



PUBLISHING  
TECHNOLOGY

Move your content forward

Registered number: 837205

# Publishing Technology plc

## Annual Report

For the year ended 31 December 2012

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The Directors submit to the members their report and accounts of the Group for the year ended 31 December 2012. Pages 1 to 19, 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.

# Directors and advisers

## 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

## Company Secretary

A B Moug C.A.

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## Auditor

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Registered Auditor  
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OX4 2WB

## Banker

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## Solicitor

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44 Southampton Buildings  
London  
WC2A 1AP

## Registrar

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BR3 4TU

## Nominated Adviser

Westhouse Securities Limited  
One Angel Court  
London  
EC2R 7HJ

# 2012 highlights

## Financial highlights:

- Gross revenues up 9% to £16.3m (2011: £14.9m)
- EBITDA up 117% to £1.1m (2011: £0.5m)
- Gross profit up 2% to £5.9m (2011: £5.8m)
- Profit struck after Research & Development spend of £3.3m (2011: £2.5m)
- Pre-tax profit before exceptional restructuring costs\* of £0.6m (2011: £0.1m)
- Pre-tax profit of £0.3m (2011: loss of £0.2m)
- Earnings per share of 6.16p (2011: 0.84p)
- £0.5m of net cash from operating activities (2011: £nil m)

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

## Operational highlights:

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

# Who we are - What we do - How we do it

## Who we are

We are a global software and services company listed on the London Stock Exchange AIM market which has been helping the world trade in print and electronic content for over 30 years.

We have 170 staff in eight countries providing a global service to publishers, academic libraries, institutions and data providers of all sizes, disciplines, and complexities.

## What we do

We develop systems to hold and administer content for publishers/information providers

We help information providers develop an audience for their content

We help deliver content to end users

We help measure, record and account for the use of content

## How we do it

By having unmatched industry knowledge

By having proven global solutions

By having the broadest range of software and services

By moving content forward



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read at [publishingtechnology.com/blog](http://publishingtechnology.com/blog)

In 2012 we took steps to strengthen our brand marketing; to clarify and simplify how we communicate who we are and what we do.

With better ways to articulate the extent of our product and service offerings and demonstrate what sets us apart from our competitors, we now present a simpler but bolder and more compelling proposition to the market.

#### Who we are

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.

#### What we do



##### Content Systems

- Royalties
- Permissions
- Editorial & Production
- Online Sales & Marketing
- Digital & Print Distribution



##### Audience Development

- Global Sales Representation
- Telemarketing
- Market Research
- Customer Service
- Strategic Consulting



##### Content Delivery

- Online Platforms
- Semantic Enrichment
- Mobile
- Ecommerce
- Access Entitlement

## How we do it

### Unmatched industry knowledge

With the industry's broadest range of experience, led by the brightest minds, more of the world's leading publishers have relied on Publishing Technology plc than any other firm for their operations technology, digital hosting and sales and marketing needs.

#### *We deliver this with:*

Over 30 years of industry experience.

Broadest perspective in the industry.

Over 400 publisher clients.

### Proven global solutions

Global publishing in today's world means global technology implementation. But rolling out new technologies in disparate countries and cultures around the world requires specific expertise and a truly global presence. With operations and offices in more countries than any of its competitors, Publishing Technology is the partner of choice for today's leading global publishers.

#### *We deliver this with:*

Global operations.

We have the only global publishing ERP solution (installed at Elsevier).

We are implementing Global Product Manager for HarperCollins.

### Attentive and responsive

We deliver the most powerful solutions, backed by the most powerful solution support. Our knowledge and experience in the publishing industry are unrivalled, as is our commitment to our partners.

#### *We deliver this with:*

Perpetual Customer Service providing back-end support, on-site training, market intelligence and analysis.

Each publisher is assigned a dedicated client manager, customer strategist and direct sales representation.

**pub2web** clients ASM, ICE Publishing and John Benjamins benefit from complementary PCG sales representation programs.

### The broadest range of software and services

Because every publisher's needs are different, Publishing Technology delivers a broad spectrum of tailored solutions that simplify, streamline and strengthen asset management, audience development and content delivery.

#### *We deliver this with:*

The **advance** framework: Product and relationship management, contracts, rights, royalties, permissions, content monetization and fulfilment.

**VISTA author2reader**: Fulfilment systems that have handled physical distribution for many of the world's largest publishers for three decades.

**ICS interface**: Access and entitlement software.

**ingentaconnect**: Fully outsourced scholarly research portal for digital content.

**pub2web platform**: Customized hosting solution for digital content.

**Publishers Communication Group**: Sales representation, consulting, telemarketing, market research and customer service operations.

### The best solution for accelerating growth

Can a solution that doesn't grow with an organisation really be called a solution? Publishing Technology delivers the industry-leading software and services our customers need to overcome their publishing challenges and grow their business.

