



Registered number: 837205

**Publishing Technology plc**

**Annual Report**

For the year ended 31 December 2010

## Directors and advisers

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The Directors submit to the members their report and accounts of the Group for the year ended 31 December 2010. Pages 2 to 12, including the business review, Chairman's statement, Chief Executive's review, financial review, corporate governance statement and Directors' remuneration report, form part of the Directors' report.

### Executive Directors

G M Lossius, *Chief Executive Officer*  
A B Moug C.A., *Chief Financial Officer*

### Non-Executive Directors

M C Rose, *Chairman*  
M A Rowse  
W E Shaw

### Company Secretary

A B Moug C.A.

### Registered Office

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

### Auditor

Grant Thornton UK LLP  
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Oxford  
OX4 2WB

### Banker

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48 Haymarket  
London  
SW1Y 4SE

### Solicitor

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44 Southampton Buildings  
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WC2A 1AP

### Registrar

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Nominated Adviser

Arbuthnot Securities Limited  
Arbuthnot House  
20 Ropemaker Street  
London  
EC2Y 9AR

## 2010 Highlights

Whilst 2010 continued to be a challenging year with publishers remaining hesitant to undertake major capital investments, the business moved forward positively, increasing efficiency and margins, while continuing to invest in sales and marketing. The publishing software industry is in flux, and the investment foresight we have shown, means that we stand ready to capitalise on the re-igniting of capital investment within publishing.

### 2010 successes:

- Five sales of our new **advance** products including two multi-million dollar deals
- Continued high levels of contract renewals
- Highest levels of new publisher wins on **ingentaconnect** since 2007
- First software sales in Brazil and opening of our office in São Paulo
- The launch of our first Japanese site ([www.pieronline.jp](http://www.pieronline.jp))
- 43% improvement in profit before tax
- 77% improvement in earnings per share

### Financial highlights for full reporting period:

- EBITDA up 21% to £1.1m (2009: £0.9m)
- Total revenues down 1.6% to £15.0m (2009: £15.3m)
- Gross profit up 1.7% to £6.2m (2009: £6.1m)
- Pre-tax profit up 43% to £0.4m (2009: £0.3m)
- Earnings per share up 77% to 10.52p (2009: 5.95p)
- £0.5m of positive cash flow

## Publishing Technology plc

Technology and services provider to the publishing and information industries

### Business review

#### Our industry

To generalise about the publishing industry is to misunderstand it. There are great dangers in simple statements about the direction of publishing because it is a diverse industry and each sector has its differing needs and differing emphasis.

However, it is not dangerous to emphasise that digital is on the rise, and paper is on the decline. To paraphrase Winston Churchill though, this is not the end of the book, but it is the end of the beginning of the digital era.

There are also other generalisations that can be put forward. Publishers will have to re-invent the way they operate, from processes following a linear chain of events to processes of events with very blurred boundaries, and events that result in continuous product renewal. The consumer and not the outlet (shop) is ever more rapidly becoming king which will be an immense challenge to most publishers. Technology (not devices), for many years a support function, will be at the cornerstone of the revenue generation capabilities of publishers.

This is an exciting time in publishing full of threat and opportunity. Respond to the opportunities effectively and rapidly, and publishers will not only be able to sustain their positions but positively thrive in a world of increasing consumption of the written word.

#### Our products

Publishing Technology is providing both the scientific and business thought leadership that publishers need from a provider of technology solutions, turning this into practical solutions, and with heavy investment, creating publishing-specific solutions that recognise the future publishing business will not be governed so much by a chain of serial events as events that loop around to allow innovation and creativity with multiple contact points around a hub of business critical data.

At the core of everything Publishing Technology creates is the need for flexibility and discoverability, without which publishers will most certainly struggle.

#### Our strategy

As our investment in products has produced the tools of the future, we have been investing increasingly in our sales and marketing activities, hiring a head of Global Sales, reinforcing the sales team and retaining a specialist PR agency.

Talk of what we have created has been increasing in the industry, opportunities to present Publishing Technology's ideas and vision have multiplied, and press coverage has been higher than ever. All of these activities will continue and even increase in 2011.

#### Our success in 2010

In 2010 the acquisition of new publishing clients was the highest yet for Publishing Technology. Adding more than two publishers a month to **ingentaconnect**, our online publishing portal, signing agreements to host all Wiley-Blackwell content on **ingentaconnect**, making inroads into the German market, and signing agreements with library systems providers to increase the discoverability of content on **ingentaconnect**.

With **pub2web**, our major online publishing platform, three new publishers were launched, including one in Japan. We agreed a partnership with our Japanese customer to work together to create a Japanese hosting platform with the aim of bringing substantial numbers of publishers to the SunMedia Pier Online platform.

Both our **Information Commerce Systems (ICS)** and our **advance** systems were sold in Brazil to Elsevier, underpinning their drive into the digital markets in that region. Our most significant sale of **advance** was to the highly regarded USA division of Thieme medical publishers.

In Brazil, we opened an office in São Paulo and won the contract to represent one of the most significant global digital publishers, LexisNexis.

#### Our view of 2011

We feel strongly that in 2011 and 2012 publishers will start to invest more heavily in Technology than they have for many years. Too many publishers are now relying on decades old systems to run their businesses: systems that run the traditional functions of publishing well, but are too cumbersome to change to suit the realities of the digital future.

In the next couple of years investment in publishing systems will progress from something that can be delayed to an imperative of success.

It is of course our ambition to be a partner in these investment decisions.

## Divisions and Products

### Enterprise Applications Division

Publishing Technology's end to end offering is the only enterprise-wide applications framework designed to meet the new unique demands of the publishing industry in a digital and print era. Its modular software maximises profits by introducing efficiencies to the information supply chain and grows revenues by enabling more effective integration with channel partners, customers and suppliers.

### About *advance*

*advance* is the next generation of software solutions to manage today's evolving enterprise and the progression from the *author2reader* product. It is the most flexible offering of its kind on the market and intertwines more than 30 years of industry expertise with cutting edge technology. The end-users benefit from customisable dashboards, user-level personalisation, an intuitive user interface, extensive workflow management tools, and powerful analytical tools. The IT and Operations areas benefit from lower cost of ownership, accelerated development, automation of processes, and simplified maintenance. *advance* is accredited by BIC (Book Industry Communication) with the award for Supply Chain Excellence.

### About *author2reader*

Built on proprietary software, *author2reader* applications are the mainstay of many global publishers supply chains. The applications are maintained and supported by Publishing Technology and can be configured independently to meet specific publishers' needs and to allow flexible integration with current and new software including *advance*. The system's capabilities include editorial and production, product information, billing and fulfilment, royalties, and business intelligence.

### Online Services Division

Publishing Technology has over a decade of experience working within the academic, scientific and scholarly market and our publishing partners are testament to our knowledge, credibility and trust in the industry.

### About *pub2web*:

*pub2web* is a multi-content publications platform, delivering all the functionality needed to support evolving online strategies of publishers using it and to satisfy the user base, however diverse their needs. Customers benefit from proven, regularly-updated technology while also maintaining full control of their brand, their content and their user relationships. It allows customers to help their users to discover and explore all their content – whatever its format – with progressive browsing options driven by *pub2web*'s award-winning data storage and modelling. Tailor-made to any business model and delivering the latest in Semantic Web technology, *pub2web* boasts global customers such as the World Bank, the OECD, the highly respected Dutch publisher Brill and one of the leading Japanese academic delivery businesses, SunMedia.

### About *ingentaconnect*:

Our flagship web research portal, *ingentaconnect*, is a comprehensive, cost-effective e-publishing solutions package for everyone. Providing content from over 16,000 publications, with over 5 million articles from 255 publishers, to millions of end users, *ingentaconnect* is the home of scholarly research.

### About *ICS*:

*ICS (Information Commerce Software)* is an intuitive web-based interface that allows simple management of complex entitlements and digital assets; it facilitates the creation of new product bundles, and the application of unique pricing and special product promotions.

### Marketing Communications Division

Publishing Technology's Sales, Marketing and Consultancy division, PCG (Publishers Communication Group) provides global market research, consultation and representation with a depth of industry knowledge in publishing and the global library community for the likes of the American Society for Microbiology, the American Psychological Association, Lippincott Williams and Wilkins and BioOne.

Based mainly in North America and Europe, this division has now expanded into Latin America through our office in Brazil and will be opening a representation office in India in March 2011.

Visit [www.publishingtechnology.com](http://www.publishingtechnology.com), follow on Twitter [@publishingtech](https://twitter.com/publishingtech), or connect on [LinkedIn](https://www.linkedin.com/company/publishingtechnology).

## Chairman's statement

### *"I look forward to the strides we can take in 2011"*

Our aims for 2010 were to effectively market and sell our new products (**advance**, **pub2web** and **ICS**), maintain the recurring revenues and margins from mature technologies, to increase our geographic range, to continue to invest heavily in product development, and to improve profitability and the Statement of Financial Position. I am pleased with our progress on all of these goals, particularly in a year when most Publishers and Information providers continued to adopt a "wait and see" attitude to capital expenditure.

#### Finance and operations

It is encouraging to see profit before tax increase by 43% from £287K to £409K and earnings per share improve by 77% to above 10p per share. Once again our net debt position reduced and the Statement of Financial Position improved. It is my hope that with a further reduction in net debt in 2011, the board will be in a position to consider dividend payments in the near future.

We have as expected seen an increase in consulting revenue from our new **advance** product set and a decline in consulting revenue from the older **author2reader** product as the focus for new sales and implementations moves from one to the other. However it is encouraging that the £1.3m increase in consultancy services (time and materials) for **advance** far outweighs the £0.4m reduction in consultancy in **author2reader**. Equally as encouraging the recurring revenues for **author2reader** have remained steady year on year as similar revenues for **advance** have increased. This does not mean the mature technologies are discontinued in any way, a fact underlined by a major sale of **author2reader** in January 2011, but the emphasis for new installations is on **advance**.

