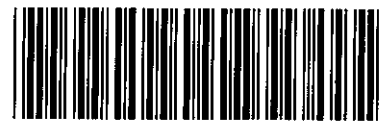


Ingenta plc  
Annual report  
for the year ended 31 December 2005

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# **Ingenta plc**

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# **Directors and Advisors**

## **Executive Director**

Simon Dessain, Chief Executive

## **Non-Executive Directors**

Martyn Rose, Chairman

Mark Rowse

Ward Shaw

## **Company Secretary**

Mark Rowse

## **Registered Office and Head Office**

23-38 Hythe Bridge Street

Oxford

OX1 2ET

Registered number: 837205

## **Auditor**

Grant Thornton UK LLP

1 Westminster Way

Oxford

OX2 0PZ

## **Bankers**

The Royal Bank of Scotland Plc

48 Haymarket

London

SW1Y 4SE

## **Registrars**

Capita IRG plc

The Registry

PO Box 25

34 Beckenham Road

Beckenham

Kent

BR3 4BR

## **Stockbrokers**

Collins Stewart Limited

9<sup>th</sup> Floor

88 Wood Street

London

EC2V 7QR

## **Solicitors**

Travers Smith Braithwaite

10 Snow Hill

London

EC1A 2AL

## 2005 – Highlights

Ingenta plc is a provider of technology and marketing services to the publishing and information industries, undertaking online delivery of professional, scholarly and research content and associated services to maximize its use in corporate, academic, and governmental institutions and their libraries.

### Highlights

- Close to break even in the second half
- New products and services launched in all operations
- IngentaConnect hosted titles approaches 10,000 – up by 14%
- Sales in the year of £6.6m (15 month period to 31 December 2004: £8.8m)
- Overheads before exceptional items reduced by 26% to £5.6m (15 month period to 31 December 2004: £9.5m)<sup>1</sup>
- Gross profit £4.9m - margin increased to 75% (15 month period to 31 December 2004: 74%)
- Loss of £0.3m (15 month period to 31 December 2004: loss £3.3m)
- Operating loss reduced by 79%<sup>1</sup>
- Trading showed further improvements

<sup>1</sup> For comparative purposes ‘annualised pro rata’ assumes revenue and overheads accruing evenly over the 15 month period throughout this report and accounts.

### Ingenta: Business Overview

Ingenta provides technology and associated marketing services to publishers from whom it receives fees. The provision of Ingenta’s software and services enable publishers to make their content available online under a variety of business models including subscription and pay per view. Ingenta also provides marketing services to help publishers maximise distribution of their content.

Ingenta charges recurring fees, in many cases under multi year agreements, for use of its market-leading technology and services. These are in the areas of content preparation, content enhancement, website creation, marketing services, online distribution and access management of subscription controlled content.

The services provided by Ingenta not only enable publishers to securely disseminate their content online but also to make incremental revenues from their content. In 2005 the Group worked with over 40 new publishers in addition to over 270 with whom it has existing relationships.

Ingenta’s technical skills, its market leadership and its broad understanding of the issues faced by publishers attempting to distribute content and gain new online revenues are key business advantages for the Group.

Ingenta’s three principal activities are as follows:

#### **1) IngentaConnect** (*www.ingentaconnect.com*)

2005 saw IngentaConnect add another 25 new publishers to its customer base. IngentaConnect provides online access to over 9,500 titles to those wishing to conduct academic or scientific research. IngentaConnect achieved a new peak of nearly 20 million user sessions a month. IngentaConnect enables publishers to reach an audience beyond their traditional subscriber bases, for instance it allows free access

to paid-up subscribers of a publication, with other non-subscription users able to purchase individual articles on a pay per view basis.

Institutions also engage Ingenta to create online student course packs through the Group's Heron service, which is used by over 45% of UK Higher Education institutions and which generates a further royalty stream for publishers. Ingenta also operates a small number of premium services of direct benefit to institutions and users of IngentaConnect, for which there is an annual charge.

## **2) Information Commerce and Publication Websites (ICS)**

Publishers have a range of complex needs to maximise the value of the content they create in online environments. This 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 software and services to meet these needs, the core of which is a software package called Information Commerce Services (ICS), which is offered to publishers for use by them or as part of publication websites created, maintained and run on behalf of publishers, by Ingenta.

## **3) Publishers Communication Group (PCG)**

Ingenta's PCG provides a range of specialised marketing and business development services to meet the needs of professional and scholarly publishers. These include services in the areas of: market intelligence for planning and marketing new products; promotions to expand awareness; and local market representation services. In addition PCG has recently introduced market segmentation and publisher consulting services.

PCG provides services to over 50 North American and European publishers with programs delivered in over 40 countries in 8 languages on their behalf.

## **Chairman's Statement**

The year to 31 December 2005 saw Ingenta significantly reduce its operating costs and implement a new organisational structure in order to target the headline goal of profitable trading and also to support future revenue growth. The trading progress made during the year enabled the best ever financial result in the company's history to be achieved being close to break even for the second half.

### *Finance and Operations*

Turnover in the year was £6.6m (15 month period to 31 December 2004: £8.8m). The gross margin improved to 75% (15 month period to 31 December 2004: 74%).

As a result of actions taken to reduce costs, the loss before tax in the year decreased by 79% on a pro rata basis to £0.6m (15 month period to 31 December 2004: loss £3.7m), inclusive of £1.2m (15 month period to 31 December 2004: £1.8m) invested in Research and Development, all of which was expensed through the profit and loss account as incurred. A Research and Development tax credit of £0.3m for the year (2004: credit of £0.4m) has resulted in a net loss for the financial year of £0.3m (2004: loss £3.3m). The year showed an improving trading trend overall.

The Group's net cash balances at 31 December 2005 were £0.3m (2004: £0.9m)

The Group's leading academic and research publications hosting platform, IngentaConnect ([www.ingentaconnect.com](http://www.ingentaconnect.com)) continued to perform strongly and 2005 saw the release of new services for both publisher clients and end users. In addition, Ingenta's Information Commerce (ICS) unit completed further important contracted software deliveries and gained new website agreements from three clients. Finally the Group's Publisher Communication Group (PCG) worked with 18 new publishers, further demonstrating the value of the high quality services offered.