#### *We deliver this with:*

Content agnostic solutions able to integrate books, journals, videos, images and other intellectual property on one site.

Systems that take advantage of digital rights using flexible data storage and strategic price setting to sell and bundle content fragments.

Enhanced discoverability of content using semantic tagging and linking to index journal articles by subject area.

Integration to social commerce layer (such as Facebook) to harness direct sales.

Experienced sales representation.

Global market penetration.

### Solution efficacy

Our solutions are designed to set our customers apart from their competition. Equipped with our advanced technology and services, our customers improve their operations, maximise revenue streams, and deliver content online more quickly and easily than ever before.

#### *We deliver this with:*

The **advance** system technology enables publishers to bridge print and digital business models.

The **ingentaconnect** portal is a proven channel to deliver content online quickly, easily and affordably.

The flexible **pub2web** platform supports multiple content formats, leverages semantic discovery and provides a base for future innovation.

Our sales and marketing consultancy currently helps over 100 publishers increase their market share, market their publications and connect with their subscribers.

# Publishing Technology plc

Technology and services provider to the publishing and information industries

## Business review

### Our industry

The publishing industry continues to develop and evolve with an ever expanding market for digital data and set of business models to take advantage of it. This makes the role of the publisher / information provider more challenging and more complex than ever before.

The complexity is created and made possible by the digital revolution. 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 data provider can be re-packaged and re-sold in a different bundle or the rights sold to another data provider to create bundled data from a number of providers.

This leads to complexity in the management of rights and royalties. The rights to these granular "product" elements have to be preserved and monitored perhaps through multiple layers of usage.

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).

### Our products

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 allowing data providers to create and control new business models to meet new challenges and improve financial returns.

### Our strategy

Our strategy has been to create integrated, content agnostic and future proof products whilst maintaining first class customer service for existing customers using existing products and services.

This strategy is now paying dividends with increasing numbers of **advance** and **pub2web** sales and implementations.

Our challenge now is to implement efficiently and profitably and swiftly obtain the recurring revenue which will boost our core revenues and provide returns for shareholders.

### Our success in 2012

Every division of the business had success in the year.

**advance** went live with the permissions and royalties system at McGraw Hill and sold Product Manager to HarperCollins to implement one of the world's largest global publishing systems on the **advance** platform.

The development of order to cash (OtC), the final module of the **advance** suite continued apace in 2012 and will be complete in 2013.

Vista also announced the go-live of SAGE journals on **author2reader** and the start of the second phase: SAGE books.

Vista once again had high retention rates, maintained margins and remains one of the base rocks of the Group's stability.

The Online division added 15 new publishers to **ingentaconnect**, went live with the Institution of Engineering and Technology's **pub2web** site, made further enhancements to the **pub2web** product, and made progress with a number of other implementations which will go live in 2013.

In PCG, the new Full Service Representation (FSR) contracts began mid-year, exceeding expectations. The structural changes we made within PCG during 2012 are improving efficiency and margins in telemarketing and content sales.



#### Our view of 2013

We enter 2013 with a substantial amount of on-going **pub2web** and **advance** work and high levels of recurring revenue in **ingentaconnect** and Vista. In FSR, 2013 will be the first full year of sales for the Churchill Archive and Drama Online.

Securing the contract with HarperCollins Publishers to provide their Global Product Manager on the **advance** platform has underlined the value of the Research and Development spend over the last few years.

**pub2web** is in a similar position with a series of major customers going live in 2012 and the first part of 2013 and moving from the implementation phase to the recurring revenue phase.

The Vista division continues to be stable with a high level of recurring revenue. The implementation of **author2reader** at SAGE Publications improved the Vista results and underlined the longevity of the product.

2013 will be the first year in which all our products are ready for market and the first year that recurring revenue from the new products of **advance** and **pub2web** will make a significant contribution to our profitability. In addition, the run rate of Research and Development spend will reduce during 2013 with an additional positive impact on profitability and the debt position by the beginning of 2014.

# Divisions and Products

## Divisional structure

In 2012 **advance** and **author2reader** were split into two distinct business units (**advance** and Vista), each with its own leadership and a more streamlined reporting structure.

This change has been fruitful with both divisions finding their own path through their particular part of the product life cycle: the **advance** division focused on sales and efficient implementation for new products and Vista focused on customer service and maintaining margins for the more mature product.

## advance 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. The 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.

**advance** is the next generation solution to manage today's evolving enterprise and the most flexible offering of its kind enabling publishers to react quickly to emerging trends, harness ever-expanding sales channels, understand and exploit social commerce, sell granular content, maximize complex contracts, royalties, permissions and rights deals, and streamline operations through better data visibility.

Publishers 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.

Customers include Sterling, McGraw Hill, HarperCollins and Thieme.

## Vista division

The **author2reader** application is the backbone of many global publishing supply chains. The applications 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.

