	(1,467)
National insurance on share options		133	-	133	(196)
Administrative expenses	3	(20,767)	(3,983)	(24,750)	(24,238)
<b>Group operating loss</b>		<b>(14,036)</b>	<b>(2,580)</b>	<b>(16,616)</b>	<b>(21,151)</b>
<b>Share of operating profit/(loss) in joint venture</b>		<b>20</b>	<b>-</b>	<b>20</b>	<b>(1)</b>
<b>Total operating loss: group and share of joint venture</b>				<b>(16,596)</b>	<b>(21,152)</b>
Interest receivable and similar income	6				
-Group				344	260
-Joint venture				8	4
Interest payable and similar charges	7				
-Group				(98)	(69)
<b>Loss on ordinary activities before taxation</b>	2,8			<b>(16,342)</b>	<b>(20,957)</b>
Tax on loss on ordinary activities	9			135	312
<b>Loss for the financial year</b>	24			<b>(16,207)</b>	<b>(20,645)</b>
<b>Loss per 5p share</b>					
- basic and diluted	11			<b>31p</b>	52p
<b>Loss per 5p share before goodwill amortisation and write-off</b>					
- basic and diluted	11			<b>21p</b>	9p

There is no difference between the loss on ordinary activities before taxation and the loss for the years stated above and their historical cost equivalents.

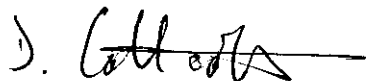
**Statement of Group Total Recognised Gains and Losses  
for the year ended 30 September 2001**

<b>For the year ended 30 Sept</b>	<b>Notes</b>	<b>2001 £'000</b>	<b>2000 £'000</b>
Loss for the financial year		(16,207)	(20,645)
Currency translation differences on foreign currency net investments	24	201	(288)
<b>Total recognised losses for the year</b>		<b>(16,006)</b>	<b>(20,933)</b>

## Consolidated Balance Sheet as at 30 September 2001

	Notes	£'000	2001 £'000	£'000	2000 £'000
<b>Fixed assets</b>					
Intangible assets	12	19,816		8,059	
Tangible assets	13	2,630	22,446	1,718	9,777
<b>Investments</b>					
Interests in joint ventures:	14				
Share of gross assets		10		174	
Share of gross liabilities		(7)	3	(142)	32
			22,449		9,809
<b>Current assets</b>					
Stocks and work in progress	15	231		-	
Debtors	16	2,160		2,029	
Cash at bank and in hand		2,233		7,718	
			4,624		9,747
<b>Creditors – Amounts falling due within one year</b>	17		(6,711)		(6,764)
<b>Net current (liabilities)/assets</b>			(2,087)		2,983
<b>Total assets less current liabilities</b>			20,362		12,792
<b>Creditors – Amounts falling due after more than one year</b>	18		(360)		(319)
<b>Provisions for liabilities and charges</b>	20		(37)		(170)
<b>Net assets</b>			19,965		12,303
<b>Capital and reserves</b>					
Called up share capital	22	2,747		2,373	
Shares to be issued	24	5,500		313	
Share premium account	24	10,245		3,194	
Merger reserve	24	11,056		-	
Reverse acquisition reserve	24	12,679		12,679	
Profit and loss account (deficit)	24	(22,262)		(6,256)	
<b>Equity shareholders' funds</b>	25		19,965		12,303

The financial statements on pages 17 to 42 were approved by the board of directors on 16 January 2002 and were signed on its behalf by:



David Callcott  
Finance Director  
16 January 2002

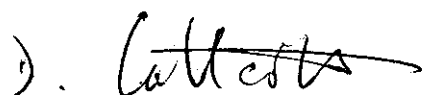


Martyn Rose  
Chairman  
16 January 2002

## Company Balance Sheet as at 30 September 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Investments	14	7,976	7,340
<b>Current assets</b>			
Debtors	16	15,452	4,594
Cash at bank and in hand		934	4,549
		16,386	9,143
<b>Creditors - Amounts falling due within one year</b>	17	(771)	(379)
<b>Net current assets</b>		15,615	8,764
<b>Total assets less current liabilities</b>		23,591	16,104
<b>Provisions for liabilities and charges</b>	20	(37)	(170)
<b>Net assets</b>		23,554	15,934
<b>Capital and reserves</b>			
Called up share capital	22	2,747	2,373
Shares to be issued	24	227	313
Share premium account	24	10,245	3,194
Profit and loss account	24	10,335	10,054
<b>Equity shareholders' funds</b>		23,554	15,934

The financial statements on pages 17 to 42 were approved by the board of directors on 16 January 2002 and were signed on its behalf by:



David Callcott  
Finance Director  
16 January 2002



Martyn Rose  
Chairman  
16 January 2002

## Consolidated Cash Flow Statement for the year ended 30 September 2001

	Notes	2001 £'000	2000 £'000
<b>Net cash outflow from operating activities</b>	26	(9,797)	(3,637)
<b>Dividends received from joint ventures</b>		55	-
<b>Returns on investments and servicing of finance</b>			
Interest received		344	260
Interest paid on finance leases		(98)	(69)
<b>Net cash inflow from returns on investments and servicing of finance</b>		246	191
<b>Taxation</b>		(96)	(28)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,361)	(309)
Sale of tangible fixed assets		29	2,951
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		(1,332)	2,642
<b>Acquisitions</b>			
Payments made to acquire subsidiary undertakings		(228)	(1,428)
Cash acquired with subsidiary undertakings and businesses	21	131	80
Payments made to acquire businesses		(1,132)	(2,566)
Acquisition costs in respect of Delyn Group plc		-	(1,489)
Cash acquired on reverse acquisition of Delyn Group plc		-	7,735
<b>Net cash (outflow)/inflow for acquisitions</b>		(1,229)	2,332
<b>Cash (outflow)/inflow before financing</b>		(12,153)	1,500
<b>Financing</b>			
Repayment of principal under finance leases		(230)	(41)
Take up of cash alternative by Ingenta UK Limited shareholders over offer of shares in Delyn Group plc (now Ingenta plc)		-	(3,711)
Issue of ordinary share capital		6,898	9,977
<b>Cash inflow from financing</b>		6,668	6,225
<b>(Decrease)/increase in cash in the year</b>	27	(5,485)	7,725

## Notes to the Consolidated Financial Statements for the year ended 30 September 2001

### 1 Principal accounting policies

These financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. A summary of the Group accounting policies is set out below.

#### Basis of consolidation and comparatives

The accompanying consolidated accounts comprise the accounts of Ingenta plc, the Company, and its subsidiary undertakings made up to 30 September 2001. The results of subsidiaries acquired are included in the Consolidated Profit and Loss account from the date control passes. Intra-group balances are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to these assets and liabilities, and resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

In the prior year with effect from 25 May 2000, the Company, then named Delyn Group plc, became the legal parent of Ingenta UK Limited and its subsidiary undertakings in a predominantly share-for-share transaction. However, certain shareholders elected to receive a total cash alternative of £3,711,305 instead of shares in Delyn Group plc. Because of the relative values of the companies, the former Ingenta UK Limited shareholders became the majority shareholders of the enlarged Group. The substance of the combination was that Ingenta UK Limited acquired Delyn Group plc via a reverse acquisition. Subsequent to the combination, Delyn Group plc changed its name to Ingenta plc.

Under the specific requirements of the Companies Act 1985 (the 'Act') and Financial Reporting Standard 6 – Acquisitions and Mergers, it was necessary for the company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results of the Group were those of Delyn Group plc and its previously existing subsidiaries with the assets and liabilities of Ingenta UK Limited brought in at fair value from the date of acquisition. This approach portrayed the combination as an acquisition of Ingenta UK Limited by Delyn Group plc. In the opinion of the Directors, this treatment failed to give a true and fair view of the substance of the combination and hence present a distorted picture of the Group, its results and financial position. The substance of the combination was that Ingenta UK Limited acquired Delyn Group plc. Accordingly, the Directors departed from the requirements of the Act and UK GAAP and adopted reverse acquisition accounting in order to present accounts which give a true and fair view. The key features of this basis of consolidation in the prior year were:

- The comparative consolidated profit and loss account included the results of the Ingenta UK Limited Group for the 12 month period to 30 September 2000 and of Delyn Group plc from the date of acquisition.
- The consolidated profit and loss reserves of the Group were based on the pre-acquisition profit and loss reserves of Ingenta UK Limited.
- Delyn Group plc was consolidated from the date of the reverse acquisition 25 May 2000, based on fair values of the assets and liabilities at that date.
- Goodwill was calculated as being the difference between the fair value of the consideration effectively given by Ingenta UK Limited to acquire Delyn Group plc and the aggregate of the fair values of the separable net assets of Delyn Group plc. The goodwill arising was written off to the profit and loss account in the prior year since the Directors considered the goodwill to have no recoverable value.

In invoking the true and fair override, the Directors note that reverse acquisition accounting as described above is endorsed by the International Accounting Standards and that the Urgent Issues Task Force of the UK's Accounting Standards Board has concluded that there are instances where it is right and proper to invoke the override in such a way. The effects on the consolidated financial statements as a result of adopting reverse acquisition accounting are widespread. For example, goodwill arising on consolidation under the standard method of acquisition accounting would be the difference between the fair value of consideration given to acquire the Ingenta UK Limited Group and the aggregate of the fair values of identifiable assets and liabilities acquired.

