

Ingenta UK Limited
Financial Statements
for the year ended 31 December 2016

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Financial Statements for the year ended 31 December 2016

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Ingenta UK Limited

Company Information

Registered Number

03571231

Registered Office

8100 Alec Issigonis Way
Oxford Business Park North
Oxford
OX4 2HU

Directors

D R Montgomery
M C Rose
A B Moug (resigned 30/12/2016)

Secretary

A B Moug (resigned 30/12/2016)
J R Sheffield (appointed 30/12/2016)

Auditor

Grant Thornton UK LLP
Registered Auditor
3140 Rowan Place
John Smith Drive
Oxford Business Park South
Oxford
OX4 2WB

Banker

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Solicitor

Memery Crystal LLP
44 Southampton Buildings
London
WC2A 1AP

Ingenta UK Limited

Strategic Report

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

Product strategy

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

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

Financial Performance

Revenue was 20% higher than the prior year at £9.1m (2015: £7.6m). There have been several factors behind this growth including new sales wins, successful project implementations and growth via acquisition.

Elsewhere, the restructuring program initiated in 2015 has helped manage the cost base of the business which is illustrated by the savings in cost of sales, sales and marketing expenses and administration expenses. Profit from operations stands at £0.4m (2015: loss £1.4m), an improvement of £1.8m on the reported loss in 2015.

Cashflow

At year end, the Company's cash balances were £1.3m (2015: £2.0m). The R&D tax credit of £390K was received in the year and the estimate for 2016 is a further £150K although this is subject to HMRC approval.

Business Unit Review

Ingenta Commercial

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

2016 has been a year of significant progress. The team have 2 go-lives planned for 2017. The first of these go lives signals the completion of the last major product offering of the Commercial division, "order to cash". This is a referenceable client which we believe will open future sales opportunities.

Ingenta Content

The Ingenta Content suite of products enable publishers of any size, discipline or technical proficiency to convert, store, deliver and monetise digital content.

The Content team have won 4 new customers in 2016 and this success has been augmented by the widened product offering which now includes a full Content Management Solution (CMS) solution as well as a simpler GO! offering. The first sale of GO! was in South Africa where Ingenta has no local presence and the implementation was performed remotely. This has proven that GO! can be sold and deployed to a much wider audience which dramatically extends our addressable market. This deployment was also cloud based, meaning the solution is not reliant on our UK and USA hosting centres, which further enhances the market reach of the product.

Ingenta UK Limited

Ingenta Advertising

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

The 5 Fifteen business was acquired at the end of July 2016 and formed the new Ingenta Advertising division. The division contributed £675K to reported Company revenues and has a strong pipeline with most new prospects purchasing the software as a service (SaaS), deployed in the cloud. Prior to acquisition, 5 Fifteen operated predominantly in the newspaper and magazine space though now have a live academic client on their platform. The academic market is already a primary space for Ingenta so the integration of the business will provide much wider market opportunities.

Vista

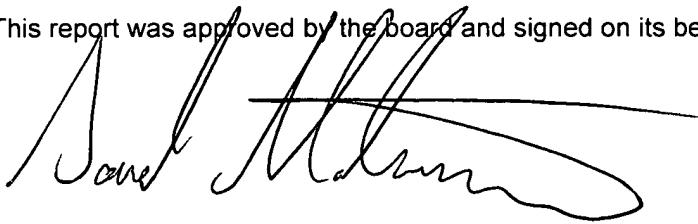
Vista provides services to support the author2reader publishing management system.

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

Funding

The Board believes, after careful consideration of the forecast for the 15 months from the date of the Annual Report and accounts, that the business is adequately funded.

This report was approved by the board and signed on its behalf

A handwritten signature in black ink, appearing to read 'David Montgomery', written over a horizontal line.

D R Montgomery

31 March 2017

Registered number: 03571231

Ingenta UK Limited

Directors' report for the year ended 31 December 2016

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

Principal activity

Ingenta supports publishers with a consistent, end-to-end service across the breadth of the publishing supply chain. The principal activities are:

- The provision of internet based electronic hosting and delivery services for publishers of research material and the delivery of internet based search and access services for users of that material.
- The provision of management systems for publishers through a comprehensive suite of custom-built software applications which can be deployed throughout a publisher's workflow.
- The provision of a range of specialised marketing and business development services to meet the needs of professional and scholarly publishers.