# Move your content forward >

advance >

ingentaconnect >

PCG >

author2reader >

pub2web >

informationcommerce >

## Online 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.

### pub2web:

**pub2web** is a multi-content publications platform, delivering all the functionality needed to support publisher's evolving online strategies and satisfy the user base, however diverse their needs. Customers benefit from proven, regularly-updated technology and at the same time keep 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.

Tailored to any business model and delivering the latest in Semantic Web technology, **pub2web** boasts global customers such as the OECD, the American Institute of Physics, the Institution of Engineering and Technology (IET) and the leading Japanese academic delivery businesses, SunMedia.

In 2012, the **pub2web** platform includes 13 publishers, 435 journals, 18,000 books and two million articles on custom publisher sites.

## ingentaconnect:

Our flagship web research portal, **ingentaconnect**, is a comprehensive, cost-effective e-publishing solutions package for everyone.

The **ingentaconnect** service hosts 255 publishers, 11,000 journals, 2,400 books and 5.4 million articles. Millions of end users in over 25,000 registered institutions around the world download nearly one million articles per month. **ingentaconnect** is the home of scholarly research.

Customers include Springer, Maney, Intellect, Inderscience and Oxford University Press.

### 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) is a full-service marketing and sales consultancy with a global reach.

PCG was established in 1990 as a resource for scholarly publishers to work more effectively with the global library market.

PCG offers international multi-lingual telemarketing services, qualitative and quantitative marketing research, strategic consulting and sales representation services in the UK, US, Brazil, India and China including a Full Service Representation (FSR) service which encompasses sales, marketing, administration and subscriptions management on a global basis.

Customers include BioOne, Bloomsbury Publishing, The American Society of Microbiologists (ASM), Independent Scholarly Publishers Group (ISPG), Adam Matthew Group and Lexis-Nexis.



## Amazon impact

Amazon is irrevocably altering the fabric of the industry by driving how consumers engage with content.

Publishers and retailers continue to try and surpass one another in satisfying the consumer with content, but Amazon has the monopoly on eBook consumption and self-publishing.

The ease and familiarity to the consumer that Amazon represents will continue and publishers will have to do something innovative with their offering to alter consumer behaviour.



## Consolidation

The merger of Penguin and Random House is probably the first in a series of corporate deals which will alter the shape of publishing. We could see the number of large publishers diminish by up to half in a bid to create organisations able to work with Amazon, Apple and Google on a less dictatorial footing.

New global organisations will require global intellectual property solutions.



## Dynamic data

The ability to publish data so that users can manipulate and interact with it, is not new, but is being explored with increasing vigour.

Rather than supplying complicated raw data that needs to be interpreted by statisticians, publishers are now creating interfaces with formatting templates, filters and tools that can generate customised reports.

This new form of data provision opens up a publisher's data to wider audiences allowing economists to delve deeper into economic trends and social historians to analyse years of data without specialist software.

# Chief Executive's review

"I believe Publishing Technology is well positioned to take a lead in the future of publishing"

The publishing industry is changing and 2012 may well be seen as the beginning of a new era.

Publishers should be braced for change by investing in strong and efficient systems which will become an ever-more necessary foundation for secure and successful trading in an unpredictable globalised market place.

There are a number of ways I see the industry changing in 2013 and beyond which I have shared on these pages and on our blog:  
[www.publishingtechnology.com/blog/](http://www.publishingtechnology.com/blog/)

### Current trading

A changing environment is a good source of growth and revenue for Publishing Technology, our challenge is to be in the right position, with the right people, the right products and the right attitude to satisfy the obvious needs as change takes place.

We have made excellent progress during 2012 towards this goal across the Group.

In PCG, the new full service representation (FSR) contracts began with the Churchill Archive in July and it has outsold expectations. The beginning of 2013 sees the introduction of Bloomsbury's second title Drama Online.

**ingentaconnect** continued to sell to new publishers and maintained high renewal rates over year end.

For **pub2web**, 2012 was a year of implementing the deals won at the end of 2011. One of these, the Institution of Engineering and Technology (IET) went live at the end of 2012 with the other sites due to go live early in 2013.

The recurring revenue stream from these implementations will elevate **pub2web** from the investment phase of its life cycle to the returns phase.

**advance** also had a good year with the go live of what we believe to be the largest royalties system anywhere at McGraw Hill and the ironing out of the implementation teething issues which dogged us in 2011 and which are now behind us.



Towards the end of 2012 we announced a major international deal with HarperCollins to create their Global Product Manager system which will help transform **advance** in the same way as **pub2web** is transforming, moving from investment to positive contribution.

Vista had a strong year, beating targets and challenging the theory that it was declining. It is clear Vista has a number of years of profitability ahead and it remains a major revenue and profit generator for the Group while we continue to invest in development and market creation for **advance** and **pub2web**.

#### Getting the message across

In 2012 we refined our communications strategy, image and positioning in the various global publisher and library markets we serve by working with a global market positioning company to ensure our message was consistent and understandable across various media.

