4 March 2013

Pu67TD Tc0Ping Technology plc announ.14671(3)5..6200pleased to announce its audited results for the year ended

Financial highlights:

- Gross revenues up 9% to £16.3m (2011: £14.9m)
- EBITDA up 117% to £1.1m (2011: £.e2D-.xprevenue:4-4.6(61/TT5 1 Tf6 -1.1467 TD-0083Tj/6T2 1 Tf28.46 0 TD-.0008 T

- Pre-tax profit of £0.3m (2011: loss of £0.2m)
- Earnings per share of 6.16p (2011: 0.84p)
- £0.5m of net cash from operating activities (2011: £nil m)

* Exceptional restructuring costs of £0.3m were incurred as a result of two senior executives leaving the Group at the beginning of the year

Operational highlights:

- Global deal with HarperCollins, a subsidiary of NewsCorp, to implement ***advance*** Product Manager, unifying editorial, marketing and business data around the world.
- Implementation of the world's largest permissions and royalty system complete at McGraw Hill.
- Order to Cash, the final module in the ***advance*** suite of products, is being installed at two major global publishers.
- One major implementation of ***pub2web*** went live in December 2012 and two more are due to go live early in 2013.
- 15 new publishers on ***ingentaconnect***.
- Launch of Full Service Representation service selling the Churchill Archive and Drama Online for Bloomsbury Publishing.
- China: business licence received and launch of Chinese National Publishing Import Export Corporation (CNPIEC) partnership which includes the largest digital e-books gateway for Chinese researchers.

George Lossius, Chief Executive of Publishing Technology, commented:

"The company performed well this year, making inroads into new markets, signing high profile deals with some of the world's largest publishers and solidifying our position as the market leading content solutions provider in both trade and academic publishing. We've worked hard to build up our market position and brand, grow and improve our products and services and seek out new opportunities and partnerships across the globe. As the digitisation of publishing reaches critical mass, we are in a good position to build on our momentum."

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Chief Executive’s review

Chairman's statement

I am pleased to report the Group increased profits in 2012. It is also gratifying to see movement in the share price in response to a number of factors which are converging to enhance shareholder value:

- the new product traction;
- the anticipated reduction in Research and Development spend;
- the expected debt reduction;
- increasing recurring revenue; and
- continuing profitability.

Our strategy is beginning to pay off with both ***advance*** and ***pub2web*** being sold and implemented to produce recurring revenue at an increasing rate.

The sale of ***advance*** to HarperCollins is significant because of its size and the stability it gives to the ***advance*** revenues, but also because of its influence on the industry.

Re-engineering products over a number of years can be a difficult journey, so it is encouraging to see the results making a difference to the business in these transitional years.

The investment in Research and Development is possible because of the solidity and profitability of the Vista and ***ingentaconnect*** business units. They have funded the redevelopment spend over the last five years.

During this time ***ingentaconnect*** has expanded its publisher base and Vista in particular has proven far more resilient to change than we anticipated. It is clear Vista ***author2reader*** has a long and profitable future.

Progress has not been confined to the product side of the business, PCG has also been evolving.

The efficiency of the telemarketing and content sales divisions has improved, the global representation deal with BioOne has been renewed and the new FSR sales of the Churchill Archive have exceeded expectations.

In 2013 the FSR division will launch Drama Online and record the first full year of the Churchill Archive sales including renewals.

Outlook

2013 should prove to be a pivotal year for Publishing Technology, underpinning and rewarding those long term shareholders, providing commercial confidence and validation for the future.

M C Rose
Chairman
4 March 2013
Publishing Technology plc

Financial review

For the year ended 31 December 2012

Overview

Increased sales of ***advance*** and ***pub2web*** have made a marked difference to revenue in 2012. The increase is mainly the result of increased licences and implementation revenue as there have been a number of large pub2web and ***advance*** implementations taking place. These herald a recurring revenue increase when the current projects go live.

The product mix is beginning to change as ***pub2web*** and ***advance*** revenues increased by 65% and 60% respectively from 2011 to 2012.

Research and Development costs have remained high in 2012 as Order to Cash (OtC), the final module of the advance product suite, is nearing completion and development of pub2web continued. This will begin to decline in 2013.

Operating results

Gross revenue was 9% higher than the prior year at £16.3m (2011: £14.9m) mainly due to the continued movement from mature products to newer technology. However, the Vista ***author2reader*** product held up well with only a 4% decline in overall revenue from the prior year because 2011 included significant implementation revenue for the SAGE project. Maintenance and managed services revenues both increased and Vista as a whole maintained margin after staff costs above 50%.

The year also saw the first revenue from the new FSR division which had a successful start selling the Churchill Archive on behalf of Bloomsbury.

The changing revenue mix has as expected improved profitability despite the continued high costs of research and development. As a result the Group made a net profit for the year of £518K (2011: £71K) after restructuring costs of £317K (2011: £96K).

Gross profit for the year was £5.9m (2011: £5.8m) which has held steady at this low level during the implementation phase ahead of the recurring revenues after the first round of go-lives expected in 2013.

Sales, marketing and administrative expenses in the year were £5.3m (2011: £5.6m). The reduction was partly due to restructuring at the beginning of 2012 when two executives left the Group.

