

Ingenta plc
Annual report
for the 15 months ended 31 December 2004



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Directors and Advisors

Executive Director

Simon Dessain, Chief Executive

Non-Executive Directors

Martyn Rose, Chairman

Mark Rowse (executive director until 12 October 2004)

David Embleton

Ward Shaw

Company Secretary

Mark Rowse

Registered Office and Head Office

23-38 Hythe Bridge Street

Oxford

OX1 2ET

Registered number: 837205

Auditors

Grant Thornton UK LLP

1 Westminster Way

Oxford

OX2 0PZ

Bankers

Barclays Bank plc

54 Cornmarket Street

Oxford

OX1 3HS

Registrars

Capita IRG plc

The Registry

PO Box 25

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Collins Stewart Limited

9th Floor

88 Wood Street

London

EC2V 7QR

Solicitors

Travers Smith Braithwaite

10 Snow Hill

London

EC1A 2AL

2004 – Highlights of the Period

Ingenta plc is a provider of technology and services to the publishing and information industries, enabling the online delivery of their journal and reference publications to the library and research communities.

Highlights

- Sales in the 15 month period of £8.8m (2003: £8.5m).
- Sales achieved in adjacent markets.
- New products and services launched.
- Annualised overheads before exceptional items of £7.6m reduced by 18% on a pro rata basis.
- Gross profit £6.5m - stable margin of 74%.
- 15 month loss of £3.3m (2003: loss £2.0m).
- Operating loss (before exceptionals and depreciation) reduced by 17% on pro rata annualised basis.
- Current trading showing further improvements.

Ingenta: Business Overview

Over 90% of Ingenta's revenues come from providing technology and associated marketing services to publishers, in the form of fees and under long term contracts. Ingenta provides a suite of software and services that enable publishers of high value, subscription-based publications to make their content available via the Internet.

Ingenta charges recurring fees for use of its market-leading technology and services in the areas of content preparation, content enhancement, website creation, marketing services, online distribution and subscriber access management of subscription controlled content.

The services provided by Ingenta not only enable publishers to securely disseminate their content online but they also create the opportunity for publishers to make incremental revenues from their content. In 2004 the group expanded the number of publishers with which it works by adding an additional 25 bringing the total to nearly 300.

The depth of Ingenta's technical skills, its market leadership and its profound understanding of the issues faced by publishers attempting to derive new revenues from online delivery of high value content remain key business advantages for the group.

Ingenta's three principal activities are as follows:

1) IngentaConnect (www.ingentaconnect.com)

2004 saw the launch of IngentaConnect, a service that is used by nearly 300 academic publishers to provide online worldwide access to those conducting academic or scientific research. The service, already used by more than 12 million user sessions a month, allows free downloads to paid-up subscribers of a publication, with other users able to purchase individual articles.

IngentaConnect therefore enables publishers to access a far wider audience for their content, beyond their traditional subscriber bases. Institutions also engage Ingenta to create online student course packs, which generates a further royalty stream for publishers. Ingenta has also created a small number of premium services of direct benefit to users of IngentaConnect, for which there is a yearly charge.

2) Information Commerce and Publication Websites

Publishers have a range of complex needs to maximise the value of the content they create, which may include increasing awareness and readership, capturing data about customers, revenue goals or cost targets for online delivery. All these aims require publishers to have flexible tools to rebundle, rebrand and market their content online and also to create branded websites through which users can purchase and access this content.

Ingenta provides a range of software and services to meet these needs, the core of which is a set of software and services called Information Commerce Services (ICS).

3) Publishers Communications Group (PCG)

PCG offers a range of specialised marketing services to meet the needs of scholarly and professional publishers. They include a Market Intelligence Service designed to assist publishers in planning and marketing new products, Promotion Services to expand the awareness of their publications or products to new audiences and Representation Services which offers publishers a European or North American sales, marketing and customer service presence to minimise costs and provide customers with locally-based contacts.

Chairman's Statement

Chairman's Statement

The 15 month period to 31 December 2004 was one in which Ingenta continued to reduce its operating costs and built the foundations for a return to growth in its core markets, for the development of new revenue opportunities, and for achieving profitability.

Finance and Operations

Turnover in the 15 month period was £8.8m (year to 30 September 2003: £8.5m). The gross margin was stable at 74% (year to 30 September 2003: 76%). As the group generates a substantial proportion of its sales in US dollars, the depreciation in the US dollar exchange rate during the 15 month financial period had an adverse effect on reported revenues. Our reported turnover at constant currencies would have been higher by some £0.5m.

This currency effect also contributed to reductions in the group's US overheads when translated into sterling. Overall, group overheads (excluding exceptional items) were £9.5m in the period (2003: £9.3m), representing a 18% reduction on a pro rata annualised basis.

As a result of cost reduction actions taken, the loss before tax and exceptional items in the 15 month period was £3.0m (12 months to 30 September 2003: loss £2.8m), inclusive of £1.8m invested in Research and Development, which was expensed through the profit and loss account as incurred. The period showed an improving trading trend overall.

Following the management changes during the year described below, a thorough review of the group's activities was carried out and implementation of a programme of change is underway. As a result, an exceptional charge of £0.7m has been included in the accounts for the 15 months to 31 December 2004 to cover the costs of reorganisation, onerous leases and aborted acquisitions. This, together with a Research and Development tax credit of £0.4m for the period (2003: credit of £0.9m) has resulted in a net loss for the financial period of £3.3m (2003: loss £2.0m).

The group benefited from the raising of additional finance during the period of £5.0m and had cash balances at 31 December 2004 of £0.9m (2003: overdraft of £0.3m). As noted above, the group is claiming a substantial further Research and Development tax credit in respect of 2004, prudent provision for which has been included in the 2004 accounts. Our previous experience supports our confidence that the claim will be paid in full and consequently it has been included in our cash flow forecasts.

The focus for 2004 was on rolling out enhanced products and services which improve reliability, lower the cost of delivery and enhance growth prospects. The group's new Information Commerce Services (ICS) software product was launched in 2004 and has already secured its first customer, Institute of Physics Publishing.

In late 2004, the group's new journal hosting platform, IngentaConnect (www.ingentaconnect.com) was also launched, to industry acclaim. The early success our new online platform has achieved within the information industry is demonstrated by the increasing usage it is experiencing - now already well in excess of 12 million user sessions a month. IngentaConnect replaces our two large previous sites, *ingenta.com* and *ingentaselect.com*, which will be retired producing further cost savings.