Revenues have dropped slightly from 2009 mainly as a result of low margin revenues being removed which has increased the Gross Margin in both percentage and cash terms.

#### International expansion

2010 has been a busy year internationally. The first sales of software in Brazil came much quicker than anticipated with sales of **ICS** and **advance** being booked before we even opened our office. In Japan, the pier online site for Sun Media went live and is the first site built in Japanese. In Germany, our partner Klopotek has started re-selling **ingentaconnect** and **pub2web** into the German market, one of the five largest global publishing markets.

We opened offices in Brazil (São Paulo) and Australia (Sydney) in the year, and will soon open an office in India (New Delhi) and in France (Paris). We consolidated our UK offices by combining Watford and Oxford together in a new and better equipped head office in Oxford and in early 2011 moved into a more appropriately sized office in Bath reducing to a tenth of the size with the associated cost savings that implies.

The 2010 results, whilst internally disappointing, have met the profit expectations of the market and have further enhanced our Statement of Financial Position and the stability and growth potential of the Group. 2010 has been a year of expansion and investment, building on our foundations to underpin growth and change in 2011.

#### Staff

There have been a number of imperatives which have led to staff movements in the year: The change to products required a change in skill set, which ultimately leads to staffing changes.

As we near the end of our product redevelopment, this inevitably will change the focus from Research and Development to sales, marketing, implementation, and project management. To this end we welcomed Mark Carden as our new International Sales and Marketing Director in June and he has made a significant impact on our pipeline and in our ability to get our message to the market; and, the increasing geographic expansion has focused recruitment efforts in North and South America.

This year, as before, I would like to recognise the unflagging dedication, enthusiasm and inventiveness of the staff at Publishing Technology. Their dedication to service was recently highlighted by a near 90% approval rating from a customer service quality questionnaire. Maintaining such a high level for a 24/7 service is highly impressive, and also showed a significant improvement from our previous survey.

2010 has been a solid year of change for the Group with continued investment in new products, the start of a shift of revenues from old to new business models, technologies and services, and expansion geographically to take advantage of our product set. It has also been a year in which we have successfully protected margins from mature products and services, and maintained recurring revenue renewals.

I am excited by progress on products, the continued geographic expansion, and by the increasing profitability and margins being attained. I look forward to the strides we can take in 2011.

**M C Rose**  
Chairman  
4 March 2011  
Publishing Technology plc

## Chief Executive's review

### *“Our current sales and revenue performance is strong”*

I am pleased to announce a positive progression in profits in a year where economic conditions remained uncertain. We made a decision a couple of years ago to refocus on activities that we felt were core, and we could service effectively and profitably. Whilst this has resulted in a small decline in revenues, the margins of the business have improved in 2010 and we are extremely confident, will continue to improve in 2011.

Against the uncertainty of demand engendered by economic conditions and the difficulty of forecasting high value sales, we managed our cost base tightly but without impacting on our ability to deliver. At the same time, with a confident eye on the future, we maintained investment levels in new product development, and increased our investment in sales and marketing to build the base needed to reap the rewards of our investment.

The sales successes of 2010 and early 2011 (more new name customers than in any of the previous five years) have underlined that we have the products and services that publishers need and want, and that with the appropriate level of investment in promoting them, expansion of our customer base will follow.

#### **The long view**

A number of years ago the Group set a strategy to re-engineer our product set, obtain online products by acquisition, reduce historical debt inherited from the dot.com era, and create a profitable, forward looking stable business which, through the years of transition, would maintain profitability and cash flow.

I am very pleased with the achievement of these goals so far and the transformation we have made to the Group particularly in the four years since the reverse takeover of Ingenta plc which brought online products **ingentaconnect**, **pub2web** and **ICS** into the Group. 2011 will see the completion of the new **advance** product set after five years and roughly £10m of investment. All this has been achieved whilst improving profitability and the Statement of Financial Position.

#### **Outlook**

We are confident that the actions and investments we have made in our product and services development sets us apart from our competition and will enable us to drive increased sales and profitability. There is no competitor that stands up against Publishing Technology in terms of the breadth of service and modernity of solutions.

Our near term strategy is clear: drive profitable growth from our recurring business, add to our customer roster and future recurring business through new customer acquisition, and expand our global reach to dynamic and growing markets.

We will continue to invest in our products in 2011 to the level of about £2m, all of the investment being made in Oxford, our head office, where the teams are close to not only our own subject matter experts, but also regular contributions from our customers through product strategy meetings.

#### **Current trading**

Our current sales and revenue performance is strong. In the first two months of the year we have seen a substantial improvement on the three prior years, thanks in no small part to significant contracts won in the first month of the year. It is too early in the year to be certain of the second half, but our confidence is at a high level and our secured revenues at the highest levels since the formation of Publishing Technology in 2007.

We are confident that in 2011, with an increased focus on margins from recurring business and new business sales, our profits will grow along with an increasing revenue line.

#### **G M Lossius**

Chief Executive Officer  
4 March 2011  
Publishing Technology plc

## Financial review

For the year ended 31 December 2010

### Overview

2010 has seen improved profitability on changing but stable revenue streams which has continued to fund the investment in new product development.

### Operating results

Net profit for the year was up 77% at £885K (2009: £500K) despite revenue being roughly flat.

Revenue for the year ended 31 December 2010 was £15,018K (2009: £15,262K). This change was partly due to a planned reduction in low margin business. In general revenues were stable with a movement in activities from mature technologies to newer products and, as sales of products have been stronger in the US, a shift of revenue from Europe to that region. Revenues for maintenance, hosting and managed services of the **author2reader** product have been maintained in both geographies and margins have been improved.

Gross profit for the year was £6,248K (2009: £6,143K) and gross margin as a percentage of revenue was 42% (2009: 40%). The improvement is due to low margin business being replaced by higher margin business in operationally geared sectors, lower staff costs on newer technologies, and efficiencies in office costs as a result of the various office moves this year.

Sales and marketing and administrative expenses in the year were £5,564K (2009: £5,636K). The Group has invested behind the new products which is reflected in higher Sales and Marketing costs mostly notably in the hire of a Sales and Marketing Director who came on board in June 2010. Administrative savings have continued to be made with an additional £137K being taken out in 2010 compared to 2009.

EBITDA improved from £913K to £1,103K, a 21% increase year on year as a result of the improvement to margins and reduction in administration costs. Whilst this performance was not as good as the Board would have wished the EBITDA was in line with market expectations.

Profit before tax is up £122K (43%) at £409K (2009: £287K) and net profit for the year has increased to £885K (2009: £500K) which continues the improving trend of profitability.

### Taxation

A tax credit of £317K (2009: £170K) is included in the results for 2010 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 HM Revenue and Customs approval.

The group has unutilised tax losses at 31 December 2010 in the UK and the USA of £14.3m (2009: £14.2m) and \$13.7m (2009: \$18.6m) 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. A maximum of \$491K of losses can be used per annum from April 2008 for 20 years from that date, however unused losses can be carried forward. The board believe the US legal entities will be able to make use of \$9.7m of the unutilised losses carried forward.

### Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2009: £nil).

### Financial position and cash

Shareholders' deficit totalled £1.8m at the year end (2009: deficit £2.6m). The reduction is mainly due to the retained profit in the year reduced by £118K of exchange loss on translating foreign operations.

Cash inflow from operations was £0.8m (2009: £1.4m). At the year end, net bank overdraft was £0.9m (2009: £1.4m), an improvement of £0.5m in the year (2009: £1m).

Cash absorbed by operations for capital expenditure during the year amounted to £208K (2009: £164K). A tax credit of £154K (2009: £64K) in respect of

Research and Development expenditure was received in the year which related to the year ended 31 December 2009.

Debt has reduced significantly and consistently over the last few years whilst investing almost £10m in the redevelopment of our core offering.

To further improve the debt / equity ratio, the Board and the holders of the loan notes (formerly convertible) are continuing discussions on converting these into equity by issuing approximately 2.7m new shares at market price. If agreement is reached, approval will be sought from shareholders at the Annual General Meeting. Assuming ratification, the business should be core debt free and only using a floating overdraft facility by the end of 2011.

### Going concern and future funding

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

Management regularly forecast profit, financial position and cash flows for the Group. The rolling annual forecast is normally updated every month; with a short term thirteen week forecast being updated daily.

Revenue streams are forecast in detail with all recurring revenue contracts individually listed; revenue is ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and have concluded that forecast costs are robust.

The Group has secured an overdraft facility of £1m which will be reviewed as positive cash flows reduce the requirement. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.



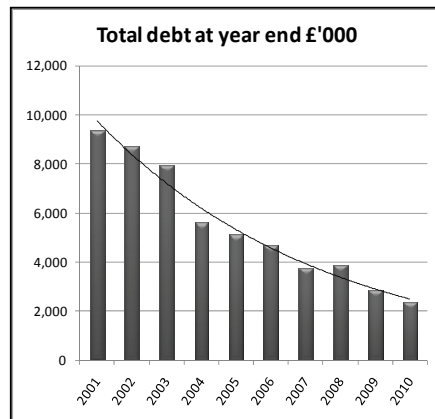
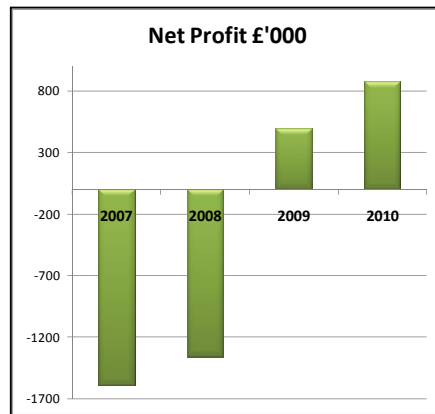
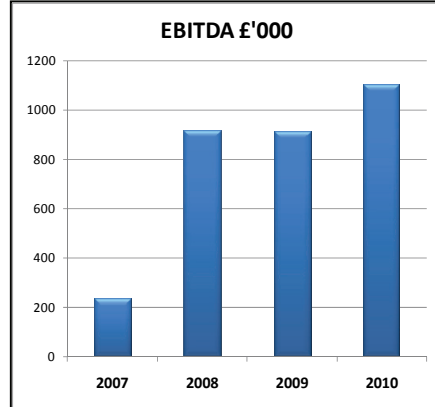
The major risks for future trading are the continuing economic situation and the uncertainty that this brings to capital spending decisions and academic institution budgets.