As a result, our website was re-designed and the description of our business and products refined to make it easier for customers, investors and staff to understand what we do.

#### Outlook for Publishing Technology

Our strategy remains clear, we will aim to maintain the profitability of our mature products and services and build the profitability of our new products and services.

**pub2web** is set for a transformational year in 2013 with several large sites going live and beginning to generate recurring revenue.

**advance** will have a significant presence after the go-live of McGraw Hill and the other two major implementations currently in progress and with the HarperCollins deal now on-going, the future for **advance** looks to be secure.

Overall the industry continues to evolve and Publishing Technology is well positioned to continue to take a lead in the future of publishing.

**G M Lossius**  
Chief Executive Officer  
1 March 2013  
Publishing Technology plc

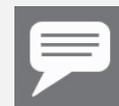


## E-textbooks

Academic publishers have been early adopters of e-publishing for journals but the e-textbook market is yet to fulfil its potential.

e-textbooks offer enhanced functionality such as; easy update of content, easy split of books into granular parts, interactive content, metrics on usage, usefulness and popularity, and dynamic pricing.

With the technology available, institutions' buying into our model is just a matter of time.



## Social media

Social media like Twitter and Facebook present publishers with a platform for marketing and publicity but they have not evolved as viable sales platforms yet.

Migrating e-commerce to these platforms remains elusive. Trade publishers may find it more beneficial to concentrate their online investment on web-based content, multiple device strategy, and working on new means to divide and distribute e-content (such as sample downloads and payment options for eBooks).

It's certainly a transitional time for sales channels, content sharing and new business models targeted at the vast casual online audience.



## Mobile & apps

Smartphones have reached 50% market penetration in the US and 25% of American consumers now own a tablet. The future of computing is mobile. The trend is even more obvious in emerging economies. In India, the mobile web has already surpassed use of desktop internet.

Technological competition will, over time, result in a diminished market share for the "closed" technology products that dominate the landscape today so publishers will move to web-based apps that buffer content and tools, but at the same time function on all platforms.

This transition offers publishers a much stronger opportunity to invest in end-user satisfaction and successfully invest only once to monetise content numerous times on different platforms.

# Chairman's statement

"2013 should prove to be a pivotal year"

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

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

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

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

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

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

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

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

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

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

Internationally, the joint venture in China bedded down and was able to fund itself after only a few months as a result of the deal with CNPIEC (Chinese National Publishing Import Export Corporation).

## Finance and operations

Profitability in the year is substantially up on the prior year and is a fair reflection of the business trajectory.

Sales have been encouraging, recurring revenue is increasing, implementations are more efficient and the split of the business into more manageable units has allowed more control and better decision making.

Our underlying debt position has reduced since the end of 2011 having repaid the short term loans and maintained the same level of net bank borrowings.

## Staff and positioning

The new structure of the business from the beginning of 2012 has worked well, with staff settling into their new roles quickly and efficiently.



In April 2012, we began a process to improve our communication to customers, investors and staff. This resulted in the **Content Forward** methodology which simplifies how we describe ourselves and our products and also led to a re-design of our website, show stands and collateral. I believe this work is vital to ensure the market understands what Publishing Technology does and can do.

In November, George Lossius was named as one of The Bookseller's 100 most influential people in the book trade and was asked to join the board of the London Book Fair.

This activity, together with the work of our staff in promoting Publishing Technology in an array of industry forums, organisations, trade shows, blogs and opinion pieces give the Group gravitas and positions us at the heart of the publishing industry.

#### Outlook

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

*Martin Rose*

**M C Rose**  
Chairman  
1 March 2013  
Publishing Technology plc

# Financial review

For the year ended 31 December 2012

## Overview

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

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

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

## Operating results

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

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

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

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

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

## Taxation

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

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

## Shareholders' returns and dividends

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

## Financial position and cash

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

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

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

## Going concern and future funding

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

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

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

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

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

The Group has a core overdraft facility of £1.25m with HSBC plc. Management have assured themselves that this, together with other available short term funding, is adequate for the needs of the business based on the cash flow forecasts.

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

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

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

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

#### Treasury

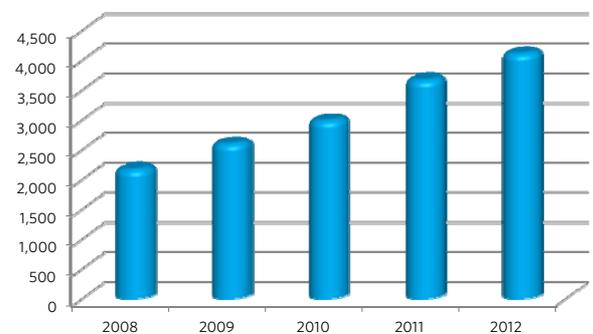
The Group's treasury policy is to ensure regional excess cash is transferred and offset against overdraft to minimise interest charges.