Ingenta's activities with Google, including Google Scholar, continue to provide both parties with benefits. This work allows us to assist publishers in maximising their online presence, not only with Google, but also with a large range of other information discovery and search resources.

Further increases in operational efficiency have enabled Ingenta to increase its gross margin. The central importance Ingenta places on software engineering, in order to drive down the cost of delivering services to clients through automation and improved reliability, continues. This aspect is underlined by the ongoing level of research and development expenditure incurred by the Group.

Ingenta's acute understanding of the issues faced by publishers trying to reach global audiences for their content and to derive new revenues from online delivery of content, remain key business advantages for the Group.

### *Staff*

During the first quarter of 2005 the number of people employed by Ingenta declined further, from 114 to 94 at the end of the first quarter and then to 86 full time equivalent employees at the year end.

The changes completed in the year succeeded as a result of the contributions made by staff across the whole Group. The resulting financial progress was only possible with their support and the Board wishes to thank them for their enthusiasm, hard work and commitment.

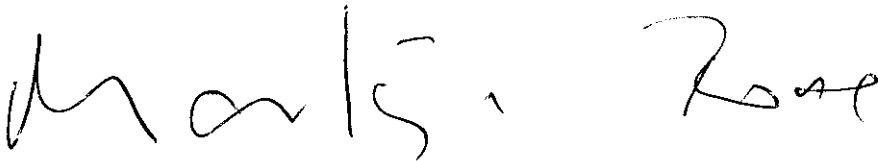
The Board would also like to thank David Embleton, who stepped down as Non-Executive Director at our 2005 Annual General Meeting, for his six years of contribution to the Group during Ingenta's early and formative stages of development.

*Current Trading and Prospects*

2005 saw the Group deliver major improvements in its financial performance, with substantial reductions in losses and the beginning of returns from the new products and services introduced over the last 18 months.

Having achieved a sustainable lower cost base, the task for the Board ahead is to focus on growing the scale of the business through increased revenues from existing operations and acquisitions.

**Martyn Rose**  
Chairman  
24 March 2006

A handwritten signature in black ink that reads "Martyn Rose". The signature is written in a cursive, flowing style.

## **Chief Executive's Review**

Ingenta provides services for publishers of high value content, including market leading services in the areas of content preparation and enhancement, website creation, marketing services, online distribution and access management for subscriber controlled content. Access management in particular requires sophisticated and complex technical solutions for which Ingenta is a market leader. The use of such technology is a pre-requisite for publishers wishing to exploit new and evolving e-commerce opportunities and thus derive incremental revenues from their digital content.

Ingenta continues to generate over 90% of its revenues from providing technology and marketing services to publishers, with the remaining revenues coming from institutions and end users of the Group's services. In 2005 Ingenta again expanded the number of publishers it works with by adding an additional 40 clients. The majority of the Group's publisher revenues consist of recurring annual fees and long term contracts derived through the following three principal activities:

### **IngentaConnect** ([www.ingentaconnect.com](http://www.ingentaconnect.com))

2005 saw IngentaConnect cement further its position as a leader in its sector, with over 9,500 research and professional publication titles. Title growth of 14% in the year was achieved, though publisher consolidation has reduced our number of imprints. During the year, the site saw a peak of over 20 million monthly user sessions from around 20,000 institutions spread across 160 countries and at an availability level in excess of 99.99%. In addition over 20,000 further titles are available for searching and delivery through fax pay per view.

IngentaConnect provides online access to over 245 academic imprints for those conducting academic or scientific research worldwide. During the year world-leading specialist publishing group, Springer, revised a long-term contract with Ingenta and increased the number of titles available through our service to over 1,000. With over 60 linking partners and a large number of search and discovery services pointing users towards IngentaConnect, publishers gain access to a far wider audience for their content, beyond their traditional individual subscriber bases.

Following the establishment of IngentaConnect's new technology platform, launched in 2004 a rolling program of new services for publishers continued through 2005 including Connect Collections. This service provides the ability to create subsets of content, discipline or topic based, which can be offered as a collection, enabling specialist libraries to easily expand their holdings in specific subject areas.

2005 also saw the launch of *byDesign*, a service through which publishers can add the extensive functionality of IngentaConnect to their own websites. This service allows paid-up subscribers of a publication to download articles for free, or non-subscribers to purchase individual articles online on a pay per view basis from the *byDesign* element of the publisher's website.

In addition, Ingenta's Heron service creates online student course packs and is in use by over 45% of all UK Higher Education institutions. Through the Heron website, institutions can request digitisation, copyright clearance and course pack distribution services. Article pay per view through IngentaConnect and Heron together generate royalty revenues of over £1m per annum for Ingenta's publishers.

Ingenta also now provides a small number of chargeable premium services, which are of direct benefit to users of IngentaConnect. There are three new products in this area, including IngentaConnect Premium, an enhanced package of user services available for a small additional fee and IngentaConnect Complete and IngentaConnect InTouch, new services designed for libraries. Revenues from the IngentaConnect operation comprise set up and annual fees, as well as revenue sharing, and they contributed 58% of Group turnover during the year.

### **Information Commerce and Publication Websites**

Print publications face financial pressure as access to information is undertaken in an increasing range of ways. These pressures require publishers to increase their revenues from digital content. Through Ingenta's Information Commerce Services (ICS) we provide business and professional publishers, as well as our current research oriented publishers, with a solution to this problem.

As with our IngentaConnect operation, the core of our proposition 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 Ingenta's ability to tailor and deliver branded web pages containing the client's content, or facilities enabling the client to upload and update content within a website, these features are a key part of Ingenta's competitive advantage and are part of a product family, generally referred to as ICS. ICS also delivers both a faster time to market and an improved return on investment for publishers.

Ingenta's ICS group designs, builds, maintains and operates websites and provides a standalone software product.