In addition, Ingenta's activities with Google, including Google Scholar, provide both parties with benefits and traffic which should continue to reinforce Ingenta's value proposition to its customers and assist in keeping client retention rates at their current high level.

The increased operational efficiency of the above new services has enabled Ingenta to maintain its gross margins, despite competitive pressures. Key operating metrics, such as website usage, error rates and costs per employee, have shown healthy improvements during the year, largely made possible by the central importance Ingenta places on software engineering in order to automate tasks, improve reliability and so drive down the cost of delivering services to clients.

The depth of Ingenta's technical skills, its market leadership and its deep understanding of the issues faced by publishers attempting to derive new revenues from online delivery of high value content remain key business advantages for the group.

Staff

During the period the number of people employed by Ingenta declined further, from 128 to 114 at year end, as a result of further process automation and continued cost control. Ingenta saw low staff turnover during the period in its operating units which undoubtedly contributed to its ability to increase throughput and productivity in the face of declining staff numbers.

The Board wishes to recognise the substantial contribution made by all of Ingenta's staff and to thank them for their continuing dedication and commitment. The significant change the business has made and is undertaking could only have been achieved with their support.

As already announced, the Board appointed Simon Dessain as Chief Executive Officer during the last quarter of the year. Simon spent over 20 years in commercial and management roles in international software and technology businesses before joining Ingenta.

Simon succeeded Mark Rowse, whom the Board would like to thank for his six years of contribution to the executive team, especially during Ingenta's early and formative stages of development. As shareholders are aware, Mark will maintain an involvement with Ingenta via his ongoing role as a non-executive director.

Current Trading and Prospects

Following the management changes, fundraising and group reorganisation undertaken in 2004, together with new product and service launches, Ingenta has laid the foundations for achieving the critical goal of profitability for 2005.

The improvements in trading performance, combined with a lower cost base and ongoing sales successes, provide the Board with confidence this can be achieved.

Martyn Rose
Chairman
24 March 2005

Chief Executive's Review

Ingenta has a pre-eminent understanding of the online needs of publishers of high value content. The group's offering includes market leading services in the areas of content preparation, content enhancement, website creation, marketing services, online distribution and subscriber access management of subscriber controlled content.

The services provided by Ingenta not only enable publishers to securely disseminate their content online but they also create the opportunity for publishers to make incremental revenues from their content.

As well as cementing its position as a leading provider to academic and research publishers, the group demonstrated the ability to expand its target market in 2004. From its market leading position for the online delivery of academic and scholarly content, Ingenta has gained new customers in adjacent markets to create an *online presence for other kinds of high value publications including monographs, reference works, reports, statistics and business publications.*

Over 90% of Ingenta's revenues come from providing technology and associated marketing services to publishers. In 2004 the group expanded the number of publishers with which it works by adding an additional 25 bringing the total to nearly 300. Much of the group's revenue from publishers consists of recurring annual fees and long term contracts derived through the following three principal activities:

IngentaConnect (www.ingentaconnect.com)

2004 saw the launch of IngentaConnect, a service that is used by nearly 300 academic publishers to provide online worldwide access to those conducting academic or scientific research. The service, already used by more than 12 million user sessions a month, allows either free downloads for paid-up subscribers of a publication, or the purchase of individual articles online for other users.

IngentaConnect therefore enables publishers to access a far wider audience for their content, beyond their traditional subscriber bases. Institutions also engage Ingenta to create online student course packs. Together these activities generate royalty revenues of over £1m per annum for publishers. Ingenta also provides a small number of premium services of direct benefit to users of IngentaConnect, for which there is a yearly charge.

Key operating metrics of IngentaConnect over its predecessors have increased with substantial improvements in error rates per 1000 sessions, leading to greater user satisfaction and a lower cost of delivery for Ingenta. Content loading processes have also been streamlined, enabling faster turnaround times and greater accuracy. The operating benefits of IngentaConnect's launch have not only been cost related, as the simplification of the proposition to the publisher is also enabling Ingenta to shorten its sales cycle.

Revenues from these activities comprise set up and annual fees as well as revenue sharing and contributed 59% of turnover during the period.

Information commerce and publication websites

Over the past four years Ingenta has created and launched well over 100 specialist publication branded websites. These include substantial online resources such as British Standards Online and Oxford Scholarship Online.

At the core of this service is a set of features enabling publishers to define which kinds of user can access what content and under what licence terms. When combined with facilities to upload and update content within a website and the ability to tailor and deliver branded web pages containing the content, these features are a key part of Ingenta's competitive advantage. The features are generally referred to as Information Commerce Services (ICS).

Ingenta launched ICS as a standalone software product in 2004 and has already secured its first customer, the Institute of Physics Publishing. The launch of ICS has extended the market potential for Ingenta's range of products and services well beyond its traditional base within the academic and scholarly publishing segment, to encompass almost any owner of digital content that can be sold via the Internet. Early target markets identified by Ingenta include business and financial publishers, newsletters and report publishers.

Ingenta's revenues in this area come from the initial and ongoing fees from the sale of software and from its

integration into and management of publication websites and contributed 28% of turnover for the period.

Publishers Communications Group (PCG)

PCG offers a range of specialised marketing services to meet the needs of scholarly and professional publishers. They include a Market Intelligence Service designed to assist publishers in planning and marketing new products, Promotion Services to expand the awareness of their publications or products to new audiences and Representation Services which offers publishers a European or North American sales, marketing and customer service presence to minimise costs and provide customers with locally-based contacts.

During the period our PCG team has worked with nearly 40 publishers, including Springer, Blackwell Publishing and the World Bank. The European staff of PCG has also been expanded to cope with the growing demands from publishers in both Europe and North America. The vibrancy of PCG is further highlighted by the introduction of a range of new services to support a new approach to telemarketing and the introduction of a market reporting service for publishers.

Ingenta's revenues in this area are largely fee based and represented 13% of turnover during the period.

Operations

The group continued to improve productivity during the period, with continuing reductions in operating costs.

In the 15 months to 31 December 2004 we increased the level of software reuse across the group, enabling reduced software engineering and maintenance costs. As mentioned in the Chairman's Statement, the launch of IngentaConnect, for example, will enable us to retire two prior web services, namely www.ingenta.com and www.ingentaselect.com, with further cost savings.