**Joint ventures**

The financial statements include an appropriate share of the results and net assets of joint venture companies where the Group has a long term interest and the entity is jointly controlled.

**Goodwill**

Goodwill represents the difference between the fair value of consideration given and the fair value of the net assets acquired. It is eliminated by amortisation over its useful economic life. In the opinion of the Directors the useful economic life of the goodwill is four years. As described above, goodwill arising on the reverse acquisition has been written off to the profit and loss account in the prior year to 30 September 2000.

**Tangible fixed assets**

Fixed assets are carried at their purchase cost.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value on a straight line basis over the expected useful economic lives of the assets. The principal expected lives used for this purpose are:

Motor vehicles 25%  
Fixtures, fittings and equipment 20%  
Computer equipment 33%  
Leasehold improvements 10%

**Fixed asset investments**

Fixed asset investments are carried at cost less any provision made for impairment. Where an acquisition satisfies the provisions of sections 131 to 134 Companies Act 1985 for merger relief, the investment is stated at the nominal value of shares issued plus the value of any other consideration and the expenses of acquisition.

**Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements which transfer to the Group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding using the sum of digits method. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful economic lives of equivalent owned assets.

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value.

**Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. All such foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Assets and liabilities of subsidiaries in foreign currencies are translated at rates of exchange ruling at the balance sheet date and the results of foreign subsidiaries are translated at the average rate for the year. The exchange differences arising on the retranslation of opening net investment in subsidiary companies, and from the retranslation of the results of those companies at average rate, are taken to reserves and are reported in the statement of total recognised gains and losses.

**Turnover**

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the value of services supplied.

Revenues from the creation of e-journal databases is recognised when the work is completed. Ongoing service fees are recognised over the life of the relevant agreements. Revenue collected or billed in advance of such services being performed are recorded as deferred revenue.

Revenues from documents delivered are recognised on despatch of the document.

**Financial instruments**

The Group's financial instruments comprise cash and liquid resources together with debtors and creditors that arise directly from its operations.

The Group does not enter into derivative or hedging transactions. It has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group does not have any committed borrowing facilities, other than a finance lease facility, because the cash balances held are adequate to fund its current activities. The Group places the majority of its cash on short-term deposit. The Group's objective is to minimise the risk of loss to the Group by limiting the Group's credit exposure to quality institutions maintaining a very high credit rating. The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. Numerical disclosures relating to these risks are given in note 19 to the financial statements.

The Group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements.

Although the Group is based in the UK, it has four overseas subsidiaries in the United States. As a result, movements in the exchange rates can affect the Group's sterling balance sheet. The magnitude of this risk is not currently significant to the Group and therefore no specific measures are currently undertaken to manage the risk.

**Pension costs**

The Company makes contributions into individual employees' personal pension plans on a defined contribution basis. The pension charge in the year represents the contributions payable into these plans. The Company provides no other post retirement benefits to its employees.

**Related party disclosures**

FRS 8 'Related Party Disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. However transactions between the Company and its subsidiaries have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(c).

**Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Share options issued to employees**

Under Urgent Issue Task Force Statement 17 (UITF 17), the Company is required to recognise as a charge to the profit and loss account ('stock compensation expense') the amount by which the fair market value of any share options issued to employees exceeds their respective exercise prices at the date of grant. These costs are recognised over the performance period. However, the Company issues share options with an exercise price equivalent to the market value at the date of grant. Accordingly, no charge arises.

As a result of the grant of share options under unapproved schemes since 5 April 1999, the Company will be obliged to pay National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised.

**Research and development**

Expenditure on research and development is written off to the profit and loss account as incurred.

## 2 Segmental reporting

The Group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activity.

The analysis by geographical area of turnover, loss on ordinary activities before taxation and net assets is set out below:

	Sales by destination 2001 £'000	Sales by origin 2001 £'000	Sales by destination 2000 £'000	Sales by origin 2000 £'000
<b>Turnover</b>				
United Kingdom	3,128	3,771	1,675	1,891
Rest of Europe	423	-	216	-
USA	6,183	6,091	2,305	2,428
Rest of World	128	-	123	-
<b>Total</b>	<b>9,862</b>	<b>9,862</b>	<b>4,319</b>	<b>4,319</b>
<b>- Group</b>	<b>9,862</b>	<b>9,862</b>	<b>4,319</b>	<b>4,319</b>
<b>- Joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
			<b>2001</b>	<b>2000</b>
<b>Loss on ordinary activities before taxation</b>			<b>£'000</b>	<b>£'000</b>
United Kingdom			(11,059)	(19,393)
USA			(5,537)	(1,759)
Operating loss			(16,596)	(21,152)
Net interest receivable				
- United Kingdom			214	194
- USA			40	1
<b>Total</b>			<b>(16,342)</b>	<b>(20,957)</b>
<b>- Group</b>			<b>(16,370)</b>	<b>(20,956)</b>
<b>- Joint ventures</b>			<b>28</b>	<b>(1)</b>
			<b>2001</b>	<b>2000</b>
<b>Net assets/(liabilities)</b>			<b>£'000</b>	<b>£'000</b>
United Kingdom			30,575	10,650
USA			(10,610)	1,653
<b>Total</b>			<b>19,965</b>	<b>12,303</b>
<b>- Group</b>			<b>19,962</b>	<b>12,271</b>
<b>- Joint ventures</b>			<b>3</b>	<b>32</b>

### 3 Administrative expenses

	Continuing Operations		Total 2001 £'000	Total 2000 £'000
	2001	Acquisitions 2001		
	£'000	£'000		
Operational costs:				
Technical services	3,141	429	3,570	1,728
Software development	2,677	215	2,892	1,168
Sales and marketing expenses	4,883	290	5,173	2,008
Depreciation	966	25	991	318
Integration costs	3,592	171	3,763	469
Other administration costs	3,244	17	3,261	1,247
	<b>18,503</b>	<b>1,147</b>	<b>19,650</b>	<b>6,938</b>
Write-off of goodwill	-	-	-	15,637
Amortisation of goodwill	2,397	2,836	5,233	1,467
National insurance on share options	(133)	-	(133)	196
	<b>2,264</b>	<b>2,836</b>	<b>5,100</b>	<b>17,300</b>
<b>Administrative expenses</b>	<b>20,767</b>	<b>3,983</b>	<b>24,750</b>	<b>24,238</b>

### 4 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	270	220
Pension contributions to money purchase schemes	21	18
Sums paid to a third party for the services of directors	30	30

Retirement benefits are accruing to 2 (2000: 2) executive directors under money purchase pension schemes.

Emoluments payable to the highest paid Director are as follows:

	2001 £'000	2000 £'000
Aggregate emoluments	145	136
Pension contributions to money purchase schemes	13	12

The detailed numerical analysis of Directors' remuneration and share options is included in the Report of the Remuneration Committee on pages 13 to 14 and forms part of these financial statements.

## 5 Employee information

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

By activity	2001 Number	2000 Number
Technical services	88	18
Software development	46	21
Sales and marketing	58	26
Administration	22	14
	214	79

Staff costs (for the above persons)	2001 £'000	2000 £'000
Wages and salaries	7,746	2,419
Social security costs (includes National Insurance on share options)	774	428
Pension costs	393	190
	8,913	3,037

## 6 Interest receivable and similar income

	2001 £'000	2000 £'000
Bank interest receivable		
- Group	344	260
- Share of joint venture	8	4
Total interest receivable	352	264

## 7 Interest payable and similar charges

	2001 £'000	2000 £'000
Finance leases	98	69

**8 Loss on ordinary activities before taxation**

	2001	2000
	£'000	£'000
Operating loss is stated after charging:		
Depreciation charge for the year on tangible fixed assets:		
- Owned assets	709	221
- Leased assets	282	97
Amortisation of goodwill	5,233	1,467
Write-off of goodwill	-	15,637
Auditors' remuneration for:		
- Audit (company £20,000) (2000: £25,000)	60	42
- Non audit services	42	10
Operating lease charges:		
- Plant and machinery	51	3
- Other	678	281

**9 Tax on loss on ordinary activities**

	2001	2000
	£'000	£'000
Tax refund for research & development expenditure	135	-
Release of deferred tax provision	-	312
	<b>135</b>	<b>312</b>

The Group has unutilised tax losses in the UK and the USA of £9,803,000 (2000: £4,462,000) and \$1,899,000 respectively available to set-off against future trading profits. These have yet to be agreed with the tax authorities.

**10 Profit for the financial year**

As permitted by section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's profit for the year was £281,000 (2000: £280,000).

