3 March 2014

Final Results for 2013

Publishing Technology plc (AIM: PTO.L) ("Publishing Technology", the "Group", or the "Company"), the AIM quoted, leading provider of content systems, audience development and content delivery software and services to international publishers, information providers and academic institutions, is pleased to announce its audited results for the year ended 31 December 2013.

Trading highlights

- Gross revenues up 4% to £16.9m (2012: £16.3m)
- Gross profit down 2% to £5.8m (2012: £5.9m)
- Pre-tax profit up 135% to £0.7m (2012: £0.3m)
- Profit struck after Research & Development spend of £2.8m (2012: £3.3m)
- Total comprehensive income and earnings per share up 70% to 10.47p (2012: 6.16p)
- China JV in profit (£0.2m) (2012: loss £(0.1)m) on revenues of £0.9m (2012: £0.3m) after the first year of trading with a strong order book for 2014
- Orders signed since October 2013 aggregating to over £4m underpin ***advance*** revenues into 2014 and beyond

Martyn Rose, Chairman of Publishing Technology, commented:

"We have seen a marked increase in sales activity with a number of new deals being signed since October, particularly for ***advance.*** We enter 2014 with a strong implementation order book, a good pipeline of additional prospects for ***advance*** and ***pub2web***, and our Chinese joint venture continues to show good growth in revenues and profits. The strategy for 2014 is to ensure the new products are optimised for efficient implementation, to maintain ***Vista*** and ***ingentaconnect's*** recurring revenue and profitability, and improve margins in the PCG business.

Overall this gives the management team substantial confidence that 2014 will demonstrate continued and accelerating improvement in results for the Group as a whole."

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Chairman's statement

Results

I am pleased to report our audited results for the year ended 31 December 2013 which show a 4% increase in revenue and a £0.4m improvement to profit before tax compared to the prior year.

Growth in revenue and profitability were lower than previously expected due to delays in three large implementations of ***advance*** and ***pub2web.*** However, the second half of the year saw substantial progress with ***advance*** and two large ***pub2web*** platforms going live (originally expected in the first half). The resulting transition to recurring maintenance and hosting revenue from these projects, although starting later than expected, now provides a higher recurring revenue base from which incremental revenue can grow in 2014 and beyond.

The core profitability centre of the Group remains ***Vista***, which had another excellent year, outstripping internal targets by a significant margin and proving once again that it has a long and profitable future. ***ingentaconnect*** and PCG both had a solid year, showing some revenue growth and maintaining their margins.

I am pleased to report that our investment in our Chinese joint venture is beginning to pay for itself, with the business unit (in which we have a 49% interest) increasing revenues markedly and producing a maiden profit of £0.2m in its second year of trading, reversing a first year loss of £(0.1)m in 2012. Prospects for 2014 are good, with deals signed for digital product management implementations with over 12 new publishers and a contract for implementing ***advance*** at a major Chinese reference publisher.

The Statement of Financial Position continues to improve although our year end borrowings are higher than last year as increased sales and project activity has extended the working capital requirement, with accrued revenue at 31 December 2013 being some £1m higher than the prior year. It is expected that this will flow through to additional invoicing and cash receipts during 2014.

Investment and return

Our strategy over the last few years has been clear: create ***advance*** and ***pub2web*** for the future, maintain revenue and profitability in ***Vista*** and ***ingentaconnect***, and transform PCG to a high value consultancy and full service representation business. 2013 has seen progress on all these fronts, but unfortunately the transition has taken longer than was envisaged, with delays in bringing ***advance*** and ***pub2web*** into profit and spending on research and development continuing at a higher rate than forecast during 2013.

Despite the delays, it is gratifying that after many years of engineering effort, the final module of ***advance*** is being implemented at four publishers and therefore the associated research and development expenditure should begin to reduce to a maintenance level. The ***advance*** software is proving its market-leading position with the software live or being implemented at 13 publishers, a strong pipeline of additional prospects, and a rapidly accelerating sales uptake, with over £4m of new contracts signed since October 2013 for implementation in the period up to 2016.