The automation of an increasing range of tasks, such as the creation of enhanced linking between online content, has also enabled us to improve service and maintain margins.

Outlook

Activities undertaken in 2004 place Ingenta in a far stronger position from which to deliver further operational improvements during the year ahead. The focus for 2005 is on developing our core markets, expanding into adjacent markets and the completion of our operating cost reduction plans.

Delivering to this plan, based on modest sales expectations, would enable the group to move into reported profitability and thereafter deliver significant further growth in revenues and profits.

Simon Dessain
Chief Executive Officer
24 March 2005

Financial Review for the 15 months ended 31 December 2004

Operating results

Turnover for the 15 month period to 31 December 2004 was £8.8m (year to 30 September 2003: £8.5m).

Gross profit for the period was £6.5m (2003: £6.5m) and the gross margin was stable at 74% (2003: 76%).

Total operating costs in the 15 month period were £10.2m (2003: £9.3m). On a pro rata annualised basis, overheads (excluding exceptional items) fell by 18% or £1.7m over the period, to £7.6m (2003: £9.3m). Together with depreciation of £0.7m (2003: £0.6m) this resulted in a loss before exceptional items and tax of £3.0m (2003: £2.9m), representing a 17% reduction on a 12 month pro rata basis, reflecting the ongoing cost reduction programme.

Including exceptional items of £0.7m, net losses before tax were £3.7m (2003: loss £2.9m) and with the benefit of a tax credit of £0.4m (2003: £0.9m) the loss for the financial period was £3.3m (2003: loss £2.0m).

Exchange rates

As the group generates a substantial proportion of its sales in US dollars, the depreciation in the US dollar exchange rate during the 15 month financial period had an adverse effect on reported revenues. Our reported turnover at constant currencies would have been higher by some £0.5m. The overall effect on the operating loss of the US dollar exchange rate movement was neutral after the translation of the group's US overheads into sterling.

Taxation

A tax credit of £0.4m (2003: £0.9m) was included in the results for the year relating to amounts received and receivable under the Research and Development tax credit scheme. This is subject to Inland Revenue approval.

The group has unutilised tax losses at 31 December 2004 totalling £12.4m (2003: £11.0 m).

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2003: £nil).

Balance sheet and cash

The equity shareholders' deficit totalled £1.2m at the period end (2003: deficit £3.1m).

Cash outflow from operating activities was reduced over the period to £3.9m (2003: outflow £4.0m). This included a number of non-recurring items including payment of reorganisation costs of £0.1m provided for in the 2004 accounts, together with a substantial reduction in trade creditors from £1.1m at 30 September 2003 to £0.6m at 31 December 2004.

At the period end, cash balances were £0.9m (2003: overdraft of £0.3m).

During the period £4.0m (2003: £4.0m) of cash was absorbed by operations or used for capital expenditure. This was offset by the issue of 77,919,967 new ordinary shares which raised £5.0m net of expenses during the period, and a Research and Development tax credit as described above.

Treasury

The group'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.

We operate in a business which has marked seasonality in cash flows. We expect this to continue and have taken this into account in assessing our working capital requirements.

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") are due to become mandatory for all listed companies within the European Union for years starting on or after 1 January 2005. As an AIM listed company, this requirement does not currently apply to Ingenta until the financial year ending 31 December 2007. The group currently expects to report under IFRS for the financial year ending 31 December 2007.

The process of evaluating the impact of the changes that will result, both in terms of the effect on the group's results and its financial position, is underway.

Simon Dessain
Chief Executive Officer
24 March 2005

Directors' Report for the 15 months ended 31 December 2004

The directors present their report and the audited financial statements for the 15 months ended 31 December 2004.

Principal activity

The group's principal activities are 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 pages 4 to 5, the Chief Executive's Review on pages 6 to 7 and the Financial Review on pages 8 to 9.

Results and dividends

The consolidated profit and loss account for the year is set out on page 19.

The Directors do not recommend the payment of a dividend (2003: £nil).

Directors

The Directors of the company who held office during the year were:

Executive director

S J F Dessain, Chief Executive Officer

Non-Executive Directors

M C Rose, Chairman

M A Rowse (executive director until 12 October 2004)

D T Embleton

W E Shaw

The interests of directors in the shares of the company at 31 December 2004 are disclosed in the Directors' Remuneration report on pages 14 to 16.

Corporate Governance

Details of Corporate Governance for the year to 31 December 2004 are given on pages 12 to 13.

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. The charge to the profit and loss account was £1.8m (2003: £1.5m).

Substantial shareholdings

At 11 March 2005 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 1p shares	Percentage of issued ordinary share capital
Cazenove UK Dynamic Fund	14,690,000	7.9
Allianz Cornhill Insurance	14,357,143	7.7
Mark Rowse	14,058,558	7.5
BBHISL Nominees Limited	8,888,100	4.8
Martyn Rose	7,374,028	4.0
NCL Smith & Williamson Clients	6,602,089	3.5
Artemis UK Growth Fund	6,430,832	3.5
Strand Nominees	6,107,723	3.3
Noble Enterprise Venture Capital Trust	5,916,667	3.2
Chatham Holdings SA	5,000,000	2.7

Charitable and political contributions

The group made no political or charitable contributions during the year (2003: £nil).

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 15 months ended 31 December 2004 the group, on average, paid its trade creditors within 46 days of receipt of a valid invoice (2003: 47 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 are no post balance sheet events.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004. Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

On behalf of the board

Simon Dessain
Director
24 March 2005



Corporate Governance

The Board of Directors is accountable to the company's shareholders for good corporate governance and the Directors support the Combined Code 2003 as appropriate for a company of this size.

Board of Directors

Board meetings are scheduled to take place at least quarterly, with additional meetings to review and approve significant transactions.

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 period end, the Board comprised the Non-Executive Chairman, the Chief Executive and three other Non-Executive Directors. As already announced during the last quarter of the year the Board appointed Simon Dessain as Chief Executive Officer. He succeeded Mark Rowse who will maintain his involvement with the group through his role as a non executive director.

