Publishing Technology plc interim results

Publishing Technology plc (AIM: PTO), ("Publishing Technology" or the "Group") the AIM quoted leading provider of publisher content systems, audience development and content delivery applications, today announces its unaudited interim results for the six months to 30 June, 2013.

Financial Highlights

- Group revenues up 8% to £8.49m (2012: £7.86m)
- Gross Profit up 8% to £2.91m (2012: £2.69m)
- EBITDA up 113% to £0.65m (2012: £0.31m)
- Net profit up £0.56m to £0.39m (2012: loss of £0.17m)
- Earnings per share of 4.58p (2012: loss per share of 2.03p)

Operational Highlights

- Two sales of ***advance*** applications, one of which is to Egmont (one of the world's largest publishing brands which owns the rights to Barbie™, Spiderman and Tintin)
- Go live of ***advance*** modules for Thieme and Rosen
- Significant progress with the global rollout of ***advance*** Product Manager for HarperCollins
- Sale of first e-books platform on ***pub2web***
- Nearing completion of the two largest ***pub2web*** implementations so far
- Better than anticipated FSR sales

George Lossius, Chief Executive of Publishing Technology, commented:

"After many years of sustained investment in our new products; ***advance*** and ***pub2web*,** revenues are now beginning to build as the pipeline strengthens and recurring revenue increases as more projects go live.

The first half of 2013 has seen an increase in revenues in all divisions of the Group, not only in new products, but also in our mature products (ingentaconnect and Vista) and in our PCG division where sales in our full service representation (FSR) group have been higher than anticipated.

As a result, we remain on track to meet market expectation."

Notes to Editors:

Publishing Technology is the world-leading provider of content solutions that transform business. We cover the publishing process from end to end with content systems, audience development and content delivery software and services. Combining our unmatched publishing knowledge, global operations and perpetual support model with our ***advance*** operations system, ***ingentaconnect*** scholarly portal, ***pub2web*** custom hosting platform and PCG (Publishers Communication Group) sales and marketing consultancy, we offer the industry's only full spectrum of solutions to help publishers move their content forward.

Listed on the AIM market of the London Stock Exchange, the company operates jointly from Europe (Oxford) and North America (Boston and New Jersey), with local offices in Brazil, India, China and Australia. Assisting 400 trade and scholarly publishers for over thirty years, Publishing Technology plc solves the fundamental issues content providers face.

For further information please contact:

George Lossius / Alan Moug
Publishing Technology plc, Tel: 01865 397 800

Tom Griffiths / Richard Johnson
Westhouse Securities Limited, Tel: 020 7601 6100

Chief Executive's statement and financial review

The first half of 2013 has been a period of revenue growth with revenues up 8% compared to the first half of 2012. There has been growth in all divisions of the business but particularly from significant incremental business in new products and services.

In the ***advance*** division, revenues were 48% higher than the first half of 2012, with time based revenues from implementations being 73% higher year on year as the momentum of the HarperCollins projects and the implementation of ***advance*** for Egmont begins.

Hosting and maintenance revenues in the first half remained roughly flat for ***advance*** against 2012. This is expected to change as the four large projects currently being implemented go live in the next 6 to 8 months, which should boost recurring revenues going into 2014. ***advance*** licence revenues declined slightly year on year as all HarperCollins licences were recognised in 2012.

In the ***pub2web*** division, hosting revenues were 85% higher than in the same period last year as more sites go live. There are two large ***pub2web*** projects currently being implemented and when both of these sites go live in the next quarter it will boost recurring revenues once more. Time and materials revenues in the first half of 2013 were slightly lower than in the same period in 2012. The ongoing projects are considerably larger in scope and size than previous ***pub2web*** sites which has resulted in a learning curve which used higher than anticipated resource and delayed completion by a few weeks which reduced monthly recognisable revenue in the interim.

PCG has had a successful first half with better than anticipated sales of Bloomsbury's Churchill Archive and Drama Online within the Full Service Representation (FSR) division increasing total PCG revenue by 12% over the same period last year.

Our mature products, ***ingentaconnect*** and Vista, also showed year on year revenue growth. ***Ingentaconnect*** maintained high margins and improved revenues by 6% over the same period in 2012.

Vista revenues improved by 3% compared to the same period last year. Vista recurring revenue held steady compared to the first half of 2012 with continued high margins and high renewal rates. Time based and managed services revenues were higher than the same period last year as Vista went live on Phase I of a journals platform for an international publisher in the 6 months to 30 June 2013, with Phase II expected to complete in the second half of the year and a books platform to follow in 2014. In addition, the level of service provided to our largest Vista managed services customer increased from the beginning of 2013.

Cost of sales increased as a consequence of increased revenues, being £0.32m higher in the 6 months to 30 June 2013 than in the same period in 2012. The Group has invested in project management, customer service and business analytical resources to ensure that the ongoing support of customers is robust as implementations lead to more recurring maintenance, customer service and hosting revenues. Administrative expenses were £0.29m lower than in the same period in 2012 due to some administrative savings and an absence of restructuring costs in the first half of 2013.