**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.

The Group operates in a business which 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 2011  
 Publishing Technology plc



## Directors' report

For the year ended 31 December 2010

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

### Principal activities

The Group's principal activities are the provision of software and services for publishers, internet-based electronic delivery of published research materials, and the provision of internet-based search and access services for libraries and individual users of that material.

### Review of business and future developments

The Directors use a number of key performance indicators to measure the success of the business. These include, but are not limited to: revenue, gross margin, EBITDA and cash flow, measured monthly against budget and forecast.

The main business risks are not meeting revenue targets and not being able to attract the required funding for the Group's cash profile.

The revenue risk is reduced by providing customer service which maintains current and recurring revenue and by continuing to develop new products which continue to attract new customers and bring in new licence and implementation revenues.

The funding risk is reduced by having an agreed facility with the Group's bankers, by continuous improvement in profitability and cash flows to reduce debt and improve market and lenders' confidence, and by funding from more than one source.

A review of the business, its results, key performance indicators and future direction is included in the Chairman's statement, the Chief Executive's review, the financial review, the corporate governance statement and in the business review (2010 highlights).

### Going concern

The Directors have prepared the financial statements on the going concern basis. This is explained more fully in the financial review of the business set out on pages 6 and 7.

### Results and dividends

The trading results for the year and the Group'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 (2009: £nil).

### Directors

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

Executive Directors  
G M Lossius, Chief Executive Officer  
A B Moug, Chief Financial Officer

Non-Executive Directors  
M C Rose, *Chairman*  
M A Rowse  
W E Shaw

The interests of Directors in the shares of the Company at 31 December 2010 are disclosed in the Directors' remuneration report.

### Corporate governance

Details of corporate governance for the year to 31 December 2010 are disclosed in the corporate governance report.

### Research and development activities

The Group carries out research and development activities in connection with administration systems, web delivery, access control and linking technologies. All costs relating to these activities are written off to the Statement of Comprehensive Income as incurred. The charge to the Statement of Comprehensive Income was £2.7m (2009: £3.1m) in the year to 31 December 2010.

### Substantial shareholdings

As at 25 February 2011 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:

Name	Number of ordinary 10p shares	Percentage of issued ordinary share capital
M C Rose	2,458,113	29.22%
Nortrust Nominees Limited	750,999	8.93%
Almandine LLC	435,065	5.17%
A B Moug	421,137	5.01%
G M Lossius	420,627	5.00%
BNY (OCS) Nominees Limited	362,500	4.31%
B P Gibson	361,646	4.30%
M A Rowse	273,277	3.25%

### Charitable and political contributions

The Group made no political contributions (2009: £nil) and made £1,833 of charitable contributions (2009: £5,400) during the year.

### Creditor payment policy

The Group's payment policy is to negotiate with its suppliers at the time they are engaged and to abide by the terms agreed. During the year ended 31 December 2010 the Group, on average, paid its trade creditors within 49 days of receipt of a valid invoice (2009: 64 days, 2008: 96 days).

### Financial risk management

Details of the Group's financial risks are given in note 24.

### Employment policy

Group employees 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.

### Directors' and officers' liability insurance

The Group, 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 Group.

### Post balance sheet events

The Company entered into a five year lease on an office building in Bath, UK on 1 January, 2011. The Bath office moved to 12 Charlotte Street on 4 January, 2011.

### 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.



**G M Lossius**  
Director  
4 March 2011

## Corporate governance statement

### Corporate governance statement

The Group is committed to high standards of corporate governance. It has adopted procedures to institute good governance insofar as it is practical and appropriate for an organisation of its size and nature, notwithstanding the fact that companies that have securities traded on the Alternative Investment Market ("AIM") are not required to comply with the Combined Code as appended to the Listing Rules issued by the Financial Services Authority.

As the Group grows, it will regularly review the extent of its corporate governance practices and procedures. At its current stage of development, the parent company does not consider it appropriate to be fully compliant with the Combined Code.

### Board of Directors

Board meetings are scheduled to take place at least quarterly, with additional meetings to review and approve significant transactions. The Board is provided with Board papers before each Board meeting of which there were four in the year. The Company Secretary's services are available to all members of the Board. If required, the Directors are entitled to take independent advice and if the Board is informed in advance, the Group will reimburse the cost of the advice. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

Non-Executive Directors are appointed on a contract with a three month notice period and the Executive Directors are 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 Group does not combine the role of Chairman and Chief Executive. New Directors are subject to re-election at the first AGM after their appointment.

At the year end, the Board comprised the Non-Executive Chairman, the Chief Executive, the Chief Financial Officer and two other Non-Executive Directors.

### Remuneration Committee

The Remuneration Committee 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 auditor to communicate directly with the Non-Executive Directors.

The Audit Committee also ensures that the external auditor is independent via the segregation of audit related work from other accounting functions and non audit related services provided, and measures applicable fees with similar auditors.

### Relations with shareholders

The Group 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 Group visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports online, from the Group'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 its 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 business units 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 monthly, 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 and risk management

The Directors and management have considered the risks facing the business and these are assessed on an ongoing basis. The key risks are discussed in the Director's Report. Other risks which come under the direct control of the Directors include treasury management, capital expenditure, insurance, health and safety and regulatory compliance. Risk assessment includes the review of potential mitigations. The accounting policies cover several key risks and these are included in the notes.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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 Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the parent company financial statements in

accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 and the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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.

On behalf of the Board.

**M C Rose**  
Chairman of the Audit Committee  
4 March 2011

## Directors' remuneration report

For the Year ended 31 December 2010.

The Remuneration Committee comprises M C Rose (Chairman) 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 the 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, and
- the need to ensure 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 fee awards 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 two executive Directors.

The interests of the Directors at 31 December 2010 in the shares of the Company were as follows:

	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2010	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2009
G M Lossius	420,627	400,107
A B Moug	421,137	402,607
M C Rose	2,458,113	2,458,113
W E Shaw	63,089	63,089
M A Rowse	273,277	273,277

### Directors' Interests

The Directors at 31 December 2010 had no interests in options over the ordinary shares. The Directors had no post-employment benefits, other long-term benefits, termination benefits or share-based payments in the year.

The market price of the Company's shares at the end of the year was 53.5p and the range was between 53.5p and 92.5p.

### Directors' remuneration

	Salary and fees £'000s	Benefit £'000s	Sums paid to a third party for Directors' services £'000s	Pension Contributions £'000s	Total remuneration £'000s	Group National Insurance costs £'000s	2010 Total cost of employment £'000s	2009 Total remuneration £'000s	2009 Total cost of employment £'000s
G M Lossius	120	13	-	19	152	17	169	156	176
A B Moug	113	14	-	6	133	16	149	132	149
M C Rose	36	-	48	-	84	5	89	84	89
W E Shaw	25	-	-	-	25	-	25	26	26
M A Rowse	-	-	25	-	25	-	25	25	25
					419		457	423	465

On behalf of the Remuneration Committee

**M C Rose**  
Chairman  
4 March 2011

## Independent auditor's report to the members of Publishing Technology plc

### Independent auditor's report to the members of Publishing Technology plc

We have audited the financial statements of Publishing Technology plc for the year ended 31 December 2010 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes and parent Company Balance Sheet and related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 11, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters 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 by the Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group 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.

### Tracey James

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Oxford  
4 March 2011

## Group Statement of Comprehensive Income

For the year ended 31 December 2010

	note	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Revenue	2	15,018	15,262
Cost of sales		(8,770)	(9,119)
Gross profit		6,248	6,143
Sales and marketing expenses		(1,787)	(1,722)
Administrative expenses		(3,777)	(3,914)
Profit from operations	4	684	507
Analysis of profit from operations:			
Profit before finance costs, tax, depreciation, loss on sale of property, plant and equipment and foreign exchange gains and losses (EBITDA)		1,103	913
Depreciation		(187)	(186)
Loss on sale of property, plant and equipment		(33)	-
Foreign exchange gain / (loss)		64	(162)
Restructuring costs		(263)	(58)
Profit from operations		684	507
Finance costs	6	(275)	(220)
Profit before income tax		409	287
Income tax	7	476	213
Profit for the year attributable to equity holders of the parent		885	500
Other comprehensive (expense) / income:			
Exchange differences on translation of foreign operations		(118)	315
Total comprehensive income for the year attributable to equity holders of the parent		767	815
Basic and diluted earnings per share (pence)	8	10.52	5.95

All activities are classified as continuing.  
The accompanying notes form part of these financial statements.