Non-Executive Directors are appointed on a contract with a three month notice period and the Executive Directors are appointed on contracts with notice periods between six and twelve months. All Directors are subject to re-election. Each year, one third of the Directors are subject to re-election by rotation. The company does not combine the role of Chairman and Chief Executive. New Directors are subject to re-election at the first AGM after their appointment. The Board is provided with extensive Board papers, usually the week before each Board meeting.

Accountability and audit

The Remuneration Committee, the report of which is on pages 14 to 16, is composed of three Non-Executive Directors: M C Rose, D T Embleton and W E Shaw. 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 will be available at the AGM to answer any shareholder questions.

The Audit Committee is comprised of three Non-Executive Directors: M C Rose, D T Embleton and W E Shaw. It monitors the adequacy of the group's internal 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 to all shareholders, 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 business 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 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 Board of Directors. Management accounts are prepared 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 group it was not cost-effective to establish. This will be kept under review.

Going concern

Ingenta's Directors regularly review forecasts of trading and cash flows and examine these against available funding. As noted in the circular to shareholders of 29 October 2004 they have undertaken a review of sales and expense forecasts and funding needs including the expected receipt of a £0.4m Research and Development tax credit in respect of 2004 (2003: £0.3m). Because of the nature of such claims there is uncertainty as to the value and timing of receipt of the amount claimed. On the basis that the sum claimed is received as forecast, the Directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in the preparation of these financial statements.

Statement of Directors' responsibilities

Company law in the United Kingdom 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 judgments and estimates have been made in preparing the financial statements for the period ended 31 December 2004 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 directors are responsible for ensuring that the Directors' Report and other information included in the annual report is prepared in accordance with Company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the AIM rules of the Financial Services Authority.

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 the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

On behalf of the Board.

Martyn Rose
Chairman of the Audit Committee
24 March 2005

Directors' Remuneration Report for the 15 months ended 31 December 2004

Information not subject to audit

The Remuneration Committee comprises M C Rose, D T Embleton and W E Shaw who are all 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:

- the basic salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Directors of an appropriate calibre;
- 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 not participate in the company's share option scheme, and do not receive the benefit of pension contributions.

Executive Directors are appointed on contracts with notice periods of between six and twelve months. The group made contributions to externally administered defined contribution pension schemes for two Executive Directors.

The interests of the Directors at 31 December 2004 in the shares of the company were as follows:

	Number of deferred ordinary shares of 4p each 31 December 2004	Number of ordinary shares of 1p each 31 December 2004	Number of ordinary shares of 5p each 30 September 2003
S J F Dessain	711,355	1,086,355	392,904
D T Embleton	1,219,988	1,219,988	934,274
M C Rose	13,308,558	7,374,028	4,635,932
M A Rowse	6,624,028	14,058,558	11,320,461
W E Shaw ¹	2,183,978	2,808,978	1,898,315

¹ W E Shaw's interests are by reason of his controlling shareholding in 966 Corporation Inc.

In the period between 31 December 2004 and the financial statements being approved there was no change in these shareholdings.

Information subject to audit

Directors' remuneration

	Salary and fees £'000	Benefits £'000	Sums paid to a third party for Director's services £'000	Compensat- ion for loss of office £'000	Pension contributions £'000	2004 (15 month period) Total £'000	2003 (12 month period) Total £'000
Executive							
M A Rowse	127	13	12	8	14	174	146
S J F Dessain	137	10	-	-	16	163	118
W D Finlay	-	-	-	-	-	-	102
Non-Executive							
M A Rowse	-	-	3	-	-	3	-
D T Embleton	6	-	-	-	-	6	5
M C Rose	-	-	73	-	-	73	58
W E Shaw	13	-	-	-	-	13	12
	<u>283</u>	<u>23</u>	<u>88</u>	<u>8</u>	<u>30</u>	<u>432</u>	<u>441</u>

The Directors did not receive nor are they due a bonus payment for the 15 months ended 31 December 2004 (2003: £nil).

Directors' interests

Under the terms of an Inland Revenue approved option scheme and an executive option scheme, the Directors at 31 December 2004 had an interest in options over ordinary shares of £0.01 each of the company, as follows:

	1 October 2003	Number of options granted in the period	Lapsed in the period	Exercised in the period	31 December 2004	Exercise price (p)	Date from which exercisable	Expiry date
S J F Dessain	975,000 ¹	-	-	-	975,000	8.75	11 Dec 2002	11 Dec 2007
S J F Dessain	-	300,000	-	-	300,000	9.50	23 Jan 2004	23 Jan 2014
S J F Dessain	-	2,500,000 ¹	-	-	2,500,000	5.00	26 January 2005	26 January 2015
D T Embleton	-	-	-	-	-	-	-	-
M C Rose	-	-	-	-	-	-	-	-
M A Rowse	-	-	-	-	-	-	-	-
W E Shaw	-	-	-	-	-	-	-	-

¹ Options are exercisable in tranches based on delivery of performance targets between 2003 and 2005 and agreed to be granted in the period; actual grant took place on 25 January 2005.

The options held at 1 October 2003 were over 5p ordinary shares. Following the conversion of the 5p ordinary shares as detailed in note 20 the above options have been amended and are now over 1p ordinary shares in the company.

Gains/(losses) made by Directors on share options

No gains or losses were made by the Directors from the exercise of share options during 2004 (2003: £nil).

The market price of the company's shares at the end of the financial period was 3.2p and the range of market prices during the year was between 2.5p and 17.0p.

On behalf of the Remuneration Committee

Martyn Rose
Chairman
24 March 2005

Report of the independent auditors to the members Ingenta plc

We have audited the financial statements of Ingenta plc for the period ended 31 December 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with 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 and United Kingdom auditing standards.

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 regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, chief executive's review, financial review, corporate governance statement and directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

**Report of the independent auditors to the members Ingenta plc
(continued)**

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom 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 group'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.

Going concern

In forming our opinion we have considered the disclosures made in the corporate governance statement and in note 1 of the financial statements concerning the uncertainty of the amount and timing of the receipt of the research and development tax credit which the group is claiming. In view of the significance of this uncertainty we consider this should be drawn to your attention but our opinion is not qualified in this respect.