The Group benefited from an R&D tax credit of £237K in the six months to 30 June 2013 (2012: £311K) which was accrued in the accounts to 31 December 2012.

Within the balance sheet, 'investment accounted for using the equity method' relates to our Chinese joint venture. The Chinese entity is going from strength to strength with revenues up 133% on the first half of 2012 and some significant new opportunities increasing our confidence that China can deliver impactful results. The investment in the joint venture is shown in the balance sheet at cost adjusted by our 49% proportion of the joint venture's profit or loss in each period.

Net borrowing at 30 June 2013 is £144K higher than 30 June 2012. Cash has been impacted by higher accrued income as a result of milestone invoicing in the larger implementations currently on-going. This is expected to wind out of the balance sheet by the first quarter in 2014 and improve the cash position as it does so.

Trade and other payables as at 30 June 2013 are £1.3m higher than the same point in 2012 because a bi-annual invoice for managed services was invoiced earlier in 2013 and because receipts for BioOne sales were higher in June 2013 than in June 2012.

Trade and other receivables are £2.39m higher at 30 June 2013 than at the same point last year partly due to the earlier invoicing mentioned above and partly due to significant accrued income as part of the ongoing large implementations.

I am confident that 2013 will show significant improvement compared to 2012 in both revenue and profitability and that this will continue into 2014 and beyond as we benefit from higher recurring revenue and lower research and development costs.

The Board does not propose the payment of an interim dividend (2012: £nil).

G M Lossius
Chief Executive Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000
Group revenue		8,486	7,856
Less: revenue from equity accounted investment	3	175	75
Group revenue excluding equity accounted investment		8,311	7,781
Cost of sales		(5,406)	(5,088)
Gross profit		2,905	2,693
Sales and marketing expenses		(739)	(756)
Administrative expenses		(1,639)	(1,924)
Profit from operations		527	13
Share of profit / (loss) from equity accounted investment	3	50	(45)
Profit / (loss) from operations including equity accounted investment		577	(32)

Analysis of profit from operations			
Profit before net finance costs, tax, depreciation and foreign exchange gains and losses (EBITDA)		653	307
Depreciation		(107)	(85)
Foreign exchange gain / (loss)		31	(13)
Restructuring costs		-	(241)
Profit / (loss) from operations		577	(32)

Finance costs		(161)	(137)
Profit / (loss) before tax		416	(169)
Tax		(24)	(2)
Retained profit / (loss) for the period		392	(171)
Other comprehensive income:			
Exchange differences on translating foreign operations		(7)	(98)
Total comprehensive income / (expense) for the period		385	(269)
Profit / (loss) attributable to owners of the parent		392	(171)
Total comprehensive income / (expense) attributable to owners of the parent		385	(269)
Basic and diluted profit / (loss) per share – pence	4	4.58p	(2.03)p

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000
Non current assets			
Goodwill		3,737	3,737
Property, plant & equipment		413	323
Investments accounted for using the equity method	3	74	7
		4,224	4,067
Current assets			
Trade and other receivables	5	5,072	2,682
		5,072	2,682
Total assets		9,296	6,749
Equity			
Share capital		841	841
Merger reserve		11,055	11,055
Reverse Acquisition reserve		(5,228)	(5,228)
Translation reserve		(848)	(908)
Investment in own shares		(7)	(7)
Retained earnings		(6,697)	(7,778)
		(884)	(2,025)
Current liabilities			
Trade and other payables	8	7,183	5,886
Borrowings	6	2,997	2,888
		10,180	8,774
Total liabilities		10,180	8,774
Total equity and liabilities		9,296	6,749

Unaudited condensed consolidated interim statement of changes in equity

	Share capital	Merger reserve	Reverse acquisition reserve	Translation reserve	Investment in own shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2013	841	11,055	(5,228)	(841)	(7)	(7,089)	(1,269)
Profit for the period	-	-	-	-	-	392	392
Other comprehensive income: Exchange differences on translation of foreign operations	-	-	-	(7)	-	-	(7)
Total comprehensive expense for the period	-	-	-	(7)	-	392	385
Balance at 30 June 2013	841	11,055	(5,228)	(848)	(7)	(6,697)	(884)

	Share capital	Merger reserve	Reverse acquisition reserve	Translation reserve	Investment in own shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012	841	11,055	(5,228)	(810)	(7)	(7,607)	(1,756)
Profit for the period	-	-	-	-	-	(171)	(171)
Other comprehensive income: Exchange differences on translation of foreign operations	-	-	-	(98)	-	-	(98)
Total comprehensive income / (expense) for the period	-	-	-	(98)	-	(171)	(269)
Balance at 30 June 2012	841	11,055	(5,228)	(908)	(7)	(7,778)	(2,025)