## Group Statement of Financial Position

As at 31 December 2010

	note	31 Dec 10 £000	31 Dec 09 £000	31 Dec 08 £000
<b>Non-current assets</b>				
Goodwill and other intangible assets	9	3,737	3,737	3,737
Property, plant and equipment	10	357	346	389
		<u>4,094</u>	<u>4,083</u>	<u>4,126</u>
<b>Current assets</b>				
Trade and other receivables	11	3,128	2,883	3,661
Research and Development tax credit receivable	7	317	170	-
Cash and cash equivalents	12	1,751	1,162	734
		<u>5,196</u>	<u>4,215</u>	<u>4,395</u>
<b>Total assets</b>		<u><b>9,290</b></u>	<u><b>8,298</b></u>	<u><b>8,521</b></u>
<b>Equity</b>				
Share capital	18	841	841	841
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(780)	(662)	(977)
Retained earnings		(7,678)	(8,563)	(9,063)
Investment in own shares	20	(6)	(4)	(4)
<b>Total equity</b>		<u><b>(1,796)</b></u>	<u><b>(2,561)</b></u>	<u><b>(3,376)</b></u>
<b>Non-current liabilities</b>				
Borrowings	14	1,500	1,500	500
Provisions	15	-	20	200
		<u>1,500</u>	<u>1,520</u>	<u>700</u>
<b>Current liabilities</b>				
Trade and other payables	13	6,963	6,533	6,721
Borrowings	14	2,623	2,538	4,115
Provisions	15	-	86	158
Deferred tax creditor	16	-	182	203
		<u>9,586</u>	<u>9,339</u>	<u>11,197</u>
<b>Total liabilities</b>		<u><b>11,086</b></u>	<u><b>10,859</b></u>	<u><b>11,897</b></u>
<b>Total equity and liabilities</b>		<u><b>9,290</b></u>	<u><b>8,298</b></u>	<u><b>8,521</b></u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 March 2011 and were signed on its behalf by:

**A B Moug C.A.**

Director

**G M Lossius**

Director

The accompanying notes form part of these financial statements.  
Registered number: 837205

## Group Statement of Changes in Equity

For the year ended 31 December 2010

	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 2010	841	11,055	(5,228)	(662)	(8,563)	(4)	(2,561)
Investment in own shares in the year	-	-	-	-	-	(2)	(2)
Transactions with owners	-	-	-	-	-	(2)	(2)
Profit for the year		-	-	-	885	-	885
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	(118)	-	-	(118)
Total comprehensive income for the year	-	-	-	(118)	885	-	767
Balance at 31 December 2010	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)

For the year ended 31 December 2009

	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 2009	841	11,055	(5,228)	(977)	(9,063)	(4)	(3,376)
Profit for the year	-	-	-	-	500	-	500
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	315	-	-	315
Total comprehensive income for the year	-	-	-	315	500	-	815
Balance at 31 December 2009	841	11,055	(5,228)	(662)	(8,563)	(4)	(2,561)

## Group Statement of Cash Flows

For the Year ended 31 December 2010

	note	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Profit before taxation		409	287
Adjustments for			
Depreciation		187	186
Loss on sale of property, plant and equipment		33	-
Interest expense		275	220
Unrealised foreign exchange differences		140	543
(Increase) / decrease in trade and other receivables		(245)	778
Increase in Research and Development tax credit receivable		(147)	(170)
Increase / (decrease) in trade and other payables		248	(209)
(Decrease) / Increase in provisions		(106)	(252)
Cash from operations		794	1,383
Interest paid		(255)	(250)
Research and Development tax credit received		154	64
Net cash from operating activities		693	1,197
Cash flows from investing activities			
Purchase of property, plant and equipment		(208)	(164)
Net cash used in investing activities		(208)	(164)
Cash flows from financing activities			
Cost of investment in own shares		(2)	-
Net cash used in financing activities		(2)	-
Net increase in cash and cash equivalents		483	1,033
Cash and cash equivalents at the beginning of the year	12	(1,376)	(2,381)
Exchange differences on cash and cash equivalents		21	(28)
Cash and cash equivalents at the end of the year	12, 21	(872)	(1,376)

The accompanying notes form part of these financial statements.

## Notes to the Group financial statements

For the Year ended 31 December 2010

### General information and nature of operations

Publishing Technology plc (the "Company") and its subsidiaries (together "the Group") is a provider of technology and supporting services to publishers and information providers. The nature of the Group's operations and its principal activities are set out in the business review, Chairman's statement, Chief Executive's review, financial review and Directors' report on pages 2 to 12.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 837205 and its registered office is 8100 Alec Issigonis Way, Oxford Business Park North, Oxford, OX4 2HU. The consolidated financial statements were authorised for issue by the Board of Directors on 4 March, 2010.

### 1. Principal accounting policies

#### 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 relevant available information about the future including profit and cash forecasts, the continued support of the shareholders and Directors, banking facilities and management ability to affect costs and revenues.

Management regularly forecast profit, financial position and cash flows for the Group. The rolling annual forecast is normally updated monthly.

Having reviewed the latest forecast, management regard the forecasts to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and revenue is ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements. Management have concluded that forecast costs are robust.

The Group has secured an overdraft facility of £1m which will be reviewed as positive cash flows reduce the requirement. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

The major risks for future trading are the uptake of new generation products **advance** and **pub2web**, which to a certain extent will rely on the general economic conditions improving, allowing publishers and information providers to commit to larger capital expenditure projects. We are already seeing an increase in capital expenditure and in enquiries and therefore the Board are confident that the forecasts set for 2011 are achievable in the current market.

It is therefore considered appropriate to use the going concern basis to compile these financial statements.

#### Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

The accounting policies applied have been applied consistently throughout the Publishing Technology Group. The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain financial instruments.

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### Significant management judgements in applying accounting policies

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

#### Revenue

The Group provides after-sales support. The amount of the selling price associated with the subsequent servicing agreement is deferred and recognised as revenue over the period during which the service is performed. The nature of services provided depends on the customer's use of the products. Therefore management needs to make significant judgements in determining when to recognise income from after-sales services. In particular, this requires knowledge of the customers and the markets in which the Group operates. The recognition is based on historical experience in the market, and management believes that after-sales support gives rise to income recognition based on services actually performed.

#### Contract revenue

The stage of completion of any long term contract is assessed by management by taking into consideration all information available at the reporting date. In this process management makes significant judgements about milestones, actual work performed and the estimated costs to complete the work.

#### Deferred tax assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

### *Research and Development expenditure*

Research and Development is fully written off to the Statement of Comprehensive Income as incurred. The Board have taken into account the inherent risks in all Research and Development expenditure and specifically the expenditure being incurred by the business in the year and have concluded that the requirements of IAS 38 to capitalise Research and Development expenditure have not been met.

### *Estimation uncertainty*

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

### *Impairment*

An impairment loss is recognised for the amount by which an asset's, or cash generating unit's, carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset, or cash-generating unit, and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. See note 9 for details of the review.

### *Fair value of financial instruments*

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

### *Basis of consolidation*

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2010. Subsidiaries are entities over which the Group has the power to control the financial and operating policies, so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated

unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The acquisition cost is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer and excludes any transaction costs. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

### *Stock options*

The Group operates an Approved and an Unapproved Employee Stock Option plan. No charge has been recognised during the year as the fair value of the options is not considered to be material. Only material charges are recognised.

### *Property, plant and equipment*

#### *Cost*

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Asset additions from the reverse acquisition of Ingenta plc in February 2007 were added at carrying amount at the date of acquisition in the consolidated accounts under reverse acquisition accounting. Vista group assets remained at historical cost less accumulated depreciation.

The financial statements of subsidiary companies hold assets from the Ingenta plc group at historical cost less accumulated depreciation. Assets from the Vista group of companies are added at carrying value at the date of the acquisition.

In 2008 the Group reallocated property, plant and equipment within the consolidated financial statements to report assets within subsidiary and consolidated accounts under the same category headings. Accordingly, the reallocation was made to both the cost and to the accumulated depreciation to report assets as though the Ingenta plc business was the continuing business. The Group believes this gives a more reasonable view of the assets within the business. The adjustment of £1.4m has been added to both cost and accumulated depreciation and therefore does not affect the underlying carrying value of property, plant and equipment.

### **Depreciation**

Depreciation is calculated using the straight - line method to allocate the cost of assets less their estimated residual value over their estimated useful lives, as follows:

Leasehold improvements	Over the term of the lease
Computer equipment	3 yrs
Fixtures, fittings and equipment	5 yrs

The residual value and the useful life of each asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

### **Disposal of assets**

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

### **Intangible assets**

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are recognised immediately in the income statement and are not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and at least annually thereafter.

On disposal of a subsidiary, the attributable net book value of goodwill is included in the determination of the profit or loss on disposal.

#### **Brands**

The main economic and competitive asset of Ingenta plc at the time of its reverse acquisition was its trading name, 'Ingenta'. The brand values were calculated based on the Group's valuation methodology, which is based on the 'relief from royalty approach'. As the brand value arose on acquisition, the intangible asset was recognised initially at its fair value and amortised over its useful economic life of three years.

#### **Other intangibles**

The Group also recognises other separately identifiable intangible assets such as customer contacts and relationships. These values arose on the reverse acquisition of Ingenta plc and were recognised initially at their fair value and amortised over their useful economic life of three years.

#### **Computer software**

Acquired computer software licences are capitalised on the basis of the cost incurred to bring the specific software into use. These costs

are amortised over their estimated useful lives which have been estimated by the Group as three years.

Amortisation and impairment of intangible assets are charged to the income statement.

### **Impairment of intangibles and property, plant and equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related goodwill.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### **Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised 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.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

#### **Financial assets**

The Group classifies its financial assets as 'loans and receivables' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group assesses at the date of each Statement of Financial Position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Statement of Financial Position.

### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method; less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The carrying amount of the loss is recognised in the Statement of Comprehensive Income within 'Sales and marketing expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Sales and marketing expenses' in the Statement of Comprehensive Income.

### **Available for sale financial assets**

Available for sale financial assets are non derivative financial assets that are either designated in this category or are not classified in any other category. They are included in non current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

On initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. After initial recognition, financial assets are measured at fair value, without any deduction of transaction costs.

Gains and losses arising from change in the fair value of a financial asset are recognised directly in equity, except for impairment losses. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as 'gains and losses from investment securities'.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

### **Financial liabilities**

The Group's financial liabilities include borrowing and trade and other payables.

### **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised

cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

### **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**

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

The translation reserve within equity relates to foreign currency translation differences arising on the translation of the Group's foreign entities.

Retained earnings include all current and prior year retained profits and losses.

Reserve acquisition reserve and merger reserve represent balances arising on the acquisition of Ingenta plc in 2007. The IFRS 3 acquisition adjustment reflects the entries required under reverse acquisition accounting, whereby consolidated shareholders funds comprise the capital structure of the legal parent combined with the reserves of the legal subsidiary and the post acquisition reserves of the parent.