In 2005 the unit undertook further work for Oxford University Press, McGraw Hill and the World Bank and initiated work with UNESCO and the IMF. Important further deliveries were made to our first ICS software client, the Institute of Physics Publishing.

Ingenta's revenues from ICS are generated from initial and ongoing fees from the sale of software and also from the integration into, and management of, publication websites. Revenues from the ICS unit contributed 28% of Group turnover for the period.

#### **Publishers Communication Group (PCG)**

PCG provides specialised marketing and business development services to meet the needs of professional and scholarly publishers.

In 2005 the PCG unit continued to expand its reach into the European publisher market, adding sales representation and consortia licensing services and as a result 50% of PCG revenues in 2005 came from providing European services.

During the period, PCG also launched a new service called the Market Segmentation Study. This analyses a publisher's penetration into the U.S. library market, in comparison with other competing journals. Customised consulting services provided by PCG also help publishers to develop institutional site licenses, analyse their operations, and to study tiered pricing.

In 2005, PCG grew its client base substantially by adding 18 new publishers including American Society of Clinical Oncology, Taylor and Francis – an Informa business, Society for Endocrinology, Water Environment Federation and Elsevier. Ingenta's revenues in this area are largely fee based and represented 14% of Group turnover during the period.

#### **Operations**

The Group improved productivity substantially during the period, with strong reductions in operating costs which were down 26% on an annualised pro rata basis. This improved productivity was largely down to increased automation of tasks and improved technical reliability.

In the year to 31 December 2005, the Group maintained a high level of investment in software engineering activities consistent with our determination to continue to be a leading provider of technology and services to publishers. The Group does not expect to reduce the number of people employed in 2006 and currently has a number of vacancies to support business growth as a result of the steady release of new products and services.


Automation of tasks through use of software technologies remains the key to continuing to improve services and margins.

## **Outlook**

The strength of our products and the encouraging financial progress in 2005 place Ingenta in a strong position to grow the business organically in 2006 and to explore new opportunities. These may include expansion of our established services into additional publisher markets and acquisitions of similar businesses to increase the Group's scale.

The budget adopted by the Board for the coming year plans for ongoing trading improvements and thereafter delivery of further growth in revenues and profitability in future years.

**Simon Dessain**  
Chief Executive Officer  
24 March 2006

A handwritten signature in black ink, appearing to read 'Simon Dessain', written in a cursive style.

**Financial Review  
for the year ended 31 December 2005**

**Operating results**

Turnover for the year ended 31 December 2005 was £6.6m (15 months to 31 December 2004: £8.8m).

Gross profit for the period was £4.9m (15 months to 31 December 2004: £6.5m) and the gross margin was increased to 75% (15 months to 31 December 2004: 74%).

Total operating costs in the year were £5.6m (15 months to 31 December 2004: £10.2m). On a pro rata annualised basis, overheads (excluding exceptional items) were reduced through rationalisation to a sustainable level by 26% or £2.0m over the year, to £5.6m (2004: £7.6m). This resulted in a loss before exceptional items and tax of £0.7m (15 months to 31 December 2004: £3.0m), representing a 71% reduction on a 12-month pro rata basis, reflecting the ongoing cost reduction programme.

Net losses before tax were £0.6m (15 months to 31 December 2004: loss £3.7m) and with the benefit of a tax credit of £0.3m (15 months to 31 December 2004: £0.4m) the loss for the financial period was £0.3m (15 months to 31 December 2004: loss £3.3m).

**Taxation**

A tax credit of £0.3m (2004: £0.4m) was included in the results for the year relating to amounts received and receivable under the Research and Development tax credit scheme. Whilst this is subject to HM Revenue & Customs approval, the claim has been prepared on the same basis as in prior years which have not been challenged to date.

The Group has unutilised tax losses at 31 December 2005 in the UK and the USA of £10.9m (2004: £11.2m) and \$14.5m (2004: \$14.8m) respectively.

**Shareholders' returns and dividends**

The Directors do not recommend the payment of a dividend (2004: £nil).

**Balance sheet and cash**

The equity shareholders' deficit totalled £1.6m at the period end (2004: deficit £1.2m).

Cash outflow from operating activities was reduced over the period to £1.0m (15 months to 31 December 2004: outflow £3.9m).

At the period end, net cash balances were £0.3m (2004: £0.9m). During the period £1.1m (15 months to 31 December 2004: £4.0m) of cash was absorbed by operations or used for capital expenditure. This was offset by the receipt of Research and Development tax credits amounting £0.5m.

**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**

The London Stock Exchange has announced that AIM listed groups will have to publish financial information under International Financial Reporting Standards ("IFRS") for accounting periods commencing on or after 1 January 2007. Ingenta 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 2006

A handwritten signature in black ink, appearing to read 'Simon Dessain', with a stylized flourish at the end.

## **Directors' Report for the year ended 31 December 2005**

The Directors present their report and the audited financial statements for the year ended 31 December 2005.

### **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 8 and the Financial Review on pages 9 to 10.

### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 20.

The Directors do not recommend the payment of a dividend (2004: £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

D T Embleton (resigned 19 May 2005)

M A Rowse

W E Shaw

The interests of Directors in the shares of the company at 31 December 2005 are disclosed in the Directors' Remuneration report on pages 15 to 17.

### **Corporate Governance**

Details of Corporate Governance for the year to 31 December 2005 are given on pages 13 to 14.

### **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 £1.2m (15 months to 31 December 2004: £1.8m).

## Substantial shareholdings

At 1 March 2006 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:

	<b>Number of ordinary 1p shares</b>	<b>Percentage of issued ordinary share capital</b>
Cazenove UK Dynamic Fund	16,123,926	8.7%
Mark Rowse	14,058,558	7.5%
BBHISL Nominees	8,888,100	4.8%
Martyn Rose	7,374,028	4.0%
NCL Smith & Williamson Clients	7,273,154	3.9%
Cornhill Insurance	6,500,000	3.5%
Mr Andrew J B Collins	6,107,723	3.3%
Cornelian Enterprise Venture Tst 'A'	5,916,667	3.2%
Cazenove UK Smaller Companies	5,726,074	3.1%

## Charitable and political contributions

The group made no political or charitable contributions during the year (2004: £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 year ended 31 December 2005 the group, on average, paid its trade creditors within 73 days of receipt of a valid invoice (2004: 46 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.