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

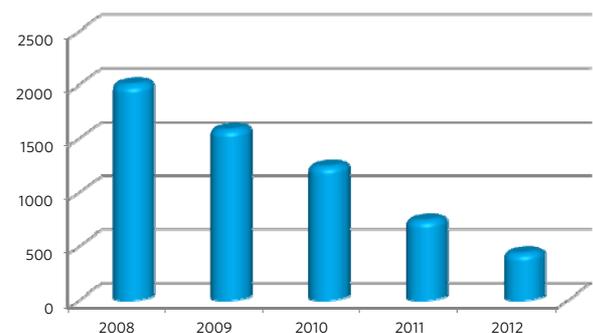


A B Moug C.A.  
Chief Financial Officer  
1 March 2013  
Publishing Technology plc

Increase in Deferred Income £'000



Decrease in average bank borrowing £'000



# Directors' report

For the year ended 31 December 2012

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

## Principal activities

The Group's principal activities are the provision of content systems, audience development and content delivery software and services, including the 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, 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 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.

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 (including the 2012 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 page 13.

## 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 (2011: £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

The interests of Directors in the shares of the Company at 31 December 2012 are disclosed in the Directors' remuneration report.

## Corporate governance

Details of corporate governance for the year to 31 December 2012 are disclosed in the corporate governance statement.

## 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 £3.3m (2011: £2.5m) in the year to 31 December 2012.

### Substantial shareholdings

As at 7 February, 2013 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	2,508,113	29.81%
Legal & General Assurance Society Limited	600,000	7.13%
A B Moug	471,619	5.61%
W J Barbour	446,600	5.31%
Almandine LLC	435,065	5.17%
Sutterton Label Printers	430,000	5.11%
G M Lossius	422,627	5.02%
The executors of B P Gibson	361,646	4.30%
Criseren Investments Limited	344,942	4.10%
M A Rowse	273,277	3.25%

### Charitable and political contributions

The Group made no political contributions (2011: £nil) and made £500 of charitable contributions (2011: £140) 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 2012 the Group, on average, paid its trade payables within 48 days of receipt of a valid invoice (2011: 47 days, 2010: 58 days).

Due to the company being a holding company and having limited trade, details have been provided for the Group which the Directors consider to be a fair reflection of business activities.

### Financial risk management

Details of the Group's financial risks are given in note 26.

### 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.

### Auditor

Grant Thornton UK LLP, offer themselves for re-appointment as auditor. A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board.



**G M Lossius**  
Director  
1 March 2013

# 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 UK Corporate Governance 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 UK Corporate Governance Code.

## Board of Directors

Board meetings are scheduled to take place every month, with additional meetings to review and approve significant transactions. There were twelve meetings in the year to 31 December 2012. The Board is provided with Board papers before each Board meeting. 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 one other Non-Executive Director.

## Remuneration Committee

The Remuneration Committee is composed of two Non-Executive Directors: M C Rose (Chairman) and M A Rowse. 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 M A Rowse. 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 21 business days before the meeting.

## Internal controls

The Board of Directors acknowledges its responsibility for the Group's system of risk management and internal control, including suitable monitoring procedures. There are inherent limitations in any system of risk management and 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 Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 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 accounting 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; and
- 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 and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company'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  
1 March 2013

# Directors' remuneration report

For the Year ended 31 December 2012.

The Remuneration Committee comprises M C Rose (Chairman) and M A Rowse 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 2012 in the shares of the Company were as follows:

	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2012	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2011
M C Rose	2,508,113	2,458,113
A B Moug	471,619	421,619
G M Lossius	422,627	422,627
M A Rowse	273,277	273,277

## Directors' interests

The Directors at 31 December 2012 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 £2.10p and the price ranged in the year between 44p and £2.69p.

## Directors' remuneration

	Salary and fees £'000s	Benefits £'000s	Sums paid to a third party for Directors' services £'000s	Pension Contribution £'000s	Total remuneration £'000s	Group National Insurance costs £'000s	2012 Total cost of employment £'000s	2011 Total remuneration £'000s	2011 Total cost of employment £'000s
G M Lossius	127	13	-	23	163	18	181	167	185
A B Moug	125	15	-	11	151	17	168	134	150
M C Rose	36	-	48	-	84	4	88	84	88
M A Rowse	-	-	41	-	41	-	41	25	25
W E Shaw	-	-	-	-	-	-	-	23	23
					439		478	433	471

W E Shaw ceased to be a director on 31 May 2011.

On behalf of the Remuneration Committee.