Directors and officers liability insurance

The Company, as permitted by sections 234 and 235 of the Companies Act 2006, maintains insurance cover on behalf of the Directors and Company Secretary, indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Financial risk management objectives and policies

The Company is exposed to a variety of financial risks resulting from its operating activities. The Board is responsible for coordinating the Company's risk management and focuses on actively securing the Company's short to medium term cash flows.

The Company does not actively engage in the trading of financial assets and has no financial derivatives. The most significant financial risks to which the Company is exposed to are described below:

Credit risk

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of any allowance for doubtful debtors, estimated by the Directors. One customer accounts for over 10% of revenue on a Group basis. However, the Board do not believe this represents a significant concentration of credit risk for the company with exposure spread over a large number of customers.

Cash flow risks

The Company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by the use of the Ingenta plc group facility which has combined cash assets at year-end of £2.0m. Management have assured themselves that this, together with other available short term funding, is adequate for the needs of the business based on the cash flow forecasts. The Group has marked seasonality in cash flows which is expected to continue and has been taken into account in assessing the working capital requirements.

Foreign currency risk

The Company has transactions denominated in US dollars and Euros and mitigates foreign currency risk by matching, as far as possible, the currency of its debts to those of its income streams. The Company does not enter into derivative or hedging transactions.

Going concern

The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all available information about the future including the profit and cash forecasts, the continued support of the parent company and Directors, banking facilities and management's ability to affect costs and revenues.

Ingenta UK Limited

Management regularly forecast profit and loss, balance sheet and cash flow. The rolling forecast is updated monthly. After review, management regard the forecasts to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and revenue ranked by visibility of secured revenues. Management have reviewed forecast costs for reasonableness against prior periods and with knowledge of expected movements. Management have concluded that forecast costs are robust.

The Company has access to the Ingenta plc group cash facility which had net cash balances of £2.0m at year end. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

The major risk for future trading is the general ongoing economic situation and how it will affect the Group's ability to borrow adequate funding. The Board are confident that the forecasts set for 2017/18 are achievable in the current market, and that the funding will be maintained at the current level.

Results and dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements.

The Directors do not recommend the payment of a dividend (2015: £nil).

Directors and their interests

The Directors who held office during the year are given below:

A B Moug (resigned 30/12/2016)

M C Rose

D R Montgomery

None of the Directors held any interest in the share capital of the Company at any time during the period.

The interests of the Directors in the share capital of the parent company, Ingenta plc, are disclosed in the consolidated financial statements of that company.

Research and development

The Company carries out research and development activities in connection with its products, web delivery, access control and linking technologies. All costs relating to these activities are written off to the income statement as incurred. In the current year research and development expenditure written off to the income statement amounted to £1,176K (2015: £1,175K).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable laws (United Kingdom Generally Accepted Accounting Practice), including FRS101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

The Group has developed arrangements to keep employees informed on matters that concern them and on the progress of the business, and in many units formal team briefing is used. The views of employees are taken into account in making decisions that are likely to affect their interests. Communication with employees continues through regular group and company newsletters. The company's policies for recruitment, training, career development and promotion of employees are based on the suitability of the individual and give those who are disabled equal treatment with the able bodied. In addition, the company does not discriminate against employees or potential employees on the basis of race, colour, nationality, ethnic or national origin, religion, political beliefs, sex or marital status. Where appropriate, employees disabled after joining the company are given suitable training for employment with the company or elsewhere.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'D R Montgomery', written over the text 'On behalf of the Board'.

D R Montgomery

31 March 2017

Registered number: 03571231

Ingenta UK Limited

Independent auditor's report to the members of Ingenta UK Limited

We have audited the financial statements of Ingenta UK Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

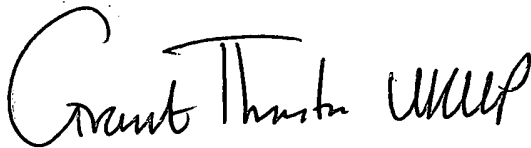
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Ingenta UK Limited

Matter on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink, appearing to read 'Grant Thornton UK LLP'.

Mark Bishop

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Oxford

31 March 2017

Ingenta UK Limited

Statement of Comprehensive Income

		2016	2015
	Note	£'000	£'000
Revenue	3	9,082	7,576
Cost of sales		(6,015)	(6,026)
Gross profit		3,067	1,550
Administrative expenses	4	(2,672)	(2,934)
Operating profit / (loss)	5	395	(1,384)
Finance costs	8	(12)	(11)
Profit / (loss) before income tax		383	(1,373)
Income tax	9	135	472
Profit / (loss) for the financial period	17	518	(901)

The Company's results are derived entirely from continuing activities.