## Auditor

Grant Thornton UK LLP offer themselves for re-appointment as auditor in accordance with section 385 of the Companies Act 1985.

On behalf of the board.



**Simon Dessain**  
Director  
24 March 2006

## **Corporate Governance**

The Board of Directors is accountable to the company's shareholders for good corporate governance and the Directors support the Combined Code 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. There were six meetings in the year.

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 two other non-executive Directors.

Non-executive Directors are appointed on a contract with a three month notice period and the Executive Director is appointed on a contract with a twelve month notice period. 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.

### **Remuneration Committee**

The Remuneration Committee, the report of which is on pages 15 to 17, is composed of two Non-Executive Directors: M C Rose (Chairman) 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.

### **Audit Committee**

The Audit Committee is comprised of two Non-Executive Directors: M C Rose (Chairman) 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. The Audit Committee also ensures that external auditors are independent via the segregation of audit related work from other accounting functions and measures applicable fees with similar auditors.

### **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.

#### **Functional Reporting**

The risks facing the business are assessed on an on going basis. A number of key areas such as treasury management, capital expenditure, insurance, health and safety, and regulatory compliance come under the direct control of the Directors.

#### **Going concern**

Ingenta's Directors regularly review forecasts of trading and cash flows and examine these against available funding recognising the Group has suffered a loss for the year of £0.3m and has a net balance sheet deficit of £1.6m. The forecasts anticipate increases in revenues and maintenance of the Group's current banking facilities. Some of the forecast increases in revenue are supported by new contracts already won. The Group has examined its ability to achieve cost saving measures in the event that further new business does not meet the forecast in order to make its assessment. The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future and thus continues to adopt the going concern basis in preparation of these financial statements.

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice).

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 2005 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.

A handwritten signature in black ink, appearing to read 'Martyn Rose'. The signature is written in a cursive, slightly slanted style.

**Martyn Rose**  
Chairman of the Audit Committee  
24 March 2006

## Directors' Remuneration Report for the year ended 31 December 2005

### Information not subject to audit

The Remuneration Committee comprises M C Rose and W E Shaw who are 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.

The group made contributions to externally administered defined contribution pension schemes for one executive Director.

The interests of the Directors at 31 December 2005 in the shares of the company were as follows:

	Number of deferred ordinary shares of 4p each 31 December 2005	Number of ordinary shares of 1p each 31 December 2005	Number of deferred ordinary shares of 4p each 31 December 2004	Number of ordinary shares of 1p each 31 December 2004
S J F Dessain	711,355	1,086,355	711,355	1,086,355
M C Rose	6,624,028	7,374,028	6,624,028	7,374,028
M A Rowse	13,308,558	14,058,558	13,308,558	14,058,558
W E Shaw <sup>1</sup>	2,183,978	2,808,978	2,183,978	2,808,978

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

In the period between 31 December 2005 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	Pension contributions £'000	2005 (12 month period) Total £'000	2004 (15 month period) Total £'000
<b>Executive</b>						
S J F Dessain	110	8	-	21	139	163
<b>Non-Executive</b>						
D T Embleton	-	-	-	-	-	6
M C Rose	-	-	58	-	58	73
M A Rowse <sup>1</sup>	-	-	68	-	68	177
W E Shaw	11	-	-	-	11	13
	<u>121</u>	<u>8</u>	<u>126</u>	<u>21</u>	<u>276</u>	<u>432</u>

The Directors did not receive nor are they due a bonus payment for the year ended 31 December 2005 (15 months to 31 December 2004: £nil).

<sup>1</sup> £50,000 related to payments provided for in 2004.

### Directors' interests

Under the terms of an HM Revenue & Customs approved option scheme and an executive option scheme, the Directors at 31 December 2005 had an interest in options over ordinary shares of 1p each of the company, as follows:

	1 Jan 2005	Number of options granted in the period	Lapsed in the period	Exercised in the period	31 December 2005	Exercise price (p)	Date from which exercisable	Expiry date
S J F Dessain	975,000 <sup>1</sup>	-	600,000	-	375,000	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 <sup>2</sup>	-	1,000,000	-	1,500,000	5.00	26 January 2005	26 January 2015
M C Rose	-	-	-	-	-	-	-	-
M A Rowse	-	-	-	-	-	-	-	-
W E Shaw	-	-	-	-	-	-	-	-

<sup>1</sup> 600,000 lapsed options were exercisable based on delivery of performance targets between 2003 and 2004.

<sup>2</sup> Options are exercisable in tranches based on delivery of performance targets between 2005 and 2006.

**Gains/(losses) made by Directors on share options**

No gains or losses were made by the Directors from the exercise of share options during 2005 (15 months to 31 December 2004: £nil).

The market price of the company's shares at the end of the financial period was 2.42p and the range of market prices during the year was between 1.00p and 4.35p.

On behalf of the Remuneration Committee

A handwritten signature in black ink, appearing to read 'Martyn Rose', written in a cursive style.

**Martyn Rose**  
Chairman  
24 March 2006

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INGENTA PLC

We have audited the group and parent company financial statements (the "financial statements") of Ingenta Plc for the year ended 31 December 2005 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and notes 1 to 30. 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive Review, the Directors' Remuneration Report, the Corporate Governance Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

## Emphasis of matter – going concern

In forming our opinion, we have considered the adequacy of the disclosure made in the Corporate Governance Statement and note 1 to the financial statements concerning the group's ability to continue as a going concern. Whilst the group suffered losses of £0.3m during the year ended 31 December 2005 (2004: £3.2m loss) the directors believe that the forecasts they have prepared, which indicate an increase in trading, together with the support indicated by the group's bankers enable them to form an opinion that the group can continue as a going concern for the foreseeable future. However these conditions as explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast doubt over the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern. Our opinion is not qualified in respect of this matter.