**11 Loss per share**

The basic loss per share has been calculated by dividing the loss for the financial year by the weighted average number of ordinary shares of 53,077,573 (2000: 39,428,804) in issue during the year. The Company had no dilutive ordinary shares in either year and there is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

Supplementary basic and diluted EPS have been calculated to exclude the effect of goodwill amortisation and write-off in respect of subsidiaries and businesses acquired and in respect of the goodwill arising on the reverse acquisition of Delyn Group plc in the prior year. The adjusted numbers have been provided so that the effect of goodwill amortisation and write-off on reported earnings can be fully appreciated. The supplementary figures have been calculated by dividing the loss for the financial year, excluding goodwill amortisation and write-off of £5,233,000 (2000: £1,467,000 and £15,637,000 respectively), by the weighted average number of ordinary shares, as described above.

**12 Intangible assets**

<b>Group</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 Oct 2000	25,163
Additions	16,990
<b>At 30 Sept 2001</b>	<b>42,153</b>
<b>Accumulated amortisation</b>	
At 1 Oct 2000	17,104
Charge for the year	5,233
<b>At 30 Sept 2001</b>	<b>22,337</b>
<b>Net book value</b>	
<b>At 30 Sept 2001</b>	<b>19,816</b>
At 30 Sept 2000	8,059

The goodwill additions primarily relate to the acquisition of CatchWord Limited as detailed in Note 21.

**13 Tangible fixed assets**

Group	Leasehold Improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 Oct 2000	-	1,889	303	7	2,199
Additions	363	1,274	174	-	1,811
Acquired	-	62	25	38	125
Disposals	-	(10)	(32)	(12)	(54)
Exchange adjustments	-	(10)	(2)	-	(12)
<b>At 30 Sept 2001</b>	<b>363</b>	<b>3,205</b>	<b>468</b>	<b>33</b>	<b>4,069</b>
<b>Depreciation</b>					
At 1 Oct 2000	-	453	25	3	481
Charge for the year	11	888	84	8	991
Disposals	-	(4)	(21)	-	(25)
Exchange adjustments	-	(11)	3	-	(8)
<b>At 30 Sept 2001</b>	<b>11</b>	<b>1,326</b>	<b>91</b>	<b>11</b>	<b>1,439</b>
<b>Net book value</b>					
<b>At 30 Sept 2001</b>	<b>352</b>	<b>1,879</b>	<b>377</b>	<b>22</b>	<b>2,630</b>
At 30 Sept 2000	-	1,436	278	4	1,718

The net book value of tangible fixed assets includes an amount of £592,000 (2000: £396,000) in respect of assets held under finance leases.

The Company did not hold any fixed assets during the year ended 30 September 2001 (2000: nil).

**14 Fixed asset investments**

Company	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 Oct 2000	7,340
Additions	636
<b>At 30 Sept 2001</b>	<b>7,976</b>
<b>Net book value</b>	
<b>At 30 Sept 2001</b>	<b>7,976</b>
At 30 Sept 2000	7,340

The additions relate to the purchase of the ordinary and preference share capital of CatchWord Limited, and the incorporation of Ingenta US Holdings Inc.

**Group**

Details of subsidiary undertakings, which have all been consolidated in these financial statements are as follows:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the		Nature of business
			Group	Company	
Ingenta UK Limited	England & Wales	Ordinary	-	100%	Online publications service
CatchWord Limited	England & Wales	Ordinary	-	100%	Online publications service
		Preference Shares	-	100%	
Ingenta Inc	USA	Ordinary	100%	-	Online publications service
Uncover Inc	USA	Ordinary	100%	-	Online publications service
PCG Inc	USA	Ordinary	100%	-	Marketing
Ingenta US Holdings Inc	USA	Ordinary	-	100%	Holding company
BIDS Limited	England & Wales	Ordinary	100%	-	Dormant
Panorama Homes Limited	England & Wales	Ordinary	-	100%	Non-trading

Details of joint venture undertakings, which have been equity accounted in these consolidated financial statements are as follows:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the group		Nature of business
Braemar Homes Limited (Joint venture of Panorama Homes Limited)	England and Wales	50 ordinary shares of £1		50%	Non-trading
Braemar Homes 2 Limited (Joint venture of Ingenta plc)	Scotland	50 ordinary shares of £1		50%	Non-trading
Inveresk Property Services Limited (Subsidiary of Braemar Homes Limited)	Scotland	36,000 ordinary shares of £1		50%	Non-trading

**15 Stocks and work in progress**

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Work in progress	231	-	-	-

**16 Debtors**

	Group		Company	
	2001	2000	2001	2001
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Trade debtors	1,605	1,562	-	-
Amounts owed by group undertakings	-	-	15,440	4,498
Amounts owed by joint ventures	-	108	-	87
Corporation tax	135	-	-	-
Other debtors	78	43	10	3
Prepayments and accrued income	342	316	2	6
	<b>2,160</b>	<b>2,029</b>	<b>15,452</b>	<b>4,594</b>

**17 Creditors - Amounts falling due within one year**

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade creditors	1,821	947	71	22
Amounts owed to group undertakings	-	-	626	196
Corporation and overseas tax	-	97	-	96
Other taxation and social security	196	106	-	-
Finance leases	314	139	-	-
Other creditors	20	1,209	-	-
Accruals and deferred income	4,360	4,266	74	65
	<b>6,711</b>	<b>6,764</b>	<b>771</b>	<b>379</b>

**18 Creditors - Amounts falling due after more than one year**

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Finance leases	360	319	-	-

An analysis of the maturity of finance lease obligations is given in note 19.