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 31 December 2004 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
OXFORD
24 March 2005

Note

- 1 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.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Consolidated Profit and Loss Account for the 15 months ended 31 December 2004

	Notes	Pre- exceptional items £'000	Exceptional Items £'000	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Turnover	2	8,767	-	8,767	8,457
Cost of sales		(2,255)	-	(2,255)	(2,007)
Gross profit		6,512	-	6,512	6,450
Administrative expenses					
Other operating expenses		(9,465)	-	(9,465)	(9,289)
Exceptional items:					
- onerous lease costs		-	(532)	(532)	-
- aborted acquisition costs		-	(54)	(54)	-
- reorganisation costs		-	(115)	(115)	-
	3	(9,465)	(701)	(10,166)	(9,289)
Operating loss		(2,953)	(701)	(3,654)	(2,839)
Interest receivable and similar income	6			4	6
Interest payable and similar charges	7			(51)	(49)
Loss on ordinary activities before taxation	2			(3,701)	(2,882)
Tax on loss on ordinary activities	9			433	877
Loss for the financial period	22			(3,268)	(2,005)
Loss per 1p share (2003: 5p share) - basic and diluted	11			(2.5)p	(2.4)p

All activities are classified as continuing.

The accompanying notes form part of these financial statements

**Statement of Consolidated Total Recognised Gains and Losses
for the 15 months ended 31 December 2004**

	Notes	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Loss for the financial period		(3,268)	(2,005)
Currency translation differences on foreign currency net investments	22	178	115
Total recognised losses for the period		(3,090)	(1,890)

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

	Notes	31 December 2004 £'000	30 September 2003 £'000
Fixed assets			
Tangible assets	12	399	1,022
Investments	13	202	227
Interests in joint ventures:			
Share of gross assets		-	10
Share of gross liabilities		-	(7)
		-	3
		601	1,252
Current assets			
Stocks	14	7	39
Debtors	15	2,665	2,387
Cash at bank and in hand		883	-
		3,555	2,426
Creditors - amounts falling due within one year			
Deferred income		(1,978)	(1,358)
Other	16	(2,860)	(4,303)
		(4,838)	(5,661)
Net current liabilities		(1,283)	(3,235)
Total assets less current liabilities		(682)	(1,983)
Creditors - amounts falling due after more than one year			
Deferred income		-	(516)
Other	17	(37)	(77)
		(37)	(593)
Provisions for liabilities and charges	19	(463)	(521)
Net liabilities		(1,182)	(3,097)
Capital and reserves			
Called up share capital	20	7,510	5,414
Share premium account	22	20,955	18,046
Merger reserve	22	11,056	11,056
Reverse acquisition reserve	22	12,679	12,679
Profit and loss account deficit	22	(53,382)	(50,292)
Equity shareholders' deficit		(1,182)	(3,097)

The financial statements were approved by the board of directors on 24 March 2005 and were signed on its behalf by:

Simon Dessain
Director

Martyn Rose
Chairman

The accompanying notes form part of these financial statements.

Company Balance Sheet

	Note	31 December 2004 £'000	30 September 2003 £'000
Fixed assets			
Investments	13	-	-
Current assets			
Debtors	15	6,005	8,993
Cash at bank and in hand		280	-
		6,285	8,993
Creditors - amounts falling due within one year			
Deferred revenue		(418)	(351)
Other	16	(953)	(1,137)
		(1,371)	(1,488)
Net current assets		4,914	7,505
Total assets less current liabilities		4,914	7,505
Creditors - amounts falling due after more than one year			
Deferred revenue		-	(516)
Net assets		4,914	6,989
Capital and reserves			
Called up share capital	20	7,510	5,414
Share premium account	22	20,955	18,046
Profit and loss account deficit	22	(23,551)	(16,471)
Equity shareholders' funds		4,914	6,989

The financial statements were approved by the board of directors on 24 March 2005 and were signed on its behalf by:

Simon Dessain
Director



Martyn Rose
Chairman

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement for the 15 months ended 31 December 2004

	Notes	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Net cash outflow from operating activities	24	(3,857)	(4,010)
Returns on investments and servicing of finance			
Interest received		4	6
Interest paid on bank overdraft		(47)	(28)
Interest paid on finance leases		(4)	(21)
Net cash outflow from returns on investments and servicing of finance		(47)	(43)
Taxation		344	532
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(100)	(60)
Net cash outflow from capital expenditure and financial investment		(100)	(60)
Acquisitions			
Deferred consideration		(30)	-
Net cash outflow from acquisitions		(30)	-
Management of liquid resources			
Purchase of short term deposits		(680)	-
Net cash outflow from management of liquid resources		(680)	-
Cash outflow before financing		(4,370)	(3,581)
Financing			
Repayment of principal under finance leases		(84)	(276)
Issue of ordinary share capital		5,004	2,258
Cash inflow from financing		4,920	1,982
Increase/(decrease) in cash in the period	25	550	(1,599)

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the 15 months ended 31 December 2004

1 Principal accounting policies

These financial statements have been prepared under the historical cost convention and are in accordance with the Companies Act 1985 and applicable accounting standards, except as noted below in respect of the true and fair override involved in adopting reverse acquisition accounting. A summary of the group's principal accounting policies, which have remained unchanged from the previous year, is set out below.

Going concern

Ingenta's Directors regularly review forecasts of trading and cash flows and examine these against available funding. As noted in the circular to shareholders of 29 October 2004 they have undertaken a review of sales and expense forecasts and funding needs including the expected receipt of a £0.4m Research and Development tax credit in respect of 2004 (2003: £0.3m). Because of the nature of such claims there is uncertainty as to the value and timing of receipt of the amount claimed. On the basis that the sum claimed is received as forecast, the Directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in the preparation of these financial statements.

Basis of consolidation

The consolidated accounts comprise the accounts of Ingenta plc, the company, and its subsidiary undertakings made up to 31 December 2004. 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.

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 (FRS) 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.

In invoking the true and fair override, the Directors note that reverse acquisition accounting as described above is endorsed by the International Accounting Standards Board 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 company 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. Goodwill has been amortised over its useful economic life which, in the opinion of the Directors, was assessed as being four years. In addition, the Directors have a policy of carrying out impairment reviews in accordance with FRS 11 (Impairment of Fixed Assets and Goodwill).

Tangible fixed assets

Fixed assets are recorded 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 rates used for this purpose are:

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

Stock and work in progress

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

Fixed asset investments

Fixed asset investments are carried at cost less any provision made for impairment.

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.