The Company has no recognised gains or losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

The accompanying notes on pages 12 to 21 form part of these financial statements.

Ingenta UK Limited

Statement of Financial Position

		31 December 2016 £'000	31 December 2015 £'000
	Note		
Non-current assets			
Property, plant and equipment	11	129	157
Current assets			
Trade and other receivables	12	3,705	2,820
Cash and cash equivalents		1,257	2,035
		4,962	4,855
Total assets		5,091	5,012
Equity			
Share capital	16	14	14
Share premium	17	10,035	10,035
Capital contribution	17	50	17
Retained earnings	17	(25,439)	(25,957)
Total equity	18	(15,340)	(15,891)
Current liabilities			
Trade and other payables	13	20,409	20,852
Non-current liabilities			
Finance leases	14	22	51
Total equity and liabilities		5,091	5,012

The financial statements were approved by the Board of Directors on 31 March 2017 and were signed on its behalf by:



D R Montgomery

31 March 2017

Registered number: 03571231

The accompanying notes on pages 12 to 21 form part of these financial statements.

Ingenta UK Limited

Statement of Changes in Equity

	Called up Share Capital	Share Premium Account	Capital Contribution	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016	14	10,035	17	(25,957)	(15,891)
Share options granted			33		33
Profit for the year	-	-	-	518	518
Balance at 31 December 2016	14	10,035	50	(25,439)	(15,340)

	Called up Share Capital	Share Premium Account	Capital Contribution	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	14	10,035	17	(25,056)	(14,990)
Loss for the year	-	-	-	(901)	(901)
Balance at 31 December 2015	14	10,035	17	(25,957)	(15,891)

The accompanying notes on pages 12 to 21 form part of these financial statements.

Ingenta UK Limited

Notes to the financial statements for the year ended 31 December 2016

Company information

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 03571231 and its registered office is 8100 Alec Issigonis Way, Oxford, OX4 2HU.

1. Accounting policies

Statement of Compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101).

Parent company

The company is a wholly owned subsidiary of Ingenta plc who prepares consolidated financial statements under IFRS as adopted by the European Union in which these accounts are included. These accounts are available from www.ingenta.com/investors/aim-rule-26/.

Disclosure exemptions adopted

The following disclosure exemptions have been adopted:

- Preparation of a cash flow statement
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the group as they are wholly owned within the group.
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- Disclosures in respect of standards in issue not yet effective

The following disclosure exemption has also been adopted as equivalent disclosures are provided in the parent consolidated financial statements.

- Reduced financial instruments disclosures relating to IFRS 7 as equivalent disclosures are provided by the parent entity.

The Company's principal accounting policies have remained unchanged from the previous year.

Going concern

The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all available information about the future including the profit and cash forecasts, the continued support of the parent company and Directors, banking facilities and management ability to affect costs and revenues.

Management regularly forecast profit and loss, balance sheet and cash flow. The rolling forecast is updated monthly. After review, management regard the forecasts to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and revenue ranked by visibility of secured revenues. Management have reviewed forecast costs for reasonableness against prior periods and with knowledge of expected movements. Management have concluded that forecast costs are robust.

Cash balances of the Group are pooled together and the Company has access to these funds. At year end, the Group cash balance was £2.0m. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

Ingenta UK Limited

Revenue

Revenue, which excludes value added tax is recognised as follows:

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into account the type of customer, type of transaction and specifics of each arrangement.

Revenues from the processing of e-journal content and ongoing services within Ingenta Connect revenue are recognised in the period to which it relates. The period is assessed by reference to when the work is carried out.

Revenues from document delivery under pay per view access, clearance and digitisation services within Ingenta Connect revenue, are recognised on despatch/delivery of the documents.

Revenues from long term contracts within consulting services are recognised on the percentage of completion method. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end. Where certain products are sold as multi element arrangements, revenue is recognised when each element is delivered to the customer based on the fair value of each product element assessed as being the selling price of the product when sold separately.

Revenues collected or billed in advance for hosted services, managed services and support and upgrade revenue, are recorded as deferred income and recognised over the term of the contract or the period to which it relates. Revenue from sales of software licences is recognised immediately if there are no associated implementation requirements. Otherwise licence revenue is recognised over the period of the implementation on a percentage complete basis. Software licences can only be sold without associated implementation where they are additional licences within the existing install base.