Investment in own shares within equity represents the nominal value of shares held within the Vista International Employee Share Ownership Trust 1999.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

### **Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts after elimination sales within the Group.

The Group recognises revenue 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 Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group 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 **ingentaconnect** are recognised in the period to which they relate. 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 **ingentaconnect** 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 date of testing. Where certain products are sold as multi element arrangements, revenue is recognised when each element is delivered to the customer based on fair value of each product element.

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.

Revenue within PCG from contracts where the Group acts as sales agent is recognised when invoices are sent on behalf of the customer to subscribers. The Group raises invoices on behalf of customers and collects the remittances from subscribers acting as agent and therefore no entries are made in the Group's ledgers for invoices raised. Revenue from these contracts is the commission element of the sale earned when invoices are raised to subscribers being PCG's obligations under the agreement. Revenue is therefore accrued for invoices raised to subscribers as agent based on the percentage commission to be applied to each sale. The Group invoices the customer for the Group's commission monthly in arrears when cash receipts are forwarded to the customer.

## Employee benefits

### *Pension obligations*

The Group operates various pension schemes which are in the nature of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays a fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group does not operate a defined benefit plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

## Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

## Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the Statement of Financial Position date are discounted to their present value.

## Operating leases

Leases in which a significant risk and reward of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense and are spread on a straight-line basis over the lease term. The Group does not have any finance leases.

## Operating expenses

Operating expenses are recognised in the Statement of Comprehensive Income upon utilisation of the service or at the date of their origin.



### Finance cost

Financing costs comprise interest payable, the amortisation of the costs of acquiring finance and the unwinding of discounts that are recognised in the Statement of Comprehensive Income. Interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

### Income taxes

The tax expense recognised in the Statement of Comprehensive Income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. For management's assessment of the probability of future taxable income to utilise against deferred tax assets. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

### Foreign currency

The consolidated financial statements are presented in Sterling (GBP), which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at an approximation of the average monthly rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate.

### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision-maker. The chief decision-maker has been identified as the Executive Board, at which level strategic decisions are made.

IFRS 8 "Operating segments" requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and reported in a manner which is more consistent with internal reporting provided to the chief decision-maker.

### Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IAS 24 Related Party Disclosures: The revised standard will be mandatory for periods commencing on or after 1 January 2011. This predominately incorporates changes to the definition of a related party including:

Explicit reference is now made to commitments between an entity and its related parties in the scope of the standard (i.e. the disclosures cover commitments).

The definition of close family has been reworded to be clearer that the definition includes the person's spouse or domestic partner, and children (including adult) and dependants of the person, their spouse or domestic partner. The more general aspect remains, i.e. that close family includes those family members who may be expected to influence, or be influenced by, that person.

The IASB has published the 2010 edition of its annual improvements to IFRS. Most changes become mandatory for annual periods commencing on or after 1 January 2011 but changes relating to IFRS 3 Business Combinations take effect for annual periods commencing on or after 1 July 2010.

The most notable changes are:

- clarifying the treatment of contingent consideration in business combinations that occurred prior to the adoption of IFRS 3 (Revised 2008). These are not adjusted on adoption of the revised standard
- amendments to IFRS 3 relating to share-based payments of the acquiree that the acquirer chooses to replace or does not replace
- amendments to IFRS 3 relating to measurement of non-controlling interest, restricting the option not to measure non-controlling interests at fair value to interests that are present ownership interests that entitle holders to a proportionate share of the entity's net assets in the event of a liquidation
- clarification of the IASB's intentions regarding presentation of reconciliations for each component of other comprehensive income. These reconciliations may be in the statement of changes in equity or in the notes.

## 2. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Sales of services:		
Licences	221	541
Consulting Services	3,384	2,698
Hosted services	4,026	4,593
Managed Services	2,411	2,564
Support and Upgrade	2,892	2,764
PCG	2,084	2,102
	<hr/> 15,018	<hr/> 15,262

A geographical analysis of the Group's revenue is as follows:

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Sales of services:		
UK	6,092	7,851
USA	7,319	6,186
Rest of the World	1,607	1,225
	<hr/> 15,018	<hr/> 15,262

Revenue is allocated to geographical locations based on the location of the customer.

## 3. Business segments

The following segment information has been prepared in accordance with IFRS 8, "Operating Segments", which defines the requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 follows the management approach, which is the basis for decision making within the Group.

The Board consider the Group on a business unit basis. Reports by Business Unit are used by the chief decision-maker in the Group. Significant operating segments are: Enterprise Applications Division ("EAD") (formerly Publishing Technology Applications); Online Services Division ("OSD") (formerly Scholarly Online); and Marketing Communications Division ("PCG"). This split of business segments is based on the products and services each offer.

Enterprise sells **author2reader** and **advance** publishing management systems, Online provides **ingentaconnect**, **pub2web** and **ICS** online products, and Marketing Communications provides consultancy service in sales and marketing expertise to publishers.

The reported operating segments derive their revenues from the revenue streams reported in the revenue analysis in note 2. A further discussion of revenue streams within each division is included in the Business Review on page 2. All revenues are derived from trade with external parties.

Property, plant and equipment is held in both the UK £191K (2009: £151K) and the USA £166K (2009: £195K).

No customers in the year contributed more than 10% of revenue (2009: none).

The Group's operations are located in the United Kingdom and North America. Any transactions between business units are on normal commercial terms and conditions.

Segment information by Business Unit is presented below.

Year to 31 December 2010	Enterprise Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
External sales	9,466	3,468	2,084	15,018
Segment result (EBITDA)	825	54	159	1,038
Depreciation	(94)	(93)	-	(187)
Unallocated corporate expenses				(231)
Foreign exchange gain				64
Operating profit				684
Finance costs				(275)
Profit before tax				409
Tax				476
Profit after tax				885
Other information	Enterprise Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
Capital additions	104	94	10	208
Statement of Financial Position				
Assets				
Attributable Goodwill	-	2,661	1,076	3,737
Segment assets	3,202	1,372	764	5,338
Unallocated corporate assets				215
Consolidated total assets				9,290
Liabilities				
Segment liabilities	2,839	1,229	632	4,700
Unallocated corporate liabilities				6,386
Consolidated total liabilities				11,086
Total equity and liabilities				9,290

Refer to note 9 for the estimates used in valuation of cash generating units.

Year to 31 December 2009	Enterprise Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
External sales	9,128	4,032	2,102	15,262
Segment result (EBITDA)	812	434	294	1,540
Depreciation	(93)	(93)	-	(186)
Unallocated corporate expenses				(685)
Foreign exchange loss				(162)
Operating profit				507
Finance costs				(220)
Profit before tax				287
Tax				213
Profit after tax				500
Other information	Enterprise Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
Capital additions	82	72	10	164
Statement of Financial Position				
Assets				
Attributable Goodwill	-	2,661	1,076	3,737
Segment assets	2,580	1,106	753	4,439
Unallocated corporate assets				122
Consolidated total assets				8,298
Liabilities				
Segment liabilities	2,992	1,911	259	5,162
Unallocated corporate liabilities				5,697
Consolidated total liabilities				10,859
Total equity and liabilities				8,298

#### 4. Profit from operations

Profit from operations has been arrived at after charging / (crediting):

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Research and development costs	2,653	3,094
Net foreign exchange (gains) / losses	(64)	162
Depreciation of property, plant and equipment		
- owned assets	187	186
Operating lease rentals:		
- land and buildings	469	553
- other	153	185
Auditor's remuneration	85	85

A more detailed analysis of auditor's remuneration on a worldwide basis is provided below.

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Fees payable to the Group's auditor for:		
The audit of the parent company and consolidated financial statements	20	20
For other services:		
The audit of the Company's subsidiaries pursuant to legislation	50	50
Taxation services	15	15
	<u>85</u>	<u>85</u>

A description of the work of the Audit Committee is set out in the corporate governance statement on page 10 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

## 5. Staff numbers and costs

	Year ended 31 Dec 10 Average number	Year ended 31 Dec 09 Average number
Staff numbers:		
Operations	119	119
Sales and marketing	32	30
Administration	10	10
	<u>161</u>	<u>159</u>

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Their aggregate remuneration comprised:		
Wages and salaries	8,676	8,246
Social security costs	529	554
Contribution to defined contribution plans	387	369
Other staff costs	387	385
Staff costs	<u>9,979</u>	<u>9,554</u>

Remuneration in respect of Directors was as follows:		
Non-Executive Director fees	134	135
Executive Directors' emoluments	260	263
Company pension contributions to money purchase schemes	25	25
	<u>419</u>	<u>423</u>

Remuneration of the highest paid Director (aggregate emoluments)	152	156
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Further unaudited information on Directors' remuneration is provided in the Directors' remuneration report.

Key management personnel within the business are considered to be the Board of Directors. Pension contributions of £19K were paid in respect of the highest paid Director (2009: £19K). There are two (2009: two) Directors included in the money purchase pension schemes.

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total cost charged to income of £387K (2009: £369K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2010, contributions of £42K (2009: £41K) due in respect of the current reporting period were included in the Statement of Financial Position for payment in January 2011.

The Group operates an Unapproved Employee Stock Option plan. No charge has been recognised during the year as the cumulative fair value of the options is not considered to be material.

## 6. Finance costs

	Year ended 31 Dec 10	Year ended 31 Dec 09
	£'000	£'000
Interest payable:		
Interest on bank overdraft and loans	115	90
Other loans	160	130
	<u>275</u>	<u>220</u>

Interest on other loans payable relates to the loan note (formerly convertible). Further details are provided in note 14.