With growing volumes of recurring revenue from past implementations, a strong order book for both ***advance*** and ***pub2web***, and the expected reduction in research and development expenditure in 2014, we are ever closer to each of the new product divisions producing a net profit return on the substantial investment already made.

Board and management development

As we move from the investment and development phase of our strategy into the growth phase, our Chief Executive, George Lossius, felt that our skill set should be more closely aligned to the challenges of an organisation focused on sales and implementation. As a result, George has taken the decision to step down as Chief Executive of the Group although he will remain on the Board as a Non-Executive Director. The Board is in the process of agreeing the appointment of his replacement which will be announced in due course. The new Chief Executive's focus will be on enhancing the existing sales and sales support teams to sustain continued growth, as well as improving margins by ensuring that our project implementations are carried out as efficiently as possible as activity levels increase. This combination of sales growth, improved operational efficiency and lower research and development spend should lead to improved profits growth. I would like to thank George for his many years of service to Vista and Publishing Technology and wish his successor well as we continue to build the business.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2012: £nil).

Outlook

We have seen a marked increase in sales activity with a number of new deals being signed since October, particularly for ***advance***. We enter 2014 with a strong order book of work to be implemented as well as a good pipeline of additional prospects both for ***advance*** and ***pub2web*** and our Chinese joint venture continues to show good growth in revenues and profits. The strategy for 2014 is to ensure the new products are optimised for efficient implementation, to maintain ***Vista*** and ***ingentaconnect's*** recurring revenue and profitability, and improve margins in the PCG business.

Overall this gives the management team substantial confidence that 2014 will demonstrate continued and accelerating improvement in results for the Group as a whole.

M C Rose
Chairman
28 February 2014

Group strategic report

Our industry

The publishing industry is still evolving with digital products and online market places opening new sales opportunities. Publishers are now able to break out and re-bundle existing content to create new digital products with which they can target specific markets and boost returns from current assets as well as make use of new sales methods to widen the customer base. Electronic books and journals can be sold in multiple ways through various channels (as physical copy, as pdf download, as text on a computer, as data pushed to a mobile device) and can be sold whole or piecemeal (a chapter, a collection of elements related to a topic, an index or even just a quote, table or photograph).

Granular elements owned by a publisher can be re-packaged and re-sold in different bundles or the rights sold to another publisher to create bundled product from a number of sources. This leads to complexity in the management of rights and royalties as the rights associated with granular "product" elements need to be preserved, monitored and monetised through multiple layers of usage. In addition, access to electronic data has to be secure but available to a subscriber who may have multiple subscriptions to multiple products through multiple affiliations (personal, corporate, societal).

How customers access the supply chain has also changed, with over 45% of all books purchased in the US purchased online (around 20% in the UK). The market has embraced online purchasing, and is also embracing e-books, with around 20% of books now sold in this format. The door is open for publishers and information providers to make the most of the opportunities the online and digital environments provide and Publishing Technology has the products and services required to do so.

We recognised the subtleties of this new era some time ago, and invested to create products which work seamlessly between digital data and physical books and journals. Using ***advance*** and ***pub2web*** systems multiplies the possibilities for data usage exponentially by giving publishers the power to create and control business models to meet new challenges and improve financial returns.

Our strategy

Our strategy has been split into two stages; firstly the build phase, in which we created integrated, content agnostic and future proof products and secondly the growth phase, driving sales and recurring revenue from the new products whilst maintaining margin from older products throughout.

We have now completed the build phase of this plan. There will be a period of settlement as new products are optimised and we develop an efficient implementation methodology, but we are now in the growth phase in which we build recurring revenues and boost profitability to provide returns for shareholders.

In addition to the strategy around our product set and the B2B business, the Board is also investigating the possibility of using our ***pub2web*** platform as the base of a new B2C marketing and retail channel for publishers. We believe this could create a more direct relationship between author and reader and enhance the supply chain by working with bookstores, authors, editors, curators and publishers to provide the consumer with an enhanced experience. The Board will update investors once it has concluded its current investigations.