Grant Thornton UK LLP

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
OXFORD  
24 March 2006

## 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 year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	15 months ended 31 December 2004 £'000
<b>Turnover</b>	2	<b>6,598</b>	8,767
<b>Cost of sales</b>		<b>(1,657)</b>	(2,255)
<b>Gross profit</b>		<b>4,941</b>	6,512
Administrative expenses	3	(5,557)	(10,166)
<b>Operating loss</b>	8	<b>(616)</b>	(3,654)
Interest receivable and similar income	6	5	4
Interest payable and similar charges	7	(4)	(51)
<b>Loss on ordinary activities before taxation</b>	2	<b>(615)</b>	(3,701)
Tax on loss on ordinary activities	9	304	433
<b>Loss for the financial period</b>	22	<b>(311)</b>	(3,268)
<b>Loss per 1p share</b> - basic and diluted	11	<b>(0.2)p</b>	(2.5)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 year ended 31 December 2005


		<b>Year ended 31 December 2005</b>	15 months ended 31 December 2004
	Notes	<b>£'000</b>	<b>£'000</b>
Loss for the financial period		(311)	(3,268)
Currency translation differences on foreign currency net investments	22	(128)	178
<b>Total recognised losses for the period</b>		<b>(439)</b>	<b>(3,090)</b>


The accompanying notes form part of these financial statements

# Consolidated Balance Sheet

	Notes	31 December 2005 £'000	31 December 2004 £'000
<b>Fixed assets</b>			
Tangible assets	12	210	399
Investments	13	221	202
		<b>431</b>	<b>601</b>
<b>Current assets</b>			
Stocks	14	7	7
Debtors	15	2,321	2,665
Cash at bank and in hand		567	883
		<b>2,895</b>	<b>3,555</b>
<b>Creditors - amounts falling due within one year</b>			
Deferred income		(1,904)	(1,978)
Other	16	(2,915)	(2,860)
		<b>(4,819)</b>	<b>(4,838)</b>
<b>Net current liabilities</b>		<b>(1,924)</b>	<b>(1,283)</b>
<b>Total assets less current liabilities</b>		<b>(1,493)</b>	<b>(682)</b>
<b>Creditors - amounts falling due after more than one year</b>	17	<b>(4)</b>	<b>(37)</b>
<b>Provisions for liabilities and charges</b>	19	<b>(124)</b>	<b>(463)</b>
<b>Net liabilities</b>		<b>(1,621)</b>	<b>(1,182)</b>
<b>Capital and reserves</b>			
Called up share capital	20	7,510	7,510
Share premium account	22	20,955	20,955
Merger reserve	22	11,056	11,056
Reverse acquisition reserve	22	12,679	12,679
Profit and loss account deficit	22	(53,821)	(53,382)
<b>Equity shareholders' deficit</b>	23	<b>(1,621)</b>	<b>(1,182)</b>

The financial statements were approved by the board of directors on 24 March 2006 and were signed on its behalf by:

  
**Simon Dessain**  
 Director

  
**Martyn Rose**  
 Chairman

The accompanying notes form part of these financial statements.

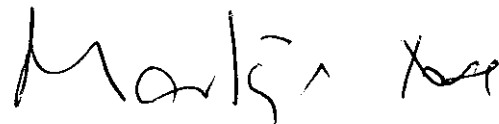
# Company Balance Sheet

	Note	31 December 2005 £'000	31 December 2004 £'000
<b>Fixed assets</b>			
Investments	13	-	-
<b>Current assets</b>			
Debtors	15	110	6,005
Cash at bank and in hand		8	280
		<b>118</b>	<b>6,285</b>
<b>Creditors - amounts falling due within one year</b>			
Deferred income		(292)	(418)
Other	16	(869)	(953)
		<b>(1,161)</b>	<b>(1,371)</b>
<b>Net current assets</b>		<b>(1,043)</b>	<b>4,914</b>
<b>Total assets less current liabilities</b>		<b>(1,043)</b>	<b>4,914</b>
<b>Net (liabilities)/assets</b>			
		<b>(1,043)</b>	<b>4,914</b>
<b>Capital and reserves</b>			
Called up share capital	20	7,510	7,510
Share premium account	22	20,955	20,955
Profit and loss account deficit	22	(29,508)	(23,551)
<b>Equity shareholders' funds</b>		<b>(1,043)</b>	<b>4,914</b>

The financial statements were approved by the board of directors on 24 March 2006 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 year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	15 months ended 31 December 2004 £'000
<b>Net cash outflow from operating activities</b>	24	(998)	(3,857)
<b>Returns on investments and servicing of finance</b>			
Interest received		5	4
Interest paid on bank overdraft		(4)	(47)
Interest paid on finance leases		-	(4)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		1	(47)
<b>Taxation</b>		489	344
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(54)	(100)
<b>Net cash outflow from capital expenditure and financial investment</b>		(54)	(100)
<b>Acquisitions</b>			
Deferred consideration		(7)	(30)
<b>Net cash outflow from acquisitions</b>		(7)	(30)
<b>Management of liquid resources</b>			
Sale/(purchase) of short term deposits		680	(680)
<b>Net cash inflow/(outflow) from management of liquid resources</b>		680	(680)
<b>Cash inflow/(outflow) before financing</b>		111	(4,370)
<b>Financing</b>			
Repayment of principal under finance leases		(1)	(84)
Issue of ordinary share capital		-	5,004
<b>Cash (outflow)/inflow from financing</b>		(1)	4,920
<b>Increase in cash in the period</b>	25	110	550

The accompanying notes form part of these financial statements

# Notes to the Financial Statements for the year ended 31 December 2005

## 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

The financial statements have been prepared on the going concern basis. Ingenta's Directors regularly review forecasts of trading and cash flows and examine these against available funding. The group has suffered a loss for the year of £0.3m and has a net balance sheet deficit of £1.6m. The forecasts anticipate increases in revenues and maintenance of the Group's current banking facilities. Some of the forecast increases in revenue are supported by new contracts already won. The Group has examined its ability to achieve cost saving measures in the event that further new business does not meet the forecast in order to make its assessment. The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future and thus continues to adopt the going concern basis in 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 2005. 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.