## 7. Tax

	Year ended 31 Dec 10	Year ended 31 Dec 09
	£'000	£'000
Analysis of charge in year		
Current tax:		
Current Research and Development tax credit - UK	317	170
Adjustment to prior year charge - UK	16	-
Adjustment to prior year charge - US	(47)	43
	<u>286</u>	<u>213</u>
Deferred tax (see note 16)	190	-
Taxation	<u>476</u>	<u>213</u>

The Group has unutilised tax losses at 31 December 2010 in the UK and the USA of £14.3m (2009: £14.2m) and \$13.7m (2009: \$18.6m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA

The U.S. tax losses are restricted to \$491K per annum as a result of change of control legislation. Losses carried forward from the change of control in April 2008 are restricted and must be used within 20 years. The Board believes the Group will be able to make use of \$9.7m of the total unutilised losses at 31 December 2010.

The differences are explained below:

Reconciliation of tax expense	Year ended 31 Dec 10	Year ended 31 Dec 09
	£'000	£'000
Profit on ordinary activities before tax	<u>409</u>	<u>287</u>
Tax at the UK corporation tax rate of 28% (2009: 28%)	115	80
Expenses not deductible for tax purposes	14	28
Additional deduction for Research and Development expenditure	(362)	(329)
Surrender of losses Research and Development tax credit refund	317	170
Utilisation of UK losses	(123)	(88)
Unrelieved UK losses carried forward	150	125
Utilisation of US losses	(368)	(17)
Unrelieved US losses carried forward	-	88
Effect of foreign tax rates	73	24
Difference in timing of allowances	(71)	(250)
Adjustment to tax charge in respect of prior years	(31)	(44)
Release of deferred tax liability	(190)	-
Total taxation	<u>(476)</u>	<u>(213)</u>

United Kingdom Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. A deferred tax asset has not been recognised in relation to tax losses due to uncertainty over their recoverability.



## 8. 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.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The loan note (formerly convertible) is no longer convertible and all outstanding options have an exercise price in excess of the average market rate in the year, therefore there is no dilutive impact from the loan (formerly convertible) or options granted.

	Year ended 31 Dec 2010 £'000	Year ended 31 Dec 2009 £'000
Attributable profit	885	500
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and dilutive) arising from both total and continuing operations	10.52p	5.95p

All potential ordinary shares including options and conditional shares are anti-dilutive.

## 9. Intangible assets

As at 31 December 2010, 31 December 2009 and 31 December 2008

	Goodwill £'000	Trademarks and licences £'000	Customer relationships £'000	Brand £'000	Total £'000
Cost	3,737	1,824	128	290	5,979
Amortisation and impairment	-	1,824	128	290	2,242
Net book value	3,737	-	-	-	3,737

Goodwill on the reverse acquisition of Ingenta plc is reviewed at the end of each financial period for impairment.

At the year end, management carried out an impairment review of goodwill attached to each business unit. Following that review it is of the opinion that no impairment has taken place. In its review of other assets, management is also of the opinion that the carrying value of such assets is reasonably stated and that no impairment has occurred.

The goodwill reported in the Group accounts arises from the reverse acquisition of Ingenta plc in 2007.

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Gross carrying amount		
Balance as at 1 January and 31 December	3,737	3,737

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Online Services Division	2,661	2,661
Marketing Communications Division	1,076	1,076
Balance as at 31 December	3,737	3,737

The recoverable amounts of the cash generating units were determined based on value in use calculations for the next five years which management believe will reflect the minimum period during which the business will benefit from the resulting cash generation.

Projections are based on the latest 12 month forecast for each business unit and cash flows have been extrapolated to the full review period, applying growth rates which management believe are prudent in the prevailing economic conditions. Much of the revenue is regarded as recurring and unlikely to be adversely affected by technological change. Where applicable, management have assumed a forecast growth rate of 2% (2009: 2%). The **pub2web** revenue stream represents what is considered to be “cutting edge” technology and likely to achieve a higher level of growth and this has been reflected accordingly with a growth rate of 20% over each of the next five years.

Cash generated by the Online Services Division over the review period is projected to be £6.7m, therefore £4m in excess of the carrying value of its allocated Goodwill. Similarly, cash generated by the Marketing Communications Division is projected to be £2.1m, therefore £1m in excess of its allocated Goodwill. The discount rate would need to increase to approximately 33% for Online Services Division and 45% for Marketing Communications Division before the value in use equals carrying value.

Management assumptions include stable profit margins based on past experience in this market which the management see as the best available information for the market.

Management have sensitised their review by applying a range of discount factors however they consider 17% will reflect the Group's cost of capital during the review period (2009: 17%).

## 10. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2009	371	212	1,477	2,060
Additions	3	-	161	164
Exchange differences	-	(18)	(40)	(58)
At 31 December 2009	374	194	1,598	2,166
Additions	15	115	78	208
Exchange differences	-	7	17	24
Disposals	(371)	(18)	(554)	(943)
At 31 December 2010	18	298	1,139	1,455
<b>Accumulated depreciation and impairment</b>				
At 1 January 2009	332	98	1,241	1,671
Charge for the year	26	19	141	186
Exchange differences	(1)	(9)	(27)	(37)
At 31 December 2009	357	108	1,355	1,820
Charge for the year	3	101	83	187
Exchange differences	-	4	11	15
Disposals	(357)	(13)	(554)	(924)
At 31 December 2010	3	200	895	1,098
<b>Carrying amount</b>				
At 31 December 2010	15	98	244	357
At 31 December 2009	17	86	243	346
At 31 December 2008	39	114	236	389

## 11. Trade and other receivables

Trade and other receivables comprise the following:

	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000	As at 31 Dec 08 £'000
Trade receivables – gross	2,245	2,132	2,487
Allowance for credit losses	(34)	(19)	(73)
Trade receivables - net	2,211	2,113	2,414
Other receivables	71	56	57
Accrued income	675	594	887
Financial assets	2,957	2,763	3,358
Prepayments	171	120	303
Non financial assets	171	120	303
Trade and other receivables	3,128	2,883	3,661

All amounts are short term. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables at the date of the Statement of Financial Position comprise amounts receivable from the sale of goods and services of £2.2m (2009: £2.1m, 2008: £2.5m).

Trade receivables are pledged as security against the Group's overdraft facility.

The average credit period taken on sales of goods is 51 days (2009: 49 days, 2008: 43 days).

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be individually impaired and an allowance for credit losses of £34K (2009: £19K, 2008: £73K) has been recorded accordingly within "sales and marketing" in profit. This allowance has been determined by reference to expected receipts.

The movement in the allowance for credit losses can be reconciled as follows:

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Balance as at 1 January	19	73
Amounts written off (uncollectable)	-	(54)
Additional allowance in year	15	-
Balance as at 31 December	34	19

An analysis of unimpaired trade receivables that are past due is given in note 24.

## 12. Cash and cash equivalents

	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000	As at 31 Dec 08 £'000
Cash at bank and in hand:			
- GBP	16	36	421
- USD	1,575	567	162
- EUR	159	558	150
Cash in hand – GBP	1	1	1
	1,751	1,162	734
Bank Overdraft:			
- GBP	(2,623)	(2,538)	(3,113)
- USD	-	-	(2)
	(2,623)	(2,538)	(3,115)
Net cash and cash equivalents	(872)	(1,376)	(2,381)

'Net cash and cash equivalents' is used for the Statement of Group Cash Flows. The net carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

## 13. Trade and other payables

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2009: 64 days, 2008: 96 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Payables falling due within one year:

	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000	As at 31 Dec 08 £'000
Trade payables	714	1,165	1,365
Accruals	564	378	1,007
Other payables	1,537	1,572	1,387
Financial liabilities	2,815	3,115	3,759
Deferred income	2,991	2,606	2,176
Social security and other taxes	1,157	812	786
Non financial liabilities	4,148	3,418	2,962
Trade and other payables	6,963	6,533	6,721

Amounts due relating to Directors of the Company or other related parties are disclosed within related parties transactions (note 23).

## 14. Borrowings

	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000	As at 31 Dec 08 £'000
Bank overdrafts	2,623	2,538	3,115
Loan note (formerly convertible loan note)	1,500	1,500	1,500
	<u>4,123</u>	<u>4,038</u>	<u>4,615</u>
On demand or within one year (shown under current liabilities)	2,623	2,538	4,115
In the second year	1,500	1,500	500

	Year ended 31 Dec 10 %	Year ended 31 Dec 09 %	Year ended 31 Dec 2008 %
Interest rates:			
Bank overdrafts	2.75% above base	2.5% - 2.75% above base	2.25% - 2.5% above base
Loan Note (formerly convertible loan note)	8%	8%	8%
Loan Note (formerly convertible loan note) – default interest	4%	4%	4%

As at 31 December 2010 the Group had an overdraft facility of £1.5m (2009: £2.0m, 2008: £2.5m), at an interest rate of 2.75% above base. It is expected the facility will drop to £1m during 2011 based on requirement reducing. Bank overdrafts are repayable on demand. During 2010, £0.9 m of overdraft facility was underwritten by guarantees from Directors and shareholders (2009: £0.9m). The average effective interest rate on bank overdrafts approximates 3.25% (2009: 3.5%, 2008: 7%) per annum.

The Directors are of the opinion that the carrying value of the bank overdrafts is a reasonable approximation of their fair value.

The loan (formerly convertible loan) is a debt instrument. All Conversion windows have closed and management have therefore accounted for the loan entirely as a financial liability.

All borrowings are measured at amortised cost.

### Loans (formerly convertible loans)

The base interest rate on the loan notes (formerly convertible loan notes) issued by Publishing Technology is 8%. If the Group does not pay any sum payable under this instrument within 14 days of its due date, the balance for the time being outstanding is subject to default interest. Default interest is set at 4% above the base interest rate.

Interest is accrued and paid half yearly in arrears on 30 June and 31 December.

The noteholder did not convert any of the loan notes during 2010 and the Company did not redeem any of the loan notes. Therefore the loan notes are accruing interest at 12% per annum from 1 January 2011. The Company will continue to pay interest at 12% on £1.5m until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current convertible loan agreement.