Operating results

Gross revenue was 4% higher than the prior year at £16.9m (2012: £16.3m) mainly due to the increase in revenue in the Chinese joint venture adding £0.3m and a 9% increase in revenue within the ***Vista*** division. The increase in ***Vista*** was due to additional licence sales to existing customers and additional time based services associated with supporting ***Vista*** projects at a number of customers.

Profit before tax improved by 135% compared to 2012 despite delays to a number of projects in the year.

Gross profit dipped marginally in the year from £5.9m to £5.8m as more effort was required to complete implementations in the year than was envisaged, particularly two major ***pub2web*** implementations. The additional effort required increased ***pub2web*** staff costs by around £0.5m year on year and therefore reduced achievable revenue elsewhere.

The Statement of Financial position improved with net liabilities decreasing from £1.3m to £0.4m and trade payables reducing from £8.2m to £7.5m. Trade receivables increased from £3.7m to £4.5m as sales activity picked up towards the year end. Accrued income also increased as a result of increased project work This is a common feature in large enterprise implementations and will be present through 2014 as a result of new sales but it is expected to reduce from the high level at the end of 2013 mainly due to changes being introduced in implementation efficiency and contract terms.

The changing revenue mix from old to new products stalled in 2013 as a result of implementation delays and significantly higher revenue in ***Vista*** than forecast but is expected to continue to transition in 2014.

Sales, marketing and administrative expenses in the year were £4.9m (2012: £5.3m). The reduction was due to restructuring costs included in 2012 not repeated in 2013.

Divisional results

Vista

Vista had an exceptional year in 2013, increasing revenue by 9% to £7.5m (2012: £6.9m). Gross margin increased from 50% to 53% as a result of additional licence sales to existing customers and the completion of a new implementation for an international publishing customer.

Revenues in this division are dominated by recurring maintenance, hosting, and managed services, and while those revenue streams were maintained, with less than a 1% decline in recurring revenue, they were augmented by license purchases and a renewed pipeline of capital investment projects despite many publishers' corporate mandates to migrate to new platforms being delayed or cancelled. This combination of circumstances led to a very good result for the division.

advance

advance revenue fell by £0.2m to £2.5m in 2013 (2012: £2.7M). Recurring revenue improved slightly but time based services fell by £300K in a slow implementation year with a number of delays. This is in sharp contrast to 2013 being the best sales year for

advance so far in which we have sold four new deals which have either started or are due to start in 2014 and run into 2015 and beyond.

While project progress in 2013 was not at the pace we hoped, we have now sold, completed, or started projects for every ***advance*** module, in each of our key target sectors and geographies and prospects are good for accelerating levels of activity. There are now more than 20 ***advance*** modules live or being implemented at over 13 publishers. The implementations currently underway or due to start have substantially underpinned our order book for 2014 and provide time based revenue into 2015 and 2016.

2013 was a positive year for ***advance*** research and development with a number of core developments being completed. Order to cash (OtC) is now deployable and being implemented for four customers during 2014. There are still some elements to be optimised but engineering investment should begin to reduce during 2014.

Online

Online revenue fell by £0.3m in 2013 to £4.1m (2012: £4.4m). This was entirely due to delays in two ***pub2web*** projects which both went live towards the end of the year rather than in the first half as expected. Both projects were much larger than all previous ***pub2web*** implementations with one being of an equivalent size to ***ingentaconnect***. The accumulation of live customers on ***pub2web*** now transforms the recurring revenue of the division. There are now 15 live ***pub2web*** platforms hosted in UK, US, France, Japan, and China.

A further £0.5m was invested in research and development on the ***pub2web*** platform in the year. This will slightly reduce in 2014 although any reduction is likely to be offset by additional investment being made in the ***ingentaconnect*** platform.

ingentaconnect revenue improved slightly in 2013 with particularly good time based revenues from existing customers which presage two larger publishers moving off the platform in 2014. One is moving to ***pub2web*** but one is being lost and this will affect margins in 2014 for ***ingentaconnect*** particularly as we re-invest in the platform and in business development activity to attract new customers.

PCG

PCG revenue increased by 12% compared to the prior year to £2.4m (2012: £2.1m). This was mainly due to the first full year of sales of Drama online and the Churchill archive on behalf of Bloomsbury, a 22% increase in content sales revenue over the prior year, and a steady increase in BioOne revenue.