At the time of first reporting this business combination, in invoking the true and fair override, the Directors note that reverse acquisition accounting as described above was endorsed by the International Accounting Standards Board and that the Urgent Issues Task Force of the UK's Accounting Standards Board had concluded that there were instances where it was 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.

## **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 rates ruling at the date of the transaction. 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 consolidated statement of total recognised gains and losses.

## **Turnover**

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

### **Website & software design, development and implementation services**

Revenue received from these activities are 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.

### **Content processing, hosting and marketing services**

Revenues from the processing of e-journal content are recognised in accordance with the period to which they relate. Revenue from other services is recognised upon the work being completed. 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. User services income (including deposit account charges) 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.

### **Document sales**

Revenues from documents delivered under pay-per-view access and clearance and digitisation services are recognised on despatch/delivery of the documents.

### **Multi-element arrangements**

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.

## **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.

## **Financial instruments**

The group's financial instruments comprise cash and liquid resources together with debtors and creditors that arise directly from its operations. Cash for the purpose of the cash flow statement, comprises cash in hand, bank overdrafts and short term deposits repayable on demand.

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.

**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.

**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.

**Liquid resources**

Cash held on short term deposit is included within cash.

## 2 Segmental reporting

The group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activities as set out in the business overview.

The analysis of turnover by geographical area and principal business activities, and of loss on ordinary activities before taxation and net assets / (liabilities) by geographical area is set out below. The analysis of loss on ordinary activities before taxation and net assets / (liabilities) by principal business activities is not shown as the directors believe that such disclosure would be prejudicial to the interests of the business.

	Sales by Destination year ended 31 December 2005	Sales by Origin year ended 31 December 2005	Sales by Destination 15 months ended 31 December 2004	Sales by Origin 15 months ended 31 December 2004
	£'000	£'000	£'000	£'000
<b>Turnover</b>				
United Kingdom	3,113	4,109	4,246	5,601
USA	2,538	2,489	3,582	3,166
Rest of World	947	-	939	-
<b>Total</b>	<b>6,598</b>	<b>6,598</b>	<b>8,767</b>	<b>8,767</b>

Ingenta Connect		3,828		5,356
Information Commerce Services		1,826		2,220
Publishers Communication Group		944		1,191
<b>Total</b>		<b>6,598</b>		<b>8,767</b>

	Year ended 31 December 2005	15 months ended 31 December 2004
	£'000	£'000
<b>Loss on ordinary activities before taxation</b>		
United Kingdom	(697)	(3,374)
USA	82	(327)
<b>Total</b>	<b>(615)</b>	<b>(3,701)</b>

	As at 31 December 2005	As at 31 December 2004
	£'000	£'000
<b>Net assets/(liabilities)</b>		
United Kingdom	(745)	1,522
USA	(875)	(2,704)
<b>Total</b>	<b>(1,620)</b>	<b>(1,182)</b>

### 3 Administrative costs

	Year ended 31 December 2005 £'000	15 months ended 31 December 2004 £'000
Administrative costs:		
Technical services	1,130	1,517
Software development	1,229	2,280
Depreciation and impairment of tangible fixed assets	252	690
Sales and marketing expenses	1,621	3,314
Other administration costs	1,394	1,664
	<b>5,626</b>	<b>9,465</b>
Exceptional items		
- reduction in deferred consideration	(69)	-
- onerous lease costs	-	532
- aborted acquisition costs	-	54
- reorganisation costs	-	115
	<b>5,557</b>	<b>10,166</b>

### 4 Directors' emoluments

	Year ended 31 December 2005 £'000	15 months ended 31 December 2004 £'000
Aggregate emoluments	129	314
Pension contributions to money purchase schemes	21	30
Compensation for loss of office	50	-
Sums paid to a third party for the services of Directors	76	88
	<b>276</b>	<b>432</b>

Retirement benefits are accruing to one executive director (2004: two) under money purchase pension schemes.

Emoluments payable to the highest paid director are as follows:

	Year ended 31 December 2005 £'000	15 months ended 31 December 2004 £'000
Aggregate emoluments	118	148
Sums paid to third party for Director's services	-	15
Pension contributions to money purchase schemes	21	14
	<b>139</b>	<b>177</b>

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:

	Year ended 31 December 2005	15 months ended 31 December 2004
<b>By activity</b>	Number	Number
Technical services	28	45
Software development	31	34
Sales and marketing	26	36
Administration	8	13
	93	128

	Year ended 31 December 2005	15 months ended 31 December 2004
<b>Staff costs (for the above persons)</b>	£'000	£'000
Wages and salaries	3,347	5,524
Social security costs	448	756
Pension costs	278	418
	4,073	6,698

## 6 Interest receivable and similar income

	Year ended 31 December 2005	15 months ended 31 December 2004
	£'000	£'000
Bank interest receivable	5	4

## 7 Interest payable and similar charges

	Year ended 31 December 2005	15 months ended 31 December 2004
	£'000	£'000
Interest payable on bank overdrafts	4	47
Finance leases	-	4
	4	51

## 8 Operating loss

	Year ended 31 December 2005 £'000	15 months ended 31 December 2004 £'000
Operating loss is stated after (crediting)/charging:		
Depreciation charge for the period on tangible fixed assets:		
- owned assets	251	561
- leased assets	1	93
Profit on disposal of fixed assets	-	(6)
Impairment of leasehold improvements	-	36
Auditors remuneration for:		
- audit (company £10,000) (2004: £10,000)	67	57
- taxation	8	20
- other assurance services	3	3
Research and development	1,212	1,810
Operating lease charges:		
- plant and machinery	3	10
- land and buildings	411	640

## 9 Tax on loss on ordinary activities

	Year ended 31 December 2005 £'000	15 months ended 31 December 2004 £'000
UK corporation tax on the results for the period at 30% (2004: 30%)	-	-
Current period research and development tax receivable	250	433
<u>Adjustment in respect of prior year research and development tax credit</u>	<u>54</u>	<u>-</u>
<b>Total current tax</b>	<b>304</b>	<b>433</b>