## 15. Provisions

	Onerous lease £'000
At 31 December 2008	358
Utilisation of provision	(252)
At 31 December 2009	106
Utilisation of provision	(106)
At 31 December 2010	-

The provision for onerous lease is in respect of a property which was sub-let until the tenant went into liquidation in February 2009. This gave rise to a liability for rent, rates, service charge and dilapidations until the end of the current lease in February 2011. The Group negotiated the settlement of the dilapidations charges during 2010 and all provision was set against this and rent charges in the year.

## 16. Deferred tax

Subject to agreement with HMRC, the Group has unrealised losses in the UK of £14.3m (2009: £14.2m). The Group also has unutilised losses in the USA of \$13.7m (2009: \$18.6m), these losses have yet to be agreed with the US tax authorities. The US tax losses have become restricted under US change of control laws subsequent to the capital raising in April 2008 and the Directors believe \$9.7m will be able to be used.

No deferred tax asset has been recognised in respect of the losses (2009: £Nil, 2008: £Nil) due to the uncertainty relating to the realisation of these amounts.

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000	Year ended 31 Dec 08 £'000
Deferred tax liability			
Balance at 1 January	182	203	147
Exchange differences	8	(21)	56
Provision released	(190)	-	-
Balance at 31 December	-	182	203

The deferred tax liability related to losses in the US before the restriction arose in 2008. Since then the Group have monitored the situation and taken advice from US tax accountants and have this year released the provision on the basis that the losses are restricted and there is uncertainty on the value of losses which will be able to be used.

## 17. Operating lease arrangements

The Group as lessee

At the date of the Statement of Financial Position, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000	As at 31 Dec 08 £'000
Land and buildings			
Contracts expiring within one year	31	80	452
Contracts expiring in the second to fifth years inclusive	898	404	401
	929	484	853
Other			
Contracts expiring within one year	2	30	154
Contracts expiring in the second to fifth years inclusive	320	250	100
	322	280	254

Operating leases for Land and Buildings represent contracts on the following offices: Oxford, UK; Somerset, New Jersey, USA; and Cambridge, Massachusetts, USA.

Other Operating leases represent car leases, photocopier leases and sundry equipment leases.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

After the date of the Statement of Financial Position the Group signed a new lease on an office building in Bath, UK, for a term of five years from 1 January, 2011. There is no capital commitment as at 31 December 2010 as a result of this move. The average annual rent over the period of the lease, taking into account the negotiated rent free period is £15K per annum.

## 18. Share Capital

As at 31 December 2010, 31 December 2009 and 31 December 2008

£'000

Authorised:

12,000,000 ordinary shares of 10p each	1,200
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Issued and fully paid:

8,413,610 ordinary shares of 10p each	841
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### Share issues

The authorised capital of the Company is £1.2m divided into 12,000,000 ordinary shares of 10p each, of which 8,413,610 ordinary shares of 10p each are issued. All issued shares are fully paid up. The remainder of the Company's authorised share capital is unissued.

## 19. Share options

The Group has an approved and an executive option scheme. The executive option scheme relates to options granted to a former Director and certain senior management. The approved option scheme is an H M Revenue and Customs approved scheme available to eligible Directors and employees. The total number of options outstanding over ordinary shares of 10p each that have been granted and have not lapsed at 31 December 2010 were as follows (2009: 19,974, 2008: 65,093):

Number of Shares	Grant Date	Exercise Price	Expiry Date
2,249	12 October 2001	£111.00	12 October 2011
65	17 April 2002	£150.00	17 April 2012
7,100	21 January 2003	£5.25	21 January 2013
500	30 June 2003	£11.75	30 June 2013
4,254	21 January 2004	£9.50	21 January 2014
100	2 August 2004	£6.00	2 August 2014
100	22 November 2004	£3.25	22 November 2014
2,500	4 October 2005	£1.95	4 October 2015
1,000	30 March 2006	£2.16	30 March 2016
17,868			

These options are exercisable from the first, second and third anniversaries of the date of grant.

The reduction in options from 2009 year end is due to 2,106 options having expired on the tenth anniversary of their grant date. No charge has been made for the year under IFRS 2 as the Directors do not consider there is a material impact on the reported result.

Share options are exercisable up to 10 years after grant. If a recipient ceases to be an eligible employee within 3 years of the grant date, the options lapse after one month unless the employee ceases to be an eligible employee by reason of redundancy, retirement, injury, disability or death in which case the options lapse after twelve months.

## 20. Investment in own shares

	Publishing Technology Shares held in trust Number	Treasury Shares Number	Nominal value £	Cost £
At 31 December 2008	221,689	-	22,169	4,302
Beneficial shares removed from trust in the year	(603)	-	(60)	(22)
Shares sold in the year	(13,195)	-	(1,320)	(262)
Options exercised and shares removed from the trust	(2,773)	-	(277)	(191)
At 31 December 2009	205,118	-	20,512	3,827
Shares purchased in the year	-	2,447	245	2,447
Shares sold in the year	(20,441)	-	(2,044)	(381)
Options exercised and shares removed from the trust	(1,688)	-	(169)	(31)
At 31 December 2010	182,989	2,447	18,544	5,862

Investment in own shares relates to shares held by the Spread Trustee Company Limited as trustees of the Vista International Limited 1998 Employee Share Ownership Trust and the purchase of Publishing Technology plc ordinary shares on the market. The trust holds shares in which employees have a beneficial interest and over which employees hold fully vested options to purchase.

The Group is deemed to have control of the assets, liabilities, income and costs of the trust.

## 21. Notes to the cash flow statement

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 12 'cash and cash equivalents'.

## 22. Contingent liabilities

There were no contingent liabilities at 31 December 2010, 31 December 2009 or 31 December 2008.

## 23. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

## Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Directors' remuneration report on page 12.

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Short term employee benefits	419	423



## Directors' transactions

The amounts outstanding with Directors as at 31 December 2010 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced travel expenses and invoiced Non-Executive Directors fees.

	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000	As at 31 Dec 08 £'000
Amounts outstanding with Directors	19	25	28

During the year the Group borrowed £304K from Directors and senior staff at an interest rate of 12%. These loans were repaid within the year. Interest outstanding on these loans at year end amounted to £11K and was paid on 31 January 2011.

## Loan note (formerly convertible)

The noteholder of the £1.5m loan note (formerly convertible) is a trust in which M C Rose, the Non Executive Chairman of the Group, is a trustee. Interest of £160K was accrued in the year to 31 December 2010, of which £80K was outstanding as at 31 December 2010 and was paid on 14 January 2011.

There have been no other loans, quasi-loans or other transactions with Directors or other key management personnel in the year to 31 December 2010 (2009: nil) other than those detailed in this note.

## 24. Financial risk management

The Group is exposed to various risks in relation to financial assets and liabilities. The main types of risk are foreign currency risk, interest rate risk, market risk, credit risk and liquidity risk.

The Group's risk management is closely controlled by the Board and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not actively trade in financial assets for speculative purposes nor does it write options. The most significant financial risks are currency risk, interest rate risk and certain price risks.

### Foreign currency sensitivity

The Group trades in Sterling (GBP), US Dollars (USD) and Euros (EUR). Most of the Group's transactions are carried out in Sterling. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily in USD, through the trading divisions in the USA (Publishing Technology Inc and Publishers Communications Group Inc). The Group does not borrow or invest in USD other than an intercompany loan denominated in USD between Vista International Ltd and Vista North America Holdings Ltd, the currency movement on which offsets within the Group income statement.

In order to mitigate the Group's foreign currency risk, non GBP cash flows are monitored and excess USD and EUR not required for foreign currency expenditure are translated into GBP on an on-going basis. The Group is a net importer of USD being cash flow positive in the USA by approximately \$2.5m per annum. No further hedging activity is undertaken. The Group does not enter into forward exchange contracts.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

	Short-term exposure USD £'000	Long-term exposure USD £'000
31 December 2010		
Financial assets	1,630	-
Financial liabilities	(1,553)	-
Total exposure	77	-
31 December 2009		
Financial assets	1,589	-
Financial liabilities	(1,248)	-
Total exposure	341	-

The following table illustrates the sensitivity of profit and equity with regard to the Group's financial assets and financial liabilities and the USD / GBP exchange rate "all other things being equal". Transactions in EUR are immaterial and therefore movements of the EUR / GBP exchange rate have not been analysed.

It assumes a + / - 10% change of the USD / GBP exchange rate for the year ended 31 December 2010 (2009: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group foreign currency financial instruments held at each reporting date.

If GBP had strengthened against USD by 10% (2009: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2010	(121)	(144)
31 December 2009	(94)	(143)

If GBP had weakened against USD by 10% (2009: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2010	147	176
31 December 2009	115	175

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

#### *Interest rate sensitivity*

The Group's policy is to minimise interest rate cash flow risk exposures on long term financing. Long term borrowings are therefore usually at fixed rates. At 31 December 2010, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings (being the loans (formerly convertible loans) see note 14) are at fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of + / - 1%. These changes are considered to be reasonably possible based on market movements and current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates, All other variables are held constant.

	Profit for the year £'000		Equity £'000	
	+ 1%	- 1%	+1%	-1%
31 December 2010	(31)	39	(31)	39
31 December 2009	(37)	37	(37)	37
31 December 2008	(44)	44	(44)	44

#### *Credit risk analysis*

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2010 £'000	2009 £'000	2008 £'000
Cash and cash equivalents	1,751	1,162	734
Trade and other receivables	3,128	2,883	3,661
	4,879	4,045	4,395

The Group continuously monitors defaults of customers and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and reports on customers are used. The Group's policy is only to deal with creditworthy customers.

The Group's management considers that the financial assets above that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Some of the unimpaired trade receivables are past due at the reporting date. Financial assets past due but not impaired can be shown as follows:

	2010 £'000	2009 £'000	2008 £'000
Not more than 3 months	2,114	2,004	2,154
More than 3 months but less than 6 months	60	64	167
More than 6 months but not more than 1 year	50	64	145
More than 1 year	21	-	21
	2,245	2,132	2,487

In respect of trade and other receivables, the Group is not exposed to any significant credit risk from any single customer or group of customers having the same characteristics. Trade receivables consist of a large number of customers in different sectors of the market and geographical locations. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2009: £nil, 2008: £nil).