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 group total recognised gains and losses.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, is recognised as follows:

Specialist websites

Revenue received from the creation of specialist websites is recognised in accordance with FRS 5 (Reporting the Substance of Transactions) when performance of the contract gives rise to the right to consideration. Revenue relating to either royalty agreements or revenue sharing arrangements is recognised over the term of the contract and in line with performance of the contractual obligation.

Publisher services

Revenues from the processing of e-journal content are recognised in accordance with the period to which they relate. Revenue from other services which is separately identifiable is recognised upon the work being completed and the service being available online. Ongoing service fees are recognised over the life of the relevant agreements. Revenue collected or billed in advance of such services being performed is recorded as deferred income and recognised over the contract period. The group has certain products that are sold as multi-element arrangements. Revenue is recognised when each element is delivered to the customer based upon the fair value of each product element.

Pay-Per-View

Revenues from documents delivered are recognised on despatch of the document. Revenue from library deposit account charges are recognised as the charges become due according to the published terms. Library service income is recognised over the period to which the services relate with revenue collected or billed in advance of such services being performed, recorded as deferred income.

Long term contracts

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in work in progress as long term contract balances.

Cost of sales

Cost of sales consists of document royalty costs and document delivery costs together with staff costs directly relating to the provision of relevant services.

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. When applicable, the group places the majority of its cash on short-term deposit. The group's objective is to minimise the risk of loss 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 18.

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.

Pension costs

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

Deferred taxation

Provision is made for deferred taxation, using the full provision method, on all material timing differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Share options issued to employees

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.

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 / (liabilities) is set out below:

	Sales by Destination 15 months ended 31 December 2004	Sales by Origin 15 months ended 31 December 2004	Sales by Destination Year ended 30 September 2003	Sales by Origin Year ended 30 September 2003
	2004 £'000	2004 £'000	£'000	£'000
Turnover				
United Kingdom	4,246	5,601	3,229	4,652
USA	3,582	3,166	4,649	3,805
Rest of World	939	-	579	-
Total	8,767	8,767	8,457	8,457

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Loss on ordinary activities before taxation		
United Kingdom	(3,331)	(2,301)
USA	(323)	(538)
Operating loss	(3,654)	(2,839)
Net interest payable		
- United Kingdom	(43)	(27)
- USA	(4)	(16)
Total	(3,701)	(2,882)

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Net assets/(liabilities)		
United Kingdom	1,522	(558)
USA	(2,704)	(2,539)
Total	(1,182)	(3,097)
- Group	(1,182)	(3,100)
- Joint ventures	-	3

3 Administrative costs

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Administrative costs:		
Technical services	1,517	2,417
Software development	2,280	1,517
Depreciation and impairment of tangible fixed assets	690	742
Sales and marketing expenses	3,314	2,387
Other administration costs	1,664	2,226
	9,465	9,289
Exceptional items	701	-
	10,166	9,289

4 Directors' emoluments

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Aggregate emoluments	314	353
Pension contributions to money purchase schemes	30	30
Sums paid to a third party for the services of Directors	88	58
	432	441

Retirement benefits are accruing to two executive directors (2003: two) under money purchase pension schemes.

Emoluments payable to the highest paid director are as follows:

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
Aggregate emoluments	148	133
Sums paid to third party for Director's services	15	-
Pension contributions to money purchase schemes	14	13
	177	146

The detailed numerical analysis of directors' remuneration and share options is included in the audited section of the directors' remuneration report 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 period was:

By activity	15 months ended	Year ended
	31 December 2004	30 September 2003
	Number	Number
Technical services	45	58
Software development	34	32
Sales and marketing	36	42
Administration	13	15
	128	147

Staff costs (for the above persons)	15 months ended	Year ended
	31 December 2004	30 September 2003
	£'000	£'000
Wages and salaries	5,524	5,034
Social security costs	756	701
Pension costs	418	314
	6,698	6,049

6 Interest receivable and similar income

	15 months ended	Year ended
	31 December 2004	30 September 2003
	£'000	£'000
Bank interest receivable	4	6

7 Interest payable and similar charges

	15 months ended	Year ended
	31 December 2004	30 September 2003
	£'000	£'000
Interest payable on bank overdrafts	47	28
Finance leases	4	21
	51	49

8 Operating loss

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
<i>Operating loss is stated after (crediting)/charging:</i>		
Depreciation charge for the period on tangible fixed assets:		
- owned assets	561	450
- leased assets	93	147
(Profit)/loss on disposal of fixed assets	(6)	2
Impairment of leasehold improvements	36	145
Auditors' remuneration for:		
- audit (company £10,000) (2003: £10,000)	57	50
- taxation	20	10
- other assurance services	3	-
Research and development	1,810	1,438
Operating lease charges:		
- plant and machinery	10	14
- other	640	543

9 Tax on loss on ordinary activities

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
UK corporation tax on the results for the period at 30% (2003: 30%)	-	-
Current period research and development tax receivable	433	345
<u>Prior period research and development tax credit</u>	<u>-</u>	<u>532</u>
	<u>433</u>	<u>877</u>

The group has unutilised tax losses in the UK and the USA of £12,433,000 (2003: £11,010,000) and \$1,595,000 (2003: \$834,000) respectively available to set-off against future trading profits in those regions. These have yet to be agreed with the tax authorities.

The differences between the tax charge and the standard rate of corporation tax are explained below:

	15 months ended 31 December 2004 £'000	Year ended 30 September 2003 £'000
<u>Loss on ordinary activities before tax</u>	<u>(3,702)</u>	<u>(2,882)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	(1,111)	(865)
Effects of:		
Permanent differences	5	101
Deferred tax movement not recognised	475	86
<u>Tax losses surrendered for research and development</u>	<u>631</u>	<u>678</u>
<u>Total current tax</u>	<u>-</u>	<u>-</u>

10 Loss 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 loss for the period was £7,080,000 (2003: £6,725,000 loss).