**19 Financial instruments**

Details of the Group's objectives with respect to financial instruments are given in note 1 to the financial statements. There have been no significant changes in these objectives from the prior year and before the approval of the financial statements. The numerical disclosures in this note deal with the financial assets and liabilities defined in Financial Reporting Standard 13 as financial instruments.

**Short term debtors and creditors**

Except with respect to disclosures regarding currency risk, short-term debtors and creditors have been excluded from the disclosures. In the opinion of the Directors, they contain no material financial risks for the Group. Details of creditors due after more than one year are given in note 18.

**Interest rate risk profile of financial liabilities**

Group	Fixed rate	Total	Fixed rate	Total
	2001	2001	2000	2000
	£'000	£'000	£'000	£'000
Sterling finance leases	620	620	458	458
US Dollar finance leases	54	54	-	-
Total finance leases	674	674	458	458

The finance leases had a weighted average annualised rate of interest of 11% (2000: 12%).

**Maturity of financial liabilities**

The maturity profile of the carrying amount of the Group's financial liabilities, other than short term creditors, was as follows:

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Within one year	314	139	-	-
One to two years	278	169	-	-
Two to five years	82	150	-	-
	<b>674</b>	<b>458</b>	-	-

**Interest rate risk profile of financial assets**

Group	Floating rate	Total	Floating rate	Total
	2001	2001	2000	2000
	£'000	£'000	£'000	£'000
Sterling	1,383	1,383	5,263	5,263
US dollars	923	923	2,499	2,499
Total	<b>2,306</b>	<b>2,306</b>	<b>7,762</b>	<b>7,762</b>
Of which:				
Cash at bank and in hand	2,233	2,233	7,718	7,718
Other debtors (rent deposit)	73	73	44	44
	<b>2,306</b>	<b>2,306</b>	<b>7,762</b>	<b>7,762</b>

Cash deposits are normally placed on the money market at floating bank deposit rates for periods up to one month. However, there were no such short-term deposits at 30 September 2001 (2000: nil). Floating rate cash earns interest at LIBOR.

**Currency exposures**

The Group has two principal functional currencies, Sterling and US Dollars. The table below shows the extent to which the Group operations have net monetary liabilities in currencies other than their local currency. Foreign exchange differences on re-translation of these net liabilities are charged to the profit and loss account.

Group	US Dollars	Total	US Dollars	Total
	2001	2001	2000	2000
	£'000	£'000	£'000	£'000
Functional currency of group operation:				
Sterling	(2,279)	(2,279)	(2,023)	(2,023)

**Fair value**

The Directors consider that the fair values of the financial instruments of Ingenta plc are not significantly different from their book value.

**20 Provision for liabilities and charges**

Group	Employers' National Insurance £'000
At 1 Oct 2000	170
Released to profit and loss account	(133)
<b>At 30 Sept 2001</b>	<b>37</b>

Company	Employers' National Insurance £'000
At 1 Oct 2000	170
Released to profit and loss account	(133)
<b>At 30 Sept 2001</b>	<b>37</b>

**Employers National Insurance on share options**

On exercise of share options in the parent company issued after 5 April 1999 under an Executive option scheme, the Company is required to pay National Insurance on the difference between the exercise price and market value at the exercise date of the shares issued. The Company will become unconditionally liable to pay the National Insurance upon exercise of the options. The Company therefore makes a provision following the grant of options, as opposed to on vesting or on exercise.

The amount of National Insurance payable will depend on the number of employees who remain with the Group and exercise their options, the market price of the parent Company's ordinary shares at the time of exercise and the prevailing National Insurance rates at the time.

The provision of £37,000 included in these financial statements has been calculated based upon the share price of £1.21 with reference to the total current number of options at 30 September 2001 which had been granted since 5 April 1999.