The group has unutilised tax losses in the UK and the USA of £10.9m (2004: £11.2m) and \$14.5m (2004: \$14.8m) 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:

	<b>Year ended 31 December 2005 £'000</b>	15 months ended 31 December 2004 £'000
<b>Loss on ordinary activities before tax</b>	<b>(615)</b>	<b>(3,701)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	<b>(185)</b>	<b>(1,111)</b>
Effects of:		
Permanent differences	<b>3</b>	<b>5</b>
Deferred tax movement not recognised	<b>(178)</b>	<b>475</b>
Tax losses surrendered for research and development	<b>360</b>	<b>631</b>
Research and development tax credit	<b>250</b>	<b>433</b>
Adjustment in respect of prior year research and development tax credit	<b>54</b>	<b>-</b>
<b>Total current tax</b>	<b>304</b>	<b>433</b>

## 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 £5,957,000 (2004: £7,080,000 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 186,207,420 (15 month period to 31 December 2004: 130,244,269) 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
<b>Cost</b>					
At 1 January 2005	403	3,169	480	14	4,066
Additions	-	45	9	-	54
Disposals	-	(288)	(34)	-	(322)
Exchange adjustments	-	105	26	-	131
<b>At 31 December 2005</b>	<b>403</b>	<b>3,031</b>	<b>481</b>	<b>14</b>	<b>3,929</b>
<b>Depreciation</b>					
At 1 January 2005	293	3,000	360	14	3,667
Charge for the period	28	129	95	-	252
Disposals	-	(288)	(34)	-	(322)
Exchange adjustments	-	100	22	-	122
<b>At 31 December 2005</b>	<b>321</b>	<b>2,941</b>	<b>443</b>	<b>14</b>	<b>3,719</b>
<b>Net book value</b>					
<b>At 31 December 2005</b>	<b>82</b>	<b>90</b>	<b>38</b>	<b>-</b>	<b>210</b>
At 31 December 2004	110	169	120	-	399

The net book value of tangible fixed assets includes an amount of £7,000 (2004: £nil) in respect of assets held under finance leases.

The company did not hold any tangible fixed assets during the year ended 31 December 2005 (2004: nil).

## 13 Fixed asset investments

Group	Trade Investments £'000
<b>Cost</b>	
At 1 January 2005	202
Exchange adjustments	19
<b>At 31 December 2005</b>	<b>221</b>
<b>Net book value</b>	
<b>At 31 December 2005</b>	<b>221</b>
At 31 December 2004	202

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
<b>Cost</b>			
At 1 January 2005 and 31 December 2005	12,749	14,092	26,841
<b>Provision for impairment</b>			
At 1 January 2005 and 31 December 2005	12,749	14,092	26,841
<b>Net book value at 31 December 2004 and 31 December 2005</b>	-	-	-

### 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	-	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

## 14 Stock and work in progress

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Work in progress	7	7	-	-

## 15 Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Trade debtors	1,637	1,587	-	-
Amounts owed by group undertakings	-	-	-	5,992
Corporation tax	250	434	-	-
Other debtors	182	61	27	5
Prepayments and accrued income	252	583	83	8
	<b>2,321</b>	<b>2,665</b>	<b>110</b>	<b>6,005</b>

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

## 16 Other Creditors - amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank overdrafts	254	-	-	-
Trade creditors	932	649	64	125
Amounts owed to group undertakings	-	-	729	729
Other taxation and social security	319	183	-	-
Finance leases	2	-	-	-
Other creditors	-	5	-	-
Accruals	419	981	76	99
Customer deposits	980	993	-	-
Deferred consideration for acquisitions	9	49	-	-
	<b>2,915</b>	<b>2,860</b>	<b>869</b>	<b>953</b>

The bank overdraft is secured on a fixed and floating charge over the Group's assets, bears interest at 2.25% over the London Inter Bank Offer Rate (LIBOR) and is repayable on demand.

At 31 December 2005, the unutilised bank overdraft facility was £46,000 and is subject to review annually. The company's bankers recognise the seasonal nature of the Group's cash flows and supported the Group though it was in technical breach of covenant terms attached to the facility. The directors have reviewed the arrangement with their bankers and do not consider that this will have any impact on the ability to renew the facility.

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

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Deferred consideration for acquisitions	-	37	-	-
Finance leases	4	-	-	-
	4	37	-	-

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
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Sterling finance leases	-	-	-	-
US Dollar finance leases	6	6	-	-
Total finance leases	6	6	-	-

The finance leases had a weighted average annualised rate of interest of 13% (2004: n/a).

### 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 leases	Other financial liabilities	Total	Finance leases	Other financial liabilities	Total
	2005	2005	2005	2004	2004	2004
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	2	9	11	-	49	49
One to two years	4	-	4	-	37	37
Two to five years	-	-	-	-	-	-
	6	9	15	-	86	86

### Interest rate risk profile of financial assets

	Fixed rate	Total	Fixed rate	Total
	2005	2005	2004	2004
	£'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 the 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	Total	US dollars	Euros	Total
	2005	2005	2005	2004	2004	2004
	£'000	£'000	£'000	£'000	£'000	£'000
Functional currency of group operation:						
Sterling	67	1	68	19	41	60

### 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 January 2005	290	47	126	463
Utilised	(199)	(47)	(93)	(339)
<b>At 31 December 2005</b>	<b>91</b>	<b>-</b>	<b>33</b>	<b>124</b>

The onerous lease provision represents a calculated proportion of the unutilised space in a leasehold property at year-end to the break clause in June 2006.

The provision for vacant property is expected to be fully utilised within the next year.