11 Loss per share

The basic loss per share has been calculated by dividing the loss for the financial period by the weighted average number of ordinary shares of 130,244,269 (2003: 84,906,207) in issue during the period. The company had no dilutive ordinary shares in either period which would serve to increase the loss per ordinary share and there is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

12 Tangible fixed assets

Group	Leasehold improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2003	403	3,219	514	14	4,150
Additions	-	97	3	-	100
Disposals	-	-	(11)	-	(11)
Exchange adjustments	-	(147)	(26)	-	(173)
At 31 December 2004	403	3,169	480	14	4,066
Depreciation					
At 1 October 2003	235	2,591	288	14	3,128
Charge for the period	22	537	95	-	654
Impairment	36	-	-	-	36
Disposals	-	-	(6)	-	(6)
Exchange adjustments	-	(128)	(17)	-	(145)
At 31 December 2004	293	3,000	360	14	3,667
Net book value					
At 31 December 2004	110	169	120	-	399
At 30 September 2003	168	628	226	-	1,022

The net book value of tangible fixed assets includes an amount of £nil (2003: £138,000) in respect of assets held under finance leases.

The company did not hold any tangible fixed assets during the 15 months ended 31 December 2004 (2003: nil).

13 Fixed asset investments

Group	Trade Investments £'000
Cost	
At 1 October 2003	227
Exchange adjustments	(25)
At 31 December 2004	202
Net book value	
At 31 December 2004	202
At 30 September 2003	227

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 October 2003 and 31 December 2004	12,749	14,092	26,841
Provision for impairment			
At 1 October 2003 and 31 December 2004	12,749	14,092	26,841
Net book value at 30 September 2003 and 31 December 2004	-	-	-

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 and Wales	Ordinary	-	100%	Online publications service
CatchWord Limited	England and Wales	Ordinary Preference Shares	-	100%	Online publications service
Ingenta Inc	USA	Ordinary	100%	-	Online publications service
UnCover Inc	USA	Ordinary	100%	-	Online publications service
PCG Inc	USA	Ordinary	100%	-	Marketing Consultancy
Ingenta US Holdings Inc	USA	Ordinary	-	100%	Holding company
BIDS Limited	England and Wales	Ordinary	100%	-	Dormant
Panorama Homes Limited	England and Wales	Ordinary	-	100%	Non-trading

The dormant joint venture undertakings Braemar Homes Limited, Braemar Homes 2 Limited and Inveresk Property Services Limited were dissolved during the period.

14 Stock and work in progress

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Work in progress	7	39	-	-

15 Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	1,587	1,442	-	-
Amounts recoverable on contracts	-	94	-	-
Amounts owed by group undertakings	-	-	5,992	8,954
Corporation tax	434	345	-	-
Other debtors	61	203	5	7
Prepayments and accrued income	583	303	8	32
	2,665	2,387	6,005	8,993

Included within trade debtors is an amount of £nil (2003: £46,000) in respect of trade debtors falling due after more than one year.

Included within amounts owed by group undertakings is £5,992,000 which are due in more than one year.

The corporation tax debtor relates to a Research and Development tax credit, which is subject to Inland Revenue approval.

16 Other Creditors - amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Bank overdrafts	-	347	-	-
Trade creditors	649	1,103	125	60
Amounts owed to group undertakings	-	-	729	998
Amounts owed to joint ventures	-	18	-	18
Other taxation and social security	183	396	-	-
Finance leases	-	84	-	-
Other creditors	5	36	-	-
Accruals	981	943	99	61
Customer deposits	993	1,336	-	-
Deferred consideration for acquisitions	49	40	-	-
	2,860	4,303	953	1,137

17 Other Creditors - amounts falling due after more than one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Deferred consideration for acquisitions	37	77	-	-

An analysis of the maturity of finance lease obligations is given in note 18.

18 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 FRS 13 as financial instruments.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

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.

Interest rate risk profile of financial liabilities

	Fixed rate	Total	Fixed rate	Total
	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Sterling finance leases	-	-	82	82
US Dollar finance leases	-	-	2	2
Total finance leases	-	-	84	84

The finance leases had a weighted average annualised rate of interest of 2004: nil% (2003: 11%).

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	Finance		Other	Total	Finance		Other	Total
	leases	Borrowings	financial liabilities		leases	Borrowings	financial liabilities	
	2004	2004	2004	2004	2003	2003	2003	2003
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	-	-	49	49	84	347	40	471
One to two years	-	-	37	37	-	-	49	49
Two to five years	-	-	-	-	-	-	28	28
	-	-	86	86	84	347	117	548

Interest rate risk profile of financial assets

	Fixed rate		Total	Fixed rate		Total
	2004	2004	2004	2003	2003	2003
	£'000	£'000	£'000	£'000	£'000	£'000
Sterling		680	680	-	-	-
Of which:						
Cash at bank and in hand		680	680	-	-	-

Cash deposits are normally placed on the money market at fixed bank deposit rates for periods up to one month. Fixed 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 assets in currencies other than their local currency. Foreign exchange differences on re-translation of these net assets are charged to the profit and loss account.

Group	US dollars			Euros		
	2004	2004	Total 2004	2003	2003	Total 2003
	£'000	£'000	£'000	£'000	£'000	£'000
Functional currency of group operation:						
Sterling	19	41	60	43	157	200

Fair value

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

19 Provision for liabilities and charges

Group	Onerous lease	Reorganisation	Vacant property	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 October 2003	-	-	521	521
Charged in the period	290	47	-	337
Utilised	-	-	(348)	(348)
Released in the period	-	-	(47)	(47)
At 31 December 2004	290	47	126	463

A provision has been recognised for an onerous lease, representing a calculated proportion of the unutilised space in a leasehold property at year end to the break clause in June 2006.

A provision has been recognised for the reorganisation costs associated with changes being implemented within the three principal trading activities.

The provision for vacant property stands at £126,000 at year end. The successful subletting of a property has allowed the provision to be revised and £47,000 to be released. The remaining provision should be fully utilised within the next two years.

Deferred taxation

Deferred taxation not recognised is as follows:

Group	Amount not recognised	
	2004	2003
	£'000	£'000
Tax effect of timing differences:		
Excess of depreciation over capital allowances	(407)	(387)
Losses	(3,978)	(3,474)
	(4,385)	(3,861)

Company	Amount not recognised	
	2004	2003
	£'000	£'000
Tax effect of timing differences:		
Excess of depreciation over capital allowances	(163)	(179)
Losses	-	(15)
	(163)	(194)

20 Called up share capital

Company	2004 £'000	2003 £'000
Authorised		
335,170,320 ordinary shares of 1p each	3,352	-
141,207,420 deferred ordinary shares of 4p each	5,648	-
155,000,000 ordinary shares of 5p each	-	7,750
	9,000	7,750
Allotted and called up and paid up		
108,287,453 ordinary shares of 5p each	-	5,414
186,207,420 ordinary shares of 1p each	1,862	-
141,207,420 deferred ordinary shares of 4p each	5,648	-
	7,510	5,414

Share issues

The following shares were issued in the period:

Reason for issue	Date	Nominal value £	Number of shares	Consideration £
Share placing	31 March 2004	1,312,500	26,250,000	3,150,000
Exercise of share options	1 May 2004	165	3,300	173
Share placing	15 July 2004	333,333	6,666,667	466,667
Share placing	23 November 2004	450,000	45,000,000	1,800,000

These shares were issued fully paid for cash at prices between 4p and 12p.