M C Rose  
Chairman  
1 March 2013

# 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 2012 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, the parent company balance sheet and the 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 Directors' Responsibilities Statement set out on page 18, 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 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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  
1 March 2013

# Group Statement of Comprehensive Income

For the year ended 31 December 2012

	note	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Gross revenue		16,284	14,879
Less revenue from joint venture	3	(148)	-
Group revenue	2	16,136	14,879
Cost of sales		(10,270)	(9,112)
Gross profit		5,866	5,767
Sales and marketing expenses		(1,510)	(1,812)
Administrative expenses		(3,760)	(3,804)
Profit from operations	5	596	151
Analysis of profit from operations:			
Profit before finance costs, tax, depreciation, restructuring costs and foreign exchange gains and losses (EBITDA)		1,100	506
Depreciation		(174)	(187)
Foreign exchange loss		(13)	(72)
Restructuring costs		(317)	(96)
Profit from operations		596	151
Share of loss from joint venture	3	(28)	-
Finance costs	7	(285)	(334)
Profit / (loss) before income tax		283	(183)
Income tax	8	235	254
Profit for the year attributable to equity holders of the parent		518	71
Other comprehensive expense:			
Exchange differences on translation of foreign operations		(31)	(30)
Total comprehensive income for the year attributable to equity holders of the parent		487	41
Basic and diluted earnings per share (pence)	9	6.16	0.84

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

# Group Statement of Financial Position

As at 31 December 2012

	note	31 Dec 12 £'000	31 Dec 11 £'000	31 Dec 10 £'000
<b>Non-current assets</b>				
Goodwill and other intangible assets	10	3,737	3,737	3,737
Property, plant and equipment	11	343	315	357
Investments accounted for using the equity method	3	24	-	-
		<u>4,104</u>	<u>4,052</u>	<u>4,094</u>
<b>Current assets</b>				
Trade and other receivables	12	4,762	3,648	3,128
Research and Development tax credit receivable	8	235	300	317
Cash and cash equivalents	13	1,774	1,056	1,751
		<u>6,771</u>	<u>5,004</u>	<u>5,196</u>
<b>Total assets</b>		<u>10,875</u>	<u>9,056</u>	<u>9,290</u>
<b>Equity</b>				
Share capital	20	841	841	841
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(841)	(810)	(780)
Retained earnings		(7,089)	(7,607)	(7,678)
Investment in own shares	22	(7)	(7)	(6)
<b>Total equity</b>		<u>(1,269)</u>	<u>(1,756)</u>	<u>(1,796)</u>
<b>Non-current liabilities</b>				
Borrowings	15	1,500	1,500	1,500
Finance leases	18	87	56	-
		<u>1,587</u>	<u>1,556</u>	<u>1,500</u>
<b>Current liabilities</b>				
Trade and other payables	14	8,238	7,272	6,963
Borrowings	15	2,319	1,964	2,623
Provisions	16	-	20	-
		<u>10,557</u>	<u>9,256</u>	<u>9,586</u>
<b>Total liabilities</b>		<u>12,144</u>	<u>10,812</u>	<u>11,086</u>
<b>Total equity and liabilities</b>		<u>10,875</u>	<u>9,056</u>	<u>9,290</u>

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2013 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 2012

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

For the year ended 31 December 2011

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2011	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)
Investment in own shares in the year	-	-	-	-	-	(1)	(1)
Transactions with owners	-	-	-	-	-	(1)	(1)
Profit for the year	-	-	-	-	71	-	71
Other comprehensive expense:							
Exchange differences on translating foreign operations	-	-	-	(30)	-	-	(30)
Total comprehensive (expense) / income for the year	-	-	-	(30)	71	-	41
Balance at 31 December 2011	841	11,055	(5,228)	(810)	(7,607)	(7)	(1,756)

# Group Statement of Cash Flows

For the Year ended 31 December 2012

	note	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Profit / (loss) before taxation		283	(183)
Adjustments for			
Share of loss from joint venture		28	-
Depreciation		174	187
Interest expense		285	334
Unrealised foreign exchange differences		(31)	(30)
Increase in trade and other receivables		(1,114)	(535)
Increase in trade and other payables		905	163
(Decrease) / increase in provisions		(20)	20
Cash from operations		510	(44)
Interest paid		(273)	(242)
Research and Development tax credit received		312	315
Tax paid		(12)	(7)
Net cash from operating activities		537	22
Cash flows from investing activities			
Purchase of property, plant and equipment		(75)	(41)
Joint venture investment		(52)	-
Net cash used in investing activities		(127)	(41)
Cash flows from financing activities			
Cost of investment in own shares		-	(1)
(Repayment of) / proceeds from short term borrowings		(497)	497
Payment of finance lease liabilities		(53)	(11)
Net cash (used in) / from financing activities		(550)	485
Net (decrease) / increase in cash and cash equivalents		(140)	466
Cash and cash equivalents at the beginning of the year	13	(411)	(872)
Exchange differences on cash and cash equivalents		6	(5)
Cash and cash equivalents at the end of the year	13, 23	(545)	(411)

The accompanying notes form part of these financial statements.

# Notes to the Group financial statements

For the Year ended 31 December 2012

## General information and nature of operations

Publishing Technology plc (the 'Company') and its subsidiaries (together the 'Group') is a provider of content systems, audience development and content delivery software and services to publishers, information providers, academic libraries and institutions. The nature of the Group's operations and its principal activities are set out in the Business review, Chief Executive's review, Chairman's statement, Financial review and Directors' report on pages 1 to 19.