Cost of sales

Cost of sales consist of document royalties costs, document delivery costs and staff costs directly related to the creation of products and the delivery of services.

Tangible fixed assets

Fixed assets are initially 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	over term of the lease
Fixtures, fittings and equipment	20%
Computer equipment	33%

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the Company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases.

The finance 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 the digits method. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of future payments is treated as a liability and the interest is charged to the income statement at a constant rate of charge on the balance of capital payments outstanding.

Ingenta UK Limited

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at a monthly estimated rate set at the beginning of each month. All such foreign exchange differences are taken to the profit and loss account in the year in which they arise.

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 year end 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.

Research and development

Expenditure on research and development is written off to the income statement as incurred.

Pension costs

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

Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Ingenta UK Limited

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Classification and subsequent measurement of financial liabilities

The company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL. The company has not elected to adopt hedge accounting hence the fair value movements are recognised within comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Incremental transaction costs directly attributable with the issuing of shares are deducted from share premium, net of any related income tax benefits.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgment

The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. Expenditure on software development is charged to the income statement as incurred.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Ingenta UK Limited

2. Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of Ingenta plc and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Ingenta plc group.

3. Revenue

Revenue and profit on ordinary activities before taxation relate to the Company's principal activities as follows:

	2016	2015
UK	64%	70%
USA	14%	13%
Rest of the World	22%	17%

4. Administrative expenses

	2016 £'000	2015 £'000
Administrative expenses:		
Depreciation	125	150
Foreign exchange (gain) / loss	(266)	35
(Profit) / Loss on sale of investments	(1)	0
General administrative expenses	1,539	1,892
Sales and marketing expenses	706	759
Administrative expenses	2,103	2,836
Exceptional items		
- restructuring costs	569	98
	2,672	2,934

5. Operating profit

	2016 £'000	2015 £'000
Operating profit / (loss) is stated after charging:		
Depreciation of tangible fixed assets		
- owned assets	101	76
- assets under finance lease	24	74
Research and development costs	1,176	1,175
Exceptional items:		
- restructuring costs	569	98
Operating lease charges		
- plant and machinery	61	63
- land and buildings	171	131
Audit of financial statements	26	18

Fees paid to the Company's auditor, Grant Thornton UK LLP for services other than statutory audit of the Company are not disclosed in the Ingenta UK Limited financial statements since the consolidated financial statements of Ingenta UK Limited's ultimate parent company, Ingenta plc are required to disclose non audit fees on a consolidated basis.

Ingenta UK Limited

6. Directors' emoluments

	2016 £'000	2015 £'000
Aggregate emoluments	325	150
Company contributions to money purchase pension scheme	50	38
	375	188

During the year no Directors (2015: none) exercised options over 10p shares of Ingenta plc.

Retirement benefits were accruing to two Directors (2015: two) under a money purchase scheme during the year.

Highest paid Director:

	2016 £'000	2015 £'000
Aggregate emoluments	148	143
Company contributions to money purchase pension scheme	41	37
	189	180

7. Employee information

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

By activity	2016 Number	2015 Number
Operations	74	81
Sales and marketing	17	15
Administration	8	9
	99	105

	2016 £'000	2015 £'000
Staff costs (for the above persons)		
Operating profit is stated after charging		
Wages and salaries	5,189	5,104
Social security costs	593	615
Pension costs	332	349
	6,114	6,068

8. Finance costs

	2016 £'000	2015 £'000
Bank overdraft interest	2	5
Other interest	0	(25)
Finance leases	10	9
	12	(11)

Other interest relates to the release of an old PAYE interest accrual.

Ingenta UK Limited

9. Income tax

	2016 £'000	2015 £'000
Current period research and development tax credit receivable	405	405
Adjustment in respect of prior period	(270)	67
	135	472

The Company has unutilised tax losses of £11.6m (2015: £11.6m). 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:

	2016 £'000	2015 £'000
Profit / (loss) on ordinary activities before tax	382	(1,373)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	76	(278)
Effects of:		
Capital allowances in excess of depreciation	-	-
Expenses not deductible	4	-
Permanent differences	0	2
Research and development uplift	(311)	(307)
Tax losses surrendered for research and development tax credit	55	178
Difference in timing of allowances	25	-
Adjustment in respect of prior year research and development tax credit	15	(67)
Total taxation	(135)	(472)

10. Investments

The company has an interest in the following undertaking:

Company	Country of Registration	Holding	Proportion Held	Nature of Business
Ingenta do Brazil LTDA	Brazil	Ordinary shares	1%	Marketing Consultancy

The remaining shares are held by Ingenta plc, the ultimate parent company.