The slowdown in the Brazilian economy has challenged the PCG Brazilian operation. Telemarketing revenue was also depressed in 2013 but we began to move from small low margin business to larger, higher margin telemarketing and consulting. In Brazil, we will scale back some activities, and in telemarketing we will ensure that we concentrate on the most profitable areas which may also allow us to re-deploy resource to other opportunities.

For 2014, PCG will focus on increasing revenue and improving margins in core business activities and reducing risk.

China

The Chinese joint venture, Beijing Ingenta Digital Publishing Technology (BIDPT), in which we hold a 49% stake, has established a good foothold in the market, recently winning 12 publisher contracts as part of a government sponsored initiative to drive publishers towards online platforms. BIDPT was one of only five companies chosen to provide services for which the Chinese Government will provide 30% of the funding.

We have sold the first instance of ***advance*** in China to China Law Press who have recently signed the contract for implementation. The pipeline for ***advance*** and ***pub2web*** in China is growing and as a result the employee numbers have increased to over 20 technical staff led by local managers to serve the Chinese market.

Business Development

2013 saw the implementation of a new business development strategy that focused on early approach to potential prospects, good qualification and a focus on global accounts. As a result we have seen some good projects being signed in 2013 which has been the best sales year for ***advance*** so far.

There have been three major signings since late 2013; UK book and periodicals distributor Turpin Distribution; a second large UK based distributor; and a leading French legal publisher. Our current pipeline of future prospects is also strong and we look forward to reporting further contract wins during 2014.

Taxation

A tax credit of £216K (2012: £235K) is included in the results for 2013 relating to amounts expected to be receivable under the research and development tax credit scheme. The claim has been prepared on the same basis as in prior years and is subject to HMRC approval.

The Group has unutilised tax losses at 31 December 2013 in the UK and the USA of £14.7m (2012: £14.6m) and $11.9m (2012: $12.4m) respectively. The tax losses in the USA are restricted from April 2008 due to change of control rules being triggered by the issue of new shares in the parent company. The Group may use a maximum of $491K per annum of the brought forward US losses for a maximum of 20 years from April 2008. The Board believes that the US legal entities have the potential to make use of $6.3m (2012: $6.8m) of the unutilised losses carried forward.

Cash flow

Cash outflow from operations was £1.0m (2012: £0.5m inflow) mostly as a result of a £0.8m increase in trade receivables and a £0.8m reduction in trade and other payables. At the year end, net borrowings were £(1.3)m (2012: £(0.5)m). Cash flow in the year was affected by the increased working capital requirements of implementing a number of large scale projects in 2013, particularly in the ***advance*** division. Cash flow was lower than expected as a result of accrued revenue (revenue recognised on work complete ahead of invoicing to customers) increasing by £0.4m to £1.3m.

It is expected that as the ***advance*** projects being implemented in 2014 get closer to a go live position and as future projects are undertaken under different payment terms, the pressure on working capital as a result of accrued revenue will ease during 2014.

Cash absorbed by operations for capital expenditure during the year amounted to £137K (2012: £75K). A tax credit of £237K (2012: £312K) in respect of research and development expenditure was received in the year which related to the year ended 31 December 2012.

Funding

The Group has a core overdraft facility of £1.25m with HSBC plc. Management have assured themselves that this, together with other available short term funding, is adequate for the needs of the business based on the cash flow forecasts. The Group has marked seasonality in cash flows which is expected to continue and has been taken into account in assessing the working capital requirements. The overdraft facility is due for renewal in April 2014. Management has received confirmation from HSBC that, based on their knowledge of the Group's performance, they do not see any reason that the facility should not continue to be provided until March 2015.

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

The Company did not redeem any loan notes during 2013. The loan notes are accruing interest at 12% per annum (paid bi-annually) until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2015.

During the year the Group made use of short term loans from Directors to cover the cash requirement peaks at mid year and year end.

The Group had net current liabilities of £3.2m (2012: £3.8m) as at 31 December 2013, of which £4.0m (2012: £4.1m) relates to deferred income which will be recognised as revenue in the year ending 31 December 2014.