Group	Amount provided		Amount not recognised	
	Sept 2001 £'000	Sept 2000 £'000	Sept 2001 £'000	Sept 2000 £'000
Tax effect of timing differences:	-	-		
Excess of depreciation over capital allowances	-	-	(359)	(262)
Other timing differences	-	-	-	(4)
Losses	-	-	(2,941)	(1,339)
	-	-	<b>(3,300)</b>	<b>(1,605)</b>

Company	Amount provided		Amount not recognised	
	Sept 2001 £'000	Sept 2000 £'000	Sept 2001 £'000	Sept 2000 £'000
Tax effect of timing differences:	-	-		
Excess of depreciation over capital allowances	-	-	(211)	(217)
Losses	-	-	-	(8)
	-	-	<b>(211)</b>	<b>(225)</b>

## 21 Acquisitions

On 8 February 2001, Ingenta plc acquired the whole of the issued share capital of CatchWord Limited for an aggregate of £17m, made up of consideration of £16.8m in shares and acquisition costs of £0.2m

### CatchWord results

The summarised profit and loss account for CatchWord Limited for the period from 1 January 2001, the beginning of the acquired company's financial year, to the date of acquisition on 8 February 2001, is as follows:

	<b>£'000</b>
Turnover	141
Operating loss	(218)
Loss on ordinary activities before tax	(218)
Tax on ordinary activities	-
<b>Loss on ordinary activities after tax</b>	<b>(218)</b>

The loss on ordinary activities after taxation of the acquired company for its previous financial year ended 31 December 2000 was £97,000. CatchWord Limited had no recognised gains or losses other than those detailed above and therefore no separate statement of total recognised gains and losses has been presented.

	<b>Book and Fair Value CatchWord Limited £'000</b>
Fixed Assets	125
Debtors	1,165
Cash	131
Creditors	(1,466)
<b>Net liabilities acquired</b>	<b>(45)</b>
Goodwill	17,009
Consideration	16,964
<b>Consideration satisfied by:</b>	
Shares issued	11,269
Shares to be issued	5,500
Acquisition costs	195
<b>Total</b>	<b>16,964</b>

## 22 Called up share capital

Company	2001 £'000	2000 £'000
<b>Authorised</b>		
Ordinary shares of £0.05 each	5,000	5,000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £0.05 each	2,747	2,373

During the year to 30 September 2001, Ingenta plc issued a total of 7,473,274 ordinary shares of £0.05 each, with an aggregate nominal value of £373,664. 2,752,286 of these shares were issued fully paid for cash of £6,898,000 (after deducting issue costs of £216,000). 4,272,570 of these shares were issued in consideration for CatchWord Limited. 448,418 shares were issued as deferred consideration for Uncover Inc. These shares were previously recorded in the accounts as shares to be issued, and were recorded at a value of £0.70 each.

No director exercised options over shares in the company.

## 23 Share options

The Company has an approved and an Executive option scheme. The Executive option scheme relates to options granted to certain Directors and Senior Management. The approved option scheme is an Inland Revenue approved scheme available to eligible Directors and employees. The total number of options outstanding over ordinary shares of £0.05 each that had been granted and had not lapsed at 30 September 2001 were as follows:

Number of shares	Exercise price £	Grant date	Expiry date
405,605	0.14	15 March 1999 <sup>1</sup>	15 March 2009
572,400	0.14	22 March 1999 <sup>1</sup>	22 March 2009
212,265	0.14	30 July 1999 <sup>1</sup>	30 July 2009
35,775	0.14	2 August 1999 <sup>1</sup>	2 August 2009
92,538	0.70	23 December 1999 <sup>1</sup>	23 December 2009
606,645	0.70	29 December 1999	26 June 2003
114,480	0.70	4 January 2000 <sup>1</sup>	4 January 2010
300,000	2.60	27 July 2000	27 July 2003
109,995	2.80	1 August 2000 <sup>1</sup>	1 August 2010
49,000	2.83	27 September 2000	27 September 2003
45,662	2.80	13 November 2000 <sup>1</sup>	13 November 2010
<b>2,544,365</b>			

<sup>1</sup> The options are exercisable from the first, second and third anniversaries from the date of grant.