Taxation

A tax credit of £235K (2011: £300K) is included in the results for 2012 relating to amounts expected to be receivable under the Research and Development tax credit scheme. The claim has been prepared on the same basis as in prior years and is subject to HMRC approval.

The Group has unutilised tax losses at 31 December 2012 in the UK and the USA of £14.6m (2011: £14.4m) and $12.4m (2011: $12.7m) respectively. The tax losses in the USA are restricted from April 2008 due to change of control rules being triggered by the issue of new shares in the parent company. The Group may use a maximum of $491K per annum of the brought forward losses for a maximum of 20 years from April 2008. The Board believes that the US legal entities have the potential to make use of $6.8m (2011: $7.3m) of the unutilised losses carried forward.

Shareholders’ returns and dividends

The Directors do not recommend the payment of a dividend (2011: £nil).

Financial position and cash

Shareholders' deficit totalled £1.3m as at 31 December 2012 (2011: deficit £1.8m).

Cash inflow from operations was £0.5m (2011: £0.0m). At the year end, net bank overdraft was £0.5m (2011: £0.4m), roughly the same as 2011 as positive cash flow was used to reduce creditors.

Cash absorbed by operations for capital expenditure during the year amounted to £75K (2011: £41K). A tax credit of £312K (2011: £315K) in respect of Research and Development expenditure was received in the year which related to the year ended 31 December 2011.

Going concern and future funding

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

Management regularly forecast profit, financial position and cash flows for the Group. A rolling forecast is updated monthly; with a short term ten week cash forecast updated daily.

Revenue is forecast in detail with all revenue contracts individually listed and ranked by probability from firm to prospect.

Management have reviewed forecast costs for reasonableness against prior years in light of known changes and have concluded that forecast costs are robust.

The Group had net current liabilities of £3.8m (2011: £4.3m) as at 31 December 2012, of which £4.1m (2011: £3.7m) relates to deferred income which will be recognised as revenue in the year ending 31 December 2013. This equates to roughly a quarter of revenue being pre-sold. In addition, deferred income has increased by an average of 17% per annum in each of the last four years as recurring revenues have increased.

The Group has a core overdraft facility of £1.25m with HSBC plc. 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.

This facility is due for renewal in June 2013. Management has received confirmation from HSBC that, based on their knowledge of the Group's performance, they do not see any reason that the facility should not continue to be provided until March 2014.

The major risks for future trading are the risk of completing the development of new products, the risk of implementing these products efficiently, and the risk of being able to sell these products which could be affected by the macro economic conditions which affects capital spending decisions and academic institution budgets.

The Company did not redeem any of the loan notes during 2012. The loan notes are accruing interest at 12% per annum until redemption is made.

The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2014.

Treasury

The Group's treasury policy is to ensure regional excess cash is transferred and offset against overdraft to minimise interest charges.

The Group has marked seasonality in cash flows. This is expected to continue and has been taken into account in assessing the working capital requirements.

A B Moug C.A.
Chief Financial Officer
4 March 2013
Publishing Technology plc

Group Statement of Comprehensive Income
For the year ended 31 December 2012

	note	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Gross revenue		16,284	14,879
Less revenue from joint venture	3	(148)	-
Group revenue		16,136	14,879
Cost of sales		(10,270)	(9,112)
Gross profit		5,866	5,767

All activities are classified as continuing.

Group Statement of Financial Position
As at 31 December 2012

	note	31 Dec 12 £'000	31 Dec 11 £'000	31 Dec 10 £'000
Non-current assets				
Goodwill and other intangible assets		3,737	3,737	3,737
Property, plant and equipment		343	315	357
Investments accounted for using the equity method		24	-	-
		4,104	4,052	4,094
Current assets				
Trade and other receivables		4,762	3,648	3,128
Research and Development tax credit receivable	4	235	300	317
Cash and cash equivalents		1,774	1,056	1,751
		6,771	5,004	5,196
Total assets		10,875	9,056	9,290
Equity				
Share capital		841	841	841
Merger reserve		11,055	11,055	11,055
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Group Statement of Changes in Equity
For the year ended 31 December 2012

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2012	841	11,055	(5,228)	(810)	(7,607)	(7)	(1,756)
Profit for the year	-	-	-	-	518	-	518
Other comprehensive expense: Exchange differences on translating foreign operations	-	-	-	(31)	-	-	(31)
Total comprehensive (expense) / income for the year	-	-	-	(31)	518	-	487
Balance at 31 December 2012	841	11,055	(5,228)	(841)	(7,089)	(7)	(1,269)

For the year ended 31 December 2011

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2011	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)
Investment in own shares in the year	-	-	-	-	-	(1)	(1)
Transactions with owners	-	-	-	-	-	(1)	(1)
Profit for the year	-	-	-	-	71	-	71
Other comprehensive expense: Exchange differences on translating foreign operations	-	-	-	(30)	-	-	(30)
Total comprehensive (expense) / incomOther							

Group Statement of Cash Flows
For the Year ended 31 December 2012

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group’s 2011 annual report and financial statements. These remain unchanged for the year ended 31 December 2012 except for the following addition to the policy related to available for sale financial assets: “The equity investment in Beijing Ingenta Digital Publishing Technology Limited is measured at cost less any impairment charges” and the following addition to the policy related to the basis of consolidation: “Investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attr

Changes in equity accounted investments

	Year ended 31 Dec 12	Year ended 31 Dec 11
	£'000	£'000

5. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.