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with banks supported by the UK government.

#### Liquidity risk analysis

The Group manages its liquidity needs by monitoring scheduled debt repayments for long term financial liabilities as well as forecast cash flows due in day to day business. Liquidity needs are monitored in various time bands. Short term cash flow is monitored daily using known daily inflows and outflows for cash flows within 8 to 12 weeks. Medium term cash flows within 12 months are monitored using monthly rolling forecast cash flows. Longer term cash flows are monitored using higher level management strategy documents. Net cash requirements are compared to borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period of 15 months to March 2012.

The Group maintains borrowing facilities to meet its liquidity requirements for the medium term forecast period (1 year).

As at 31 December 2010, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
31 December 2010				
Loans (formerly convertible loans)	80	90	1,590	-
Bank borrowings	2,623	-	-	-
Trade and other payables	2,815	-	-	-
Total	5,518	90	1,590	-

This compares to the Group's financial liabilities in the previous reporting period as follows:

	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	Within 6 months	6 to 12 months
31 December 2009				
Convertible loans	80	80	1,593	-
Bank borrowings	2,538	-	-	-
Trade and other payables	3,115	-	-	-
Total	5,733	80	1,593	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying value of the liabilities at the reporting date. Where the customer has a choice of when an amount is paid the liability has been included on the earliest date on which payment can be required.

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities.

An analysis of the Group's assets is set out below:

	As at 31 December 2010			As at 31 December 2009		
	Loans and receivables £'000	Non financial assets £'000	Total for financial position heading £'000	Loans and receivables £'000	Non financial assets £'000	Total for financial position heading £'000
Trade receivables	2,211	-	2,211	2,113	-	2,113
Other receivables	71	-	71	56	-	56
Prepayments and accrued income	675	171	846	594	120	714
Cash and cash equivalents	1,751	-	1,751	1,162	-	1,162
	4,708	171	4,879	3,925	120	4,045

An analysis of the Group's liabilities is set out below:

	As at 31 December 2010			As at 31 December 2009		
	Other financial liabilities £'000	Non financial liabilities £'000	Total for financial position heading £'000	Other financial liabilities £'000	Non financial liabilities £'000	Total for financial position heading £'000
Trade payables	714	-	714	1,165	-	1,165
Social security and other taxes	-	1,157	1,157	-	812	812
Deferred tax	-	-	-	-	182	182
Other payables	1,537	-	1,537	1,572	-	1,572
Accruals	564	-	564	378	-	378
Deferred income	-	2,991	2,991	-	2,606	2,606
Bank overdrafts	2,623	-	2,623	2,538	-	2,538
Convertible loan note	1,500	-	1,500	1,500	-	1,500
Provisions	-	-	-	-	106	106
	6,938	4,148	11,086	7,153	3,706	10,859

## 25. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity plus the loan (formerly convertible loan) less cash and cash equivalents. The Group's goal in capital management is to maintain a capital to overall financing ratio of 1:6 to 1:4.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities other than its loan (formerly convertible loan). The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

	2010 £'000	2009 £'000	2008 £'000
Total equity	(1,796)	(2,561)	(3,376)
Loan (formerly convertible loan)	1,500	1,500	1,500
Cash and cash equivalents	872	1,376	2,381
Capital	576	315	505
Total equity	(1,796)	(2,561)	(3,376)
Borrowings	4,123	4,038	4,615
Overall financing	2,327	1,477	1,239
Capital to overall financing ratio	0.25	0.21	0.41

## Company Balance Sheet

As at 31 December 2010 and 31 December 2009

	note	2010 £'000	2009 £'000
Investments	3	3,068	3,068
Current assets			
Debtors	4	2,599	2,627
Current liabilities			
Creditors - amounts falling due within one year	5	654	525
Other creditors		654	525
Net current assets		1,945	2,102
Total assets less current liabilities		5,013	5,170
Creditors - amounts falling due after more than one year	6, 10	1,500	1,500
Loan (formerly convertible loan)	10	1,500	1,500
Net assets		3,513	3,670
Capital and reserves			
Called up share capital	8	841	841
Retained earnings	9	2,672	2,829
Equity shareholders' funds		3,513	3,670

The financial statements were approved by the Board of Directors and authorised for issue on 4 March 2011 and were signed on its behalf by:

A B Moug C.A.  
Director



G M Lossius  
Director



Registered number: 837205

The accompanying notes form part of these financial statements.

## Notes to the Company financial statements

### 1. Accounting Policies

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom. A summary of the principal Company accounting policies, which have been applied consistently, is set out below.

#### Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

#### Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the parent company and its subsidiaries will continue in operational existence for the foreseeable future.

The Directors have prepared trading projections to April 2012 which have been used to assess the feasibility of the going concern assumption. On the basis of the trading projections the Directors believe that the Group will be able to continue in operational existence for the foreseeable future.

It is therefore considered appropriate to use the going concern basis to compile these financial statements (refer to the Group financial review on pages 6 and 7).

#### Share options

The Company has an Approved and an Executive option scheme. The Company has not recognised a share based payment charge within its accounts as the charge is not deemed material for the year.

#### Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the year are recorded at the daily spot rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

#### Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### 2. Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £157K (2009: loss of £103K).

An audit fee in respect of the parent of £20K was paid in respect of the parent company audit (2009: £20K). Tax fees for the Group of £15K (2009: £15K) have been borne by the subsidiary companies.

The Company employed two Executive Directors (2009: two) and the Non Executive Chairman. The costs of these employees and the fees for the other Non-Executive Directors were borne by the subsidiaries.

### 3. Investments

	2010 £'000	2009 £'000
Cost		
Subsidiary undertakings	3,068	3,068

Details of subsidiary undertakings, in which the Company holds majority shareholdings and which have all been consolidated in the Group financial statements, are as follows:

Company	Country of registration	Holding	Proportion held	Nature of the business
Catchword Limited	England	Ordinary shares	100%	On line publication services
		Preference shares	100%	
Ingenta Limited	England	Ordinary shares	100%	Dormant
Ingenta US Holdings Inc	USA	Ordinary shares	100%	Holding Company
PCG Inc	USA	Ordinary shares	100%	Marketing and Sales Consultancy
Publishing Technology (Europe) Limited	England	Ordinary shares	100%	Publishing software and services
Publishing Technology Inc	USA	Ordinary shares	100%	Publishing software and services
Vista Computer Services Limited	England	Ordinary shares	100%	Dormant
Vista Computer Services LLC	USA	Ordinary shares	100%	Dormant
Vista Holdings Limited	England	Ordinary shares	100%	Dormant
Vista International Limited	England	Ordinary shares	100%	Holding Company
Vista North America Holdings Limited	England	Ordinary shares	100%	Non Trading Holding Company
Uncover Inc	USA	Ordinary shares	100%	Dormant

### 4. Debtors

	2010 £'000	2009 £'000
Amounts owed by subsidiary undertakings	2,588	2,627
Prepayments and accrued income	11	-
	2,599	2,627

### 5. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Other creditors:		
Trade creditors	-	64
Bank overdraft	560	427
Social security and other taxes	-	14
Accruals	94	20
	654	525

### 6. Creditors: amounts falling due after one year

	2010 £'000	2009 £'000
Debt:		
Loan (formerly convertible loan)	1,500	1,500

## 7. 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.

## 8. Share Capital

	2010 £'000	2009 £'000
Authorised:		
12,000,000 ordinary shares of 10p each	1,200	1,200
Issued and fully paid:		
8,413,610 ordinary shares of 10p each	841	841

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. See note 18 to the consolidated financial statements for details of movement in share capital during the year.

## 9. Equity and Reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2009	841	2,829	3,670
Retained loss for the year	-	(157)	(157)
At 31 December 2010	841	2,672	3,513

## 10. Borrowings

	2010 £'000	2009 £'000
Bank overdraft	560	427
Loan note (formerly convertible loan note)	1,500	1,500
	<u>2,060</u>	<u>1,927</u>
On demand or within one year	560	427
In the second year	1,500	1,500

	Year ended 31 Dec 10 %	Year ended 31 Dec 09 %
Interest rates:		
Bank overdrafts	2.75% above base	2.5% - 2.75% above base
Loan Note (formerly convertible loan note)	8%	8%
Loan Note (formerly convertible loan note) – default interest	4%	4%

Bank overdrafts are repayable on demand. Overdrafts of £560K (2009: £427K) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 3.25 % (2009: 3.5%) per annum.

The loan (formerly convertible loan) is a financial instrument as all conversion windows have now closed. Management have therefore accounted for the loan entirely as financial liability.



### **Loans (formerly convertible loans)**

The base interest rate on the loan note (formerly convertible loan note) issued by Publishing Technology is 8%. If the Group does not pay any sum payable under this Instrument within 14 days of its due date, the balance for the time being outstanding is subject to default interest. Default interest is set at 4% above the base interest rate.

The noteholder did not convert any of the loan notes during 2010 and the Company did not redeem any of the loan notes. Therefore the loan notes are accruing interest at 12% per annum from 1 January 2011. The Company will continue to pay interest at 12% on the £1.5m until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current convertible loan agreement.

Interest is accrued and paid half yearly in arrears on 30 June and 31 December.

### **11. Related party transactions**

The noteholder of the £1.5m convertible loan notes is a trust in which M C Rose, the Non Executive Chairman of the Group, is a trustee. Interest of £160K was accrued in the year to 31 December 2010, of which £80K was outstanding as at 31 December 2010 and paid in January 2011. Related party transactions are detailed in note 23 to the consolidated accounts.

During the year the Company borrowed £304K from Directors and senior staff at an interest rate of 12%. These loans were repaid within the year. Interest outstanding on these loans at year end amounted to £11K and was paid on 31 January 2011.

The Company has taken advantage of exemptions under FRS8, not to disclose transactions with other members of the Group.