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 by the Board of Directors for issue on 1 March, 2013.

## 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's 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 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.

As at 31 December 2012 the Group had net current liabilities of £3.8m (2011: £4.3m), of which £4.1m (2011: £3.7m) relates to deferred income which will be recognised in the year ending 31 December 2013.

The Group has secured an overdraft facility of £1.25m which will be reviewed as positive cash flows reduce the requirement. This facility is due for annual renewal in June 2013 however management have received confirmation from HSBC that based on their knowledge of the Group's performance they do not see any reason that the facility would not be provided until March 2014, being the period to which the going concern forecasts have been prepared. Management have assured themselves that this facility, together with other available short term funding as required, is adequate for the needs of the business based on the cash flow forecasts.

The Company did not redeem any of the loan notes during 2012. The Company is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. 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 loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2014.

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. The increase in sales gives the Board confidence that the forecast for 2013 is achievable. 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 the significant management judgements used 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 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 expenditure is fully written off to the Statement of Comprehensive Income as costs are 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 Development expenditure have not been met.

#### Estimation uncertainty

When preparing the financial statements management make a number of 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 10 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 2012.

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.

Investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment in joint ventures. The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

#### 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.

##### 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.

#### **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 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 changes in the fair value of a financial asset are recognised in other comprehensive income, except for impairment losses. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified from equity to profit or loss.

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.

The equity investment in Beijing Ingenta Digital Publishing Technology Limited is measured at cost less any impairment charges.

### 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.

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 reporting date.

### 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.

Reverse 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 cost 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 eliminating 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 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 year end. Where certain products are sold as multi element arrangements, revenue is recognised when each element is delivered to the customer based on the fair value of each product element which is assessed as being the selling price of the product when sold separately.

Revenues collected or billed in advance for hosted services, managed services and support and upgrade revenue, are recorded as deferred income and recognised over the term of the contract or the period to which it relates.

Revenue from sales of software licences is recognised immediately if there are no associated implementation requirements. Otherwise licence revenue is recognised over the period of the implementation on a percentage complete basis. Software licences can only be sold without associated implementation where they are additional licences within the existing install base.

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 by nature 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 reporting date are discounted to their present value.

### Employee Share Ownership Trust (ESOT)

As the company is deemed to have control of the ESOT, it is treated as a subsidiary and consolidated for the purposes of the consolidated

financial statements. The ESOT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The ESOT's investment in the company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

### Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

The depreciation methods and useful lives for assets held under finance leases are described under "Property, Plant and Equipment" above. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

### 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.

### 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. 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 a monthly estimated rate set at the beginning of each month. 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 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 operating 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.

#### *IFRS 9 Financial Instruments (IFRS 9)*

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

#### *Consolidation Standards*

A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

#### *IFRS 10 Consolidated Financial Statements (IFRS 10)*

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27). It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

#### *IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)*

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

#### *Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)*

IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

#### *IFRS 13 Fair Value Measurement (IFRS 13)*

IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

#### *Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)*

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:

- (a) will not be reclassified subsequently to profit or loss and
- (b) will be reclassified subsequently to profit or loss when specific conditions are met.

It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this may change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

## 2. Revenue

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) by type is as follows:

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Licences	808	285
Consulting Services	4,137	3,622
Hosted Services	3,396	3,734
Managed Services	2,921	2,563
Support and Upgrade	2,737	2,764
PCG	2,137	1,911
	16,136	14,879

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) by Business Unit is as follows:

	Year ended 31 Dec 12			Year ended 31 Dec 11		
	Recurring revenue	Non Recurring revenue	Total Revenue	Recurring revenue	Non Recurring revenue	Total Revenue
	£'000	£'000	£'000	£'000	£'000	£'000
Vista Applications Division	5,779	1,092	6,871	5,667	1,482	7,149
<b>advance</b> Applications Division	622	2,120	2,742	344	1,366	1,710
Online Services Division	2,990	1,395	4,385	3,144	965	4,109
Marketing Communications Division (PCG)	840	1,298	2,138	906	1,005	1,911
	10,231	5,905	16,136	10,061	4,818	14,879

A geographical analysis of the Group's revenue (excluding revenue of the equity accounted investment) is as follows:

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
UK	6,361	6,247
USA	8,451	6,972
Rest of the World	1,324	1,660
	16,136	14,879

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

### 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 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 financial information on BIDPT is as follows:

	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000
Assets	100	-
Liabilities	(58)	-

	Year ended 31 Dec 12	Year ended 31 Dec 11
Revenues	302	-
Loss	(57)	-
Revenue attributable to the Group	148	-
Loss attributable to the Group	(28)	-

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Cost of 49% investment in BIDPT	52	-
Loss attributable to the Group	(28)	-
Investment book value	24	-

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

### 4. Operating 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: Vista Applications Division; **advance** Applications Division; Online Services Division; and Marketing Communications Division ("PCG"). This split of business segments is based on the products and services each offer. The Enterprise Business Unit has been sub divided into **advance** and Vista from the beginning of 2012.