Authorised share capital

The authorised share capital of the company is £9,000,000 divided into 335,170,320 ordinary shares of 1p each and 141,207,420 deferred shares of 4p each. The existing shares were sub-divided at an Extraordinary General Meeting on 22 November 2004.

Rights of deferred ordinary shareholders

The deferred shares of 4p each shall not entitle the holder to receive notice or attend or vote at any general meeting of the Company. Upon return of capital (whether on winding up or otherwise) the repayment of the amount paid up on such deferred shares will only be repaid after repayment of the capital paid up on the ordinary shares together with payment of £10,000,000 on each ordinary share.

21 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 1p each that had been granted and had not lapsed at 31 December 2004 were as follows:

Number of shares	Exercise price p	Grant date	Expiry date
52,740	14.00	15 March 1999 ¹	15 March 2009
7,155	14.00	30 July 1999	30 July 2009
35,775	14.00	2 August 1999 ¹	2 August 2009
19,080	70.00	23 December 1999 ¹	23 December 2009
77,274	70.00	4 January 2000 ¹	4 January 2010
47,856	280.00	1 August 2000 ¹	1 August 2010
16,671	280.00	13 November 2000 ¹	13 November 2010
207,890	111.00	12 October 2001 ¹	12 October 2004
6,665	150.00	17 April 2002 ¹	17 April 2012
445,000	8.75	11 December 2002 ²	11 December 2007
1,020,000	5.25	21 January 2003 ¹	21 January 2013
80,000	11.75	30 June 2003 ¹	30 June 2013
875,000	8.00	22 September 2003 ²	22 September 2008
300,000	9.50	01 October 2003	01 October 2013
592,204	9.50	21 January 2004	21 January 2014
70,000	11.00	19 May 2004	19 May 2009
41,000	6.00	2 August 2004	2 August 2014
2,500,000	5.00	25 January 2005 ²	25 January 2015
20,000	3.25	22 November 2004	22 November 2014
1,900,000	3.00	22 November 2004 ²	22 November 2014
8,314,310			

The options held at 1 October 2003 were over 5p ordinary shares. Following the conversion of the 5p ordinary shares as detailed in note 20 the above options have been amended and are now over 1p Ordinary shares in the company.

¹ The options are exercisable on the first, second and third anniversaries from the date of grant.

² The options were agreed to be granted on 13 October 2004 and actually granted on 25 January 2005 and are subject to performance conditions.

22 Reserves

Group	Share premium	Merger reserve	Reverse acquisition reserve	Profit and loss account (deficit)
	£'000	£'000	£'000	£'000
At 1 October 2003	18,046	11,056	12,679	(50,292)
Premium on shares issued for cash	3,321	-	-	-
Issue expenses	(412)	-	-	-
Net exchange adjustments	-	-	-	178
Loss for the period	-	-	-	(3,268)
At 31 December 2004	20,955	11,056	12,679	(53,382)

Company	Share premium	Profit and loss account
	£'000	£'000
At 1 October 2003	18,046	(16,471)
Premium on shares issued for cash	3,321	-
Issue expenses	(412)	-
Loss for the period	-	(7,080)
At 31 December 2004	20,955	(23,551)

23 Reconciliation of movements in equity shareholders' deficit

Group	2004	2003
	£'000	£'000
Loss for the period	(3,268)	(2,005)
Net exchange adjustments	178	115
New share capital issued	5,417	2,561
Expenses of share issue	(412)	(303)
Net increase in shareholders' funds	1,915	368
Opening shareholders' deficit	(3,097)	(3,465)
Closing shareholders' deficit	(1,182)	(3,097)

24 Cash flow from operating activities

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

Group	Continuing operations	
	2004	2003
	£'000	£'000
Operating loss	(3,654)	(2,839)
Depreciation charge	654	597
Impairment of leasehold improvements	36	145
(Profit)/loss on disposal of fixed assets	(6)	2
Decrease/(increase) in stocks and work in progress	32	(39)
(Increase)/decrease in debtors	(278)	549
Decrease in creditors	(583)	(2,287)
Decrease in provisions	(58)	(138)
Net cash outflow from continuing operations	(3,857)	(4,010)

25 Reconciliation of net cash flow to movement in net funds/(debt)

Group	2004	2003
	£'000	£'000
Increase/(decrease) in cash in the period	550	(1,599)
Cash used to increase liquid resources	680	-
Finance lease repayments	84	276
Movement in net funds in the period	1,314	(1,323)
Net (debt)/ funds at beginning of the period	(431)	892
Net funds /(debt) at end of the period	883	(431)

26 Analysis of net funds/(debt)

Group	At 1 October	Cash flow	At 31
	2003		December
	£'000	£'000	2004
			£'000
Cash in hand and at bank	-	203	203
Cash on short term deposits	-	680	680
Bank overdraft	(347)	347	-
	(347)	1,230	883
Finance leases	(84)	84	-
Total	(431)	1,314	883

27 Financial commitments

Group

At 31 December 2004, the group had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings 2004 £'000	Other 2004 £'000	Land and buildings 2003 £'000	Other 2003 £'000
Within one year	54	10	-	14
One to two years	361	-	-	-
Two to five years	-	-	410	-
After five years	149	-	142	-
	564	10	552	14

Company

At 31 December 2004, the company had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

Group	Land and buildings 2004 £'000	Land and buildings 2003 £'000
Within two to five years	264	264
After five years	149	142
	413	406

28 Related party transactions

During the 15 months ended 31 December 2004, the group did not enter into any related party transactions with directors other than sums paid to third parties for directors' services as disclosed in the Remuneration Committee Report.

29 Contingent liabilities

The group and the company did not have any contingent liabilities at 31 December 2004 (2003: nil).