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, cash flow, sales pipeline data, and data on internet usage including site visits and downloads. These KPIs are measured monthly against budget and forecast.

The main business risks are not meeting revenue targets, not being able to attract the required funding for the Group's cash profile, and the risk of delays to implementations from human error, customer readiness or software bugs.

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 continuing to be profitable and cash generative to reduce debt.

The technology risk is reduced by the experience of the employees who develop and implement the products, on-going training, robust processes for development and implementation, and the competitive advantage of having what the board believes to be the most advanced software available in the market.

G M Lossius
Chief Executive Officer
28 February 2014

Group Statement of Comprehensive Income
For the year ended 31 December 2013

	note	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Gross revenue		16,910	16,284
Less revenue from joint venture	3	(439)	(148)
Group revenue		16,471	16,136
Cost of sales		(10,703)	(10,270)
Gross profit		5,768	5,866
Sales and marketing expenses		(1,507)	(1,510)
Administrative expenses		(3,372)	(3,760)
Profit from operations	2	889	596
Share of profit / (loss) from joint venture	3	104	(28)
Finance costs		(328)	(285)
Profit before income tax		665	283
Income tax	4	216	235
Profit for the year attributable to equity holders of the parent		881	518
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(57)	(31)
Total comprehensive income for the year attributable to equity holders of the parent		824	487
Basic and diluted earnings per share (pence)	5	10.47	6.16

All activities are classified as continuing.

Group Statement of Financial Position
As at 31 December 2013

	note	31 Dec 13 £'000	31 Dec 12 £'000	31 Dec 11 £'000
Non-current assets				
Goodwill and other intangible assets		3,737	3,737	3,737
Property, plant and equipment		349	343	315
Investments accounted for using the equity method	3	278	24	-
		4,364	4,104	4,052
Current assets				
Trade and other receivables		5,971	4,762	3,648
Research and Development tax credit receivable	4	240	235	300
Cash and cash equivalents		1,235	1,774	1,056
		7,446	6,771	5,004
Total assets		11,810	10,875	9,056
Equity				
Share capital		841	841	841
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(898)	(841)	(810)
Retained earnings		(6,208)	(7,089)	(7,607)
Investment in own shares		(7)	(7)	(7)
Total equity		(445)	(1,269)	(1,756)
Non-current liabilities				
Borrowings		1,500	1,500	1,500
Finance leases		72	87	56
		1,572	1,587	1,556
Current liabilities				
Trade and other payables		7,454	8,238	7,272
Borrowings		3,229	2,319	1,964
Provisions		-	-	20
		10,683	10,557	9,256
Total liabilities		12,255	12,144	10,812
Total equity and liabilities		11,810	10,875	9,056

Group Statement of Changes in Equity
For the year ended 31 December 2013

	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 2013	841	11,055	(5,228)	(841)	(7,089)	(7)	(1,269)
Profit for the year	-	-	-	-	881	-	881
Other comprehensive expense: Exchange differences on translating foreign operations	-	-	-	(57)	-	-	(57)
Total comprehensive (expense) / income for the year	-	-	-	(57)	881	-	824
Balance at 31 December 2013	841	11,055	(5,228)	(898)	(6,208)	(7)	(445)

For the year ended 31 December 2012

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

Group Statement of Cash Flows
For the Year ended 31 December 2013

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Profit before taxation	665	283
Adjustments for		
Share of (profit) / loss from joint venture	(104)	28
Depreciation	218	174
Interest expense	328	285
Unrealised foreign exchange differences	(57)	(31)
Increase in trade and other receivables	(1,210)	(1,114)
(Decrease) / increase in trade and other payables	(802)	905
Decrease in provisions	-	(20)
Cash (outfow) / inflow from operations	(962)	510
Interest paid	(285)	(273)
Research and Development tax credit received	237	312
Tax paid	(25)	(12)
Net cash (outflow) / inflow from operating activities	(1,035)	537
Cash flows from investing activities		
Purchase of property, plant and equipment	(137)	(75)
Joint venture investment	(150)	(52)
Net cash used in investing activities	(287)	(127)
Cash flows from financing activities		
Proceeds from / (repayment of) short term borrowings	634	(497)
Payment of finance lease liabilities	(103)	(53)
Net cash from / (used in) financing activities	531	(550)
Net decrease in cash and cash equivalents	(791)	(140)
Cash and cash equivalents at the beginning of the year	(545)	(411)
Exchange differences on cash and cash equivalents	(9)	6
Cash and cash equivalents at the end of the year	(1,345)	(545)