## 24 Reserves

Group	Shares to be issued £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Profit and loss account (deficit) £'000
At 1 Oct 2000	313	3,194	-	12,679	(6,256)
Shares issued in relation to acquisition of Uncover Inc	(313)	291	-	-	-
Premium on shares issued for cash (net of £216,000 expenses)	-	6,760	-	-	-
Merger reserve arising on acquisition of Catchword Ltd	-	-	11,056	-	-
Shares to be issued (nominal value £227,000) in relation to acquisition of Catchword Ltd (see note 21)	5,500	-	-	-	-
Net exchange adjustments	-	-	-	-	201
<b>Loss for the year</b>	-	-	-	-	(16,207)
<b>At 30 September 2001</b>	<b>5,500</b>	<b>10,245</b>	<b>11,056</b>	<b>12,679</b>	<b>(22,262)</b>

Company	Shares to be issued £'000	Share premium £'000	Profit and loss account £'000
At 1 Oct 2000	313	3,194	10,054
Shares issued in relation to acquisition of Uncover Inc	(313)	291	-
Premium on shares issued (net of £216,000 expenses)	-	6,760	-
Shares to be issued in relation to acquisition of Catchword Ltd (see note 21)	227	-	-
Retained profit for the year	-	-	281
<b>At 30 Sept 2001</b>	<b>227</b>	<b>10,245</b>	<b>10,335</b>

No share premium arises in respect of the acquisition of Catchword Limited on 8 February 2001 since the acquisition satisfies the provisions of the Companies Act 1985 for merger relief.

**25 Reconciliation of movements in equity shareholders' funds**

Group	2001 £'000	2000 £'000
Loss for the year	(16,207)	(20,645)
Net exchange adjustments	201	(288)
New share capital issued	7,328	2,730
Expenses of share issue	(216)	(3)
Merger reserve adjustment	11,056	-
Reverse acquisition adjustments	-	28,316
Shares to be issued	5,500	313
Net addition to shareholders' funds	7,662	10,423
Opening shareholders' funds	12,303	1,880
Closing shareholders' funds	19,965	12,303

**26 Cash flow from operating activities**

Reconciliation of operating loss to net cash outflow from operating activities:

Group	Continuing operations	
	2001 £'000	2000 £'000
Operating loss	(16,616)	(21,151)
Depreciation charge	991	318
Write-off of goodwill	-	15,637
Amortisation of goodwill	5,233	1,467
Foreign exchange adjustment	117	-
(Increase)/decrease in stocks and work in progress	(231)	7
Decrease/(increase) in debtors	1,241	(465)
(Decrease)/increase in creditors	(399)	380
(Decrease)/increase in provisions	(133)	170
Net cash outflow from continuing operations	(9,797)	(3,637)

**27 Reconciliation of net cash flow to movement in net funds**

Group	2001 £'000	2000 £'000
(Decrease)/increase in cash in the year	(5,485)	7,725
Finance lease repayments	230	41
Other non-cash changes: new finance leases	(446)	(499)
Movement in net funds in the year	(5,701)	7,267
Net funds/(debt) at beginning of the year	7,260	(7)
Net funds at end of the year	1,559	7,260

**28 Analysis of net funds**

<b>Group</b>	<b>At 1 Oct 2000 £'000</b>	<b>Cash flow £'000</b>	<b>Acquired £'000</b>	<b>Other non cash changes £'000</b>	<b>At 30 Sept 2001 £'000</b>
Cash in hand and at bank	7,718	(5,616)	131	-	2,233
Finance leases	(458)	230	-	(446)	(674)
<b>Total</b>	<b>7,260</b>	<b>(5,386)</b>	<b>131</b>	<b>(446)</b>	<b>1,559</b>

**29 Financial commitments****Group**

At 30 September 2001, the Group had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

	<b>Land and buildings 2001 £'000</b>	<b>Other 2001 £'000</b>	<b>Land and buildings 2000 £'000</b>	<b>Other 2000 £'000</b>
Within one year	96	-	63	-
Within one to two years	-	50	164	46
Within two to five years	447	-	43	-
	<b>543</b>	<b>50</b>	<b>270</b>	<b>46</b>

**Company**

At 30 September 2001, the Company had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

	<b>Land and buildings 2001 £'000</b>	<b>Land and buildings 2000 £'000</b>
Within two to five years	394	-

**30 Related party transactions**

<b>Name of connected party</b>	<b>Description of transactions during year</b>	<b>Value of transactions during year £'000</b>	<b>Amount owed from/(to) at 30 Sept 2001 £'000</b>
University of Bath	Rent and service charge from University	131 (2000: 204)	(64) (2000: (43))
University of Bath	Sales to University	237 (2000: 493)	40 (2000: 22)

During the year the Group obtained services from and made sales to the University of Bath. The University is represented on the Board of Directors. Each transaction was carried out at normal market prices.

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29 April 2002

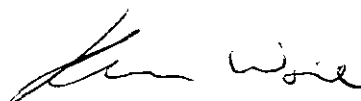
Dear Sir

**Ingenta plc** (company no. 837205)

Please find enclosed the financial statements for the year ended 30 September 2001 for the above company.

Please acknowledge receipt by signing the attached copy of this letter and returning in the reply paid envelope provided.

Yours faithfully



Kevin Wise

Enclosures