### Deferred taxation

Deferred taxation not recognised is as follows:

Group	Amount not recognised	
	2005 £'000	2004 £'000
Tax effect of timing differences:		
Excess of depreciation over capital allowances	(423)	(407)
Losses	(3,494)	(3,978)
	<b>(3,917)</b>	<b>(4,385)</b>

Company	Amount not recognised	
	2005 £'000	2004 £'000
Tax effect of timing differences:		
Excess of depreciation over capital allowances	(151)	(163)
Losses	-	-
	<b>(151)</b>	<b>(163)</b>

## 20 Called up share capital

Company	2005 £'000	2004 £'000
Authorised		
335,170,320 ordinary shares of 1p each	3,352	3,352
141,207,420 deferred ordinary shares of 4p each	5,648	5,648
	<b>9,000</b>	9,000
Allotted and called up and paid up		
186,207,420 ordinary shares of 1p each	1,862	1,862
141,207,420 deferred ordinary shares of 4p each	5,648	5,648
	<b>7,510</b>	7,510

### Share issues

No shares were issued in the year.

### 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.

### 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 HM Revenue & Customs 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 2005 were as follows:

Number of shares	Exercise price p	Grant date	Expiry date
52,740	14.00	15 March 1999 <sup>1</sup>	15 March 2009
7,155	14.00	30 July 1999	30 July 2009
17,172	70.00	23 December 1999 <sup>1</sup>	23 December 2009
72,981	70.00	4 January 2000 <sup>1</sup>	4 January 2010
32,143	280.00	1 August 2000 <sup>1</sup>	1 August 2010
11,316	280.00	13 November 2000 <sup>1</sup>	13 November 2010
121,847	111.00	12 October 2001 <sup>1</sup>	12 October 2011
2,666	150.00	17 April 2002 <sup>1</sup>	17 April 2012
375,000	8.75	11 December 2002 <sup>2</sup>	11 December 2007
710,000	5.25	21 January 2003 <sup>1</sup>	21 January 2013
50,000	11.75	30 June 2003 <sup>1</sup>	30 June 2013
513,495	9.50	21 January 2004	21 January 2014
10,000	11.00	19 May 2004	19 May 2009
2,500,000	5.00	25 January 2005 <sup>2</sup>	25 January 2015
20,000	3.25	22 November 2004	22 November 2014
1,400,000	2.77	31 May 2005 <sup>2</sup>	31 May 2015
795,000	1.95	4 October 2005	4 October 2015
<b>6,691,515</b>			

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

<sup>2</sup> These options are subject to performance conditions.

## 22 Reserves

<b>Group</b>	<b>Share premium</b>	<b>Merger reserve</b>	<b>Reverse acquisition reserve</b>	<b>Profit and loss account (deficit)</b>
	£'000	£'000	£'000	£'000
At 1 January 2005	20,955	11,056	12,679	(53,382)
Net exchange adjustments	-	-	-	(128)
Loss for the period	-	-	-	(311)
<b>At 31 December 2005</b>	<b>20,955</b>	<b>11,056</b>	<b>12,679</b>	<b>(53,821)</b>

<b>Company</b>	<b>Share premium</b>	<b>Profit and loss account</b>
	£'000	£'000
At 1 January 2005	20,955	(23,551)
Loss for the period	-	(5,957)
<b>At 31 December 2005</b>	<b>20,955</b>	<b>(29,508)</b>

## 23 Reconciliation of movements in equity shareholders' deficit

<b>Group</b>	<b>2005</b>	<b>2004</b>
	£'000	£'000
Loss for the period	(311)	(3,268)
Net exchange adjustments	(128)	178
New share capital issued	-	5,417
Expenses of share issue	-	(412)
Net (decrease)/increase in shareholders' funds	(439)	1,915
<b>Opening shareholders' deficit</b>	<b>(1,182)</b>	<b>(3,097)</b>
<b>Closing shareholders' deficit</b>	<b>(1,621)</b>	<b>(1,182)</b>

## 24 Cash flow from operating activities

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

Group	Continuing operations	
	2005 £'000	2004 £'000
Operating loss	(616)	(3,654)
Depreciation charge	252	654
Impairment of leasehold improvements	-	36
Profit on disposal of fixed assets	-	(6)
Decrease in stocks and work in progress	-	32
Decrease/(increase) in debtors	160	(278)
Decrease in creditors	(455)	(583)
Decrease in provisions	(339)	(58)
<b>Net cash outflow from continuing operations</b>	<b>(998)</b>	<b>(3,857)</b>

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

Group	2005	2004
	£'000	£'000
Increase/(decrease) in cash in the period	110	550
Cash used to (decrease)/increase liquid resources	(680)	680
Finance lease repayments	1	84
Change in net debt resulting from cash flows	(569)	1,314
New finance leases	(6)	-
Movement in net funds in the period	(575)	1,314
Net funds/(debt) at beginning of the period	883	(431)
Net funds at end of the period	308	883

## 26 Analysis of net funds/(debt)

Group	At 1 January	Cash flow	Non-cash items	At 31
	2005			December
	£'000	£'000	£'000	2005 £'000
Cash in hand and at bank	203	364	-	567
Bank overdraft	-	(254)	-	(254)
	203	110	-	313
Cash on short term deposits	680	(680)	-	-
	883	(570)	-	313
Finance leases	-	1	(6)	(5)
<b>Total</b>	<b>883</b>	<b>(569)</b>	<b>(6)</b>	<b>308</b>

## 27 Financial commitments

### Group

At 31 December 2005, the group had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

	<b>Land and buildings 2005 £'000</b>	<b>Other 2005 £'000</b>	<b>Land and buildings 2004 £'000</b>	<b>Other 2004 £'000</b>
Within one year	195	3	54	10
One to two years	99	-	361	-
Two to five years	-	-	-	-
After five years	149	-	149	-
	<b>443</b>	<b>3</b>	<b>564</b>	<b>10</b>

### Company

At 31 December 2005, the company had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows:

	<b>Land and buildings 2005 £'000</b>	<b>Land and buildings 2004 £'000</b>
Within two to five years	159	264
After five years	149	149
	<b>308</b>	<b>413</b>

## 28 Related party transactions

During the year ended 31 December 2005, 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 Capital Commitments

The Group and company had no capital commitments at 31 December 2005 (2004: nil).

## 30 Contingent liabilities

The Group and the company had no contingent liabilities at 31 December 2005 (2004: nil).