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2012 annual report and financial statements. These remain unchanged for the year ended 31 December 2013.

2. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Research and development costs	2,777	3,309
Net foreign exchange (gains)/losses	(24)	13
Depreciation of property, plant and equipment		
- owned assets	120	115
- assets under finance leases	97	59
Operating lease rentals:		
- land and buildings	259	244
- other	89	111
Auditor's remuneration	71	76
Restructuring costs	43	317

3. Joint venture

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Ltd (BIDPT) which was purchased during the year to 31 December 2013.

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 financial information on BIDPT is as follows:

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Assets	303	100
Liabilities	(50)	(58)

	Year ended 31 Dec 13	Year ended 31 Dec 12
Revenues	895	302
Profit / loss	212	(57)
Revenue attributable to the Group	439	148
Profit/loss attributable to the Group	104	(28)

Changes in equity accounted investments

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Cost of 49% investment in BIDPT	52	-
Investment in the year	150	52
Retained profit / (loss) attributable to the Group	76	(28)
Investment book value	278	24

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

4. Tax

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Analysis of credit in the year		
Current tax:		
Current research and development tax credit - UK	240	235
Current year State tax – US	(24)	-
Adjustment to prior year charge - UK	-	12
Adjustment to prior year charge - US	-	(12)
Taxation	216	235

The Group has unutilised tax losses at 31 December 2013 in the UK and the USA of £14.7m (2012: £14.6m) and $11.9m (2012: $12.4m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA.

The US 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 $6.3m (2012: $6.8m) of the total unutilised losses at 31 December 2013.

No deferred tax has been recognised in accordance with advice from US tax accountants on the basis that the US losses are restricted and there is uncertainty on the value of losses which will be able to be used.

The differences are explained below:

Reconciliation of tax expense	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Profit on ordinary activities before tax	665	283
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	155	69
Expenses not deductible for tax purposes	4	3
Additional deduction for Research and Development expenditure	(583)	(578)
Surrender of losses Research and Development tax credit refund	276	286
Unrelieved UK losses carried forward	34	39
Utilisation of US losses	(74)	(41)
Effect of foreign tax rates	19	3
Difference in timing of allowances	(54)	(50)
Adjustment to tax charge in respect of prior years	(3)	(12)
Unrelieved China losses carried forward	(24)	-

Unrelieved Brazilian losses carried forward	34	45
Unrelieved Australian losses carried forward	-	1
Total taxation	(216)	(235)

United Kingdom Corporation tax is calculated at 23.25% (2012: 24.5%) 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.

5. Earnings per share

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

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. Almost all outstanding options have an exercise price in excess of the average market price in the year, therefore there is no material dilutive impact from options granted and the basic and diluted earnings per share figures are the same.

	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000
Attributable profit	881	518
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and diluted) arising from both total and continuing operations	10.47p	6.16p

Only 7,500 potential ordinary shares from options are dilutive. The Board believe this to be immaterial to the calculation and therefore no diluted Earnings per share has been calculated.

6. Publication of non-statutory accounts

The financial information set out in this announcement does not constitute statutory accounts as defined in the Companies Act 2006.

The Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and associated notes have been extracted from the Group's 2013 statutory financial statements upon which the auditor's opinion is unqualified and which do not include any statement under section 498 of the Companies Act 2006.

Those financial statements will be delivered to the Registrar of Companies following the release of this announcement.

This announcement and the annual report and accounts are available on the Company's website www.publishingtechnology.com. A copy of the report and accounts will be sent to shareholders who have elected to receive a printed copy with details of the annual general meeting in due course.