Ingenta UK Limited

11. Property, plant and equipment

	Leasehold improvements	Computer equipment	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2016	18	1,341	65	1,424
Transfers In	-	173	15	188
Additions	-	75	7	82
At 31 December 2016	18	1,589	87	1,694
Accumulated depreciation				
At 1 January 2016	18	1,184	65	1,267
Transfers In	-	163	10	173
Charge for the year	-	120	5	125
At 31 December 2016	18	1,467	80	1,565
Net book amount				
At 31 December 2016	-	122	7	129
At 31 December 2015	-	157	-	157

Included within tangible fixed assets are items financed under finance leases with a net book value of £83,943 (2015: £145,506). Depreciation charged on these items in the year totalled £100,835 (2015: £105,125).

12. Trade and other receivables

	2016 £'000	2015 £'000
Trade debtors	2,729	2,046
Corporation tax	0	405
Other debtors	226	60
Accrued Income	477	71
Prepayments	273	238
	3,705	2,820

The corporation tax debtor relates to a research and development tax credit. See note 9 for details.

13. Trade and other payables

	2016 £'000	2015 £'000
Bank overdraft	0	6,730
Trade creditors	317	310
Other creditors	411	257
Finance leases	65	130
Amounts owed to group undertakings	15,322	10,035
Other taxation and social security	557	497
Accruals and deferred income	3,737	2,884
Customer deposits	0	9
	20,409	20,852

The bank overdraft was secured on a fixed and floating charge over the Company's assets and bears interest at 4% over Bank of England base rate. The overdraft is repayable on demand. Amounts owed to group undertakings are unsecured, interest free and with no fixed date of repayment.

Amounts due under hire purchase are secured on the assets to which they relate.

Ingenta UK Limited

14. Creditors - Amounts falling due after one year

	2016 £'000	2015 £'000
Finance leases	22	51

Amounts due under finance leases are secured on the assets to which they relate.

15. Deferred taxation

The Board believes the use of the accumulated tax losses is uncertain and as such no deferred taxation is provided for in the financial statements. The amounts of deferred taxation unprovided for at the year-end, which represent potential assets, are as follows:

	2016 £'000	2015 £'000
Tax effect of timing differences:		
Excess of capital allowances over depreciation	-	(45)
Losses	-	(2,101)
	-	(2,146)

16. Share capital

	2016 £'000	2015 £'000
Authorised		
2,400,000 Ordinary shares of 1p each	24	24
Allotted and fully paid		
1,356,451 Ordinary shares of 1p each	14	14

17. Reserves

	Share premium account £'000	Capital contribution £'000	Retained Earnings £'000
At 1 January 2016	10,035	17	(25,957)
Share options granted	-	33	-
Profit for the financial period	-	-	518
At 31 December 2016	10,035	50	(25,439)

The capital contribution relates to share options granted by Ingenta plc to employees of Ingenta UK Limited.

18. Reconciliation of movements in equity

	2016 £'000	2015 £'000
Profit / (loss) for the financial period	518	(901)
Net Increase / (decrease) in shareholders' funds	518	(901)
Share options granted	33	-
Opening shareholders' deficit	(15,891)	(14,990)
Closing shareholders' deficit	(15,340)	(15,891)

Ingenta UK Limited

19. Financial commitments - operating leases

At 31 December 2016 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2016		2015	
	Land and Buildings £'000	Plant and Machinery £'000	Land and Buildings £'000	Plant and Machinery £'000
Within one year	-	-	-	54
Within two to five years	217	-	-	10
After five years	-	-	149	-
	217	-	149	64

20. Financial commitments - finance leases

Future commitments under finance lease agreements net of future finance lease charges are as follows:

	2016 £'000	2015 £'000
Within one year	65	130
Within two to five years	22	51
	87	181

21. Capital commitments

The Company had no capital commitments at 31 December 2016 (2015: £nil).

22. Contingent liabilities

The Company had no contingent liabilities at 31 December 2016 (2015: £nil).

23. Related party transactions

As permitted by FRS 101, related party transactions with wholly owned members of the Group have not been disclosed.

24. Ultimate parent company

The Directors regard Ingenta plc, a company incorporated in England and Wales, as the ultimate parent company and controlling party by virtue of its 100% interest in the share capital of the Company at 31 December 2016.