Condensed Consolidated Interim Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2013 £'000	Unaudited Six months ended 30 June 2012 £'000
Profit / (loss) before tax		416	(169)
Adjustments for:			
Share of (profit) / loss from equity accounted investment	3	(50)	45
Depreciation		107	85
Interest expense		161	137
Unrealised foreign exchange differences		(7)	(98)
(Increase) / decrease in trade and other receivables		(326)	960
Decrease in trade and other payables		(1,143)	(1,449)
Cash used in operations		(842)	(489)
Interest paid		(161)	(139)
Tax Paid		(5)	(2)
R&D tax credit received		237	312
Net cash used in operating activities		(771)	(318)
Payment of finance leases		(49)	(17)
Loans received		-	296
Loans repaid		-	(497)
Net cash used in financing activities		(49)	(218)
Cash flows from investing activities			
Investment in equity accounted investment		-	(52)
Purchase of property, plant and equipment		(132)	(93)
Net cash used in investing activities		(132)	(145)
Net decrease in cash and cash equivalents		(952)	(681)
Cash and cash equivalents at beginning of period		(545)	(410)
Cash & cash equivalents at end of period	7	(1,497)	(1,091)

Notes to the Unaudited Interim Report for the six months ended 30 June 2013

1. Nature of operations and general information

Publishing Technology plc (the "Company") and its subsidiaries (together 'the Group') is a provider of technology and supporting services to content providers and publishers. The nature of the Group's operations and its principal activities are set out in the full annual financial statements.

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 condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 24 July, 2013.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 404 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2012, prepared under IFRS as adopted by the European Union, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 (2) or section 498 (3) of the Companies Act 2006.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2013. They have been prepared following the recognition and measurement principles of IFRS as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012.

These condensed consolidated interim financial statements have been prepared on the going concern basis under the historical cost convention.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2012.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim financial statements.

A detailed set of accounting policies can be found in the annual accounts available on our website, www.publishingtechnology.com or by writing to the Company Secretary at the registered office as above.

3. Equity accounted investment

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Ltd (BIDPT), a joint venture company registered in the People's Republic of China. This investment was made during the 6 months to 30 June 2012.

This investment is accounted for under the equity method. BIDPT has a reporting date of 31 December. The shares are not publicly listed on a stock exchange and hence published price quotes are not available. Certain unaudited financial information on BIDPT is as follows:

	30 June 2013	30 June 2012
	£'000	£'000
Assets	249	140
Liabilities	83	129

	Six months ended 30 June 2013	Six months ended 30 June 2012
	£'000	£'000
Revenues	357	152
Profit / (loss)	102	(92)
Profit / (loss) attributable to the Group	50	(45)

Changes in equity accounted investment

	Six months to 30 June 2013	Six months to 30 June 2012
	£'000	£'000
Investment Book Value as at 1 January	24	-
Cost of 49% investment in BIDPT	-	52
Profit / (loss) attributable to the Group	50	(45)
Investment Book Value as at 30 June	74	7

Dividends are subject to the approval of at least 51% of all shareholders of BIDPT. The Group has received no dividends.

4. Earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the earnings / (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted earnings / (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Since all outstanding options have an exercise price in excess of the average market rate in the period there is no dilutive impact from options granted.

	Six months ended 30 June 2013	Six months ended 30 June 2012
Attributable profit / (loss) (£'000)	385	(171)
Weighted average number of ordinary shares	8,413,610	8,413,610
Profit / (loss) per share (basic and dilutive) arising from both total and continuing operations	4.58p	(2.03)p

5. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2013 £'000	30 June 2012 £'000
Trade receivables – gross	3,065	1,787
Less: provision for impairment of trade receivables	(28)	(31)
Trade receivables – net	3,037	1,756
Other receivables	135	43
Prepayments and accrued income	1,900	883
	5,072	2,682

6. Borrowings

	30 June 2013 £'000	30 June 2012 £'000
Bank overdrafts	1,497	1,091
Loan note	1,500	1,500
Short Term Loans	-	297
	2,997	2,888
On demand or within one year	2,997	2,888
In second year	-	-
In third to fifth years inclusive	-	-
	2,997	2,888
Amount due for settlement after 12 months	-	-

7. Cash and cash equivalents

	30 June 2013 £'000	30 June 2012 £'000
Cash and cash equivalents	35	-
Bank overdraft	(1,532)	(1,091)
Cash and cash equivalents including overdraft	(1,497)	(1,091)

8. Trade and other payables

Trade payables comprise the following:

	30 June 2013 £'000	30 June 2012 £'000
Trade payables	724	655
Social security and other taxes	510	323
Other payables	1,399	1,029
Accruals	955	912
Deferred income	3,595	2,967
	7,183	5,886

9. Contingencies and commitments

There were no contingencies and commitments at the end of this or the comparative period.

10. Post balance sheet events

There were no material events subsequent to the end of the interim reporting period that have not been reflected in the interim financial statements.

11. Copies of the Interim Financial Statements

A copy of the interim statement is available on the Company's website, www.publishingtechnology.com, and from the Company's registered office, 8100 Alec Issigonis Way, Oxford Business Park North, Oxford OX4 2HU.