Vista sells **author2reader** publishing management systems, **advance** sells the new generation of enterprise level publishing management systems. Online provides **ingentaconnect**, **pub2web** and **ICS** online products, and Marketing Communications provides consultancy service in sales and marketing and also full service representation services 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 on page 8. All revenues are derived from trade with external parties.

Property, plant and equipment is held in the UK £174K (2011: £190K), the USA £162K (2011: £118K), Brazil £6K (2011: £5K) and Australia £1K (2011: £2K)

One customer contributed more than 10% of revenue (2011: one). The Group's operations are located in the United Kingdom, North America, Brazil, India, China and Australia. Any transactions between Business Units are on normal commercial terms and conditions.

Segment information by business unit is presented below.

Year to 31 December 2012	advance Applications Division £'000	Vista Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
External sales	2,742	6,872	4,384	2,138	16,136
Segment result (EBITDA)	(1,572)	3,240	(252)	137	1,553
Depreciation	(34)	(85)	(55)	-	(174)
Unallocated corporate expenses					(453)
Restructuring					(317)
Foreign exchange loss					(13)
Operating profit					596
Share of loss from equity accounted investment					(28)
Finance costs					(285)
Profit before tax					283
Tax					235
Profit after tax					518
Other information	advance Applications Division £'000	Vista Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
Capital additions	70	69	69	1	209
Statement of Financial Position					
Assets					
Attributable Goodwill	-	-	2,661	1,076	3,737
Segment assets	2,143	2,143	1,837	727	6,850
Unallocated corporate assets					288
Consolidated total assets					10,875
Liabilities					
Segment liabilities	2,123	2,123	1,388	977	6,611
Unallocated corporate liabilities					5,533
Consolidated total liabilities					12,144
Total equity and liabilities					10,875

Year to 31 December 2011	advance Applications Division £'000	Vista Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
External sales	1,710	7,148	4,109	1,912	14,879
Segment result (EBITDA)	(2,914)	3,545	310	(106)	835
Depreciation	(47)	(47)	(93)	-	(187)
Unallocated corporate expenses					(329)
Restructuring					(96)
Foreign exchange loss					(72)
Operating profit					151
Finance costs					(334)
Loss before tax					(183)
Tax					254
Profit after tax					71
Other information	advance Applications Division £'000	Vista Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
Capital additions	37	36	63	11	147
Statement of Financial Position					
Assets					
Attributable Goodwill	-	-	2,661	1,076	3,737
Segment assets	1,504	1,504	1,289	757	5,054
Unallocated corporate assets					265
Consolidated total assets					9,056
Liabilities					
Segment liabilities	1,947	1,947	1,327	577	5,798
Unallocated corporate liabilities					5,014
Consolidated total liabilities					10,812
Total equity and liabilities					9,056

Refer to note 10 for the estimates used in valuation of cash generating units.

## 5. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Research and Development costs	3,309	2,489
Net foreign exchange losses	13	72
Depreciation of property, plant and equipment		
- owned assets	115	169
- assets under finance leases	59	18
Operating lease rentals:		
- land and buildings	244	316
- other	111	142
Auditor's remuneration	76	72

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

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'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	38	38
Taxation services	18	14
	<u>76</u>	<u>72</u>

A description of the work of the Audit Committee is set out in the corporate governance statement on page 17 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

## 6. Staff numbers and costs

	Year ended 31 Dec 12 Average number	Year ended 31 Dec 11 Average number
Staff numbers:		
Operations	125	113
Sales and marketing	35	39
Administration	10	11
	<u>170</u>	<u>163</u>
	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Their aggregate remuneration comprised:		
Wages and salaries	9,034	8,790
Social security costs	606	576
Contribution to defined contribution plans	379	381
Other staff costs	515	430
Staff costs	<u>10,534</u>	<u>10,177</u>
Remuneration in respect of Directors was as follows:		
Non-Executive Director fees	125	132
Executive Directors' emoluments	280	276
Company pension contributions to money purchase schemes	34	25
	<u>439</u>	<u>433</u>
Remuneration of the highest paid Director (aggregate emoluments)	163	167

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 £23K were paid in respect of the highest paid Director (2011: £19K). There are two (2011: 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 £379K (2011: £381K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2012, contributions of £43K (2011: £42K) due in respect of the current reporting period were included in the Statement of Financial Position for payment in January 2013.

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.

## 7. Finance costs

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Interest payable:		
Interest on bank overdraft and loans	74	114
Interest on finance leases	15	2
Other loans	196	218
	<u>285</u>	<u>334</u>

Interest on other loans payable relates to the loan note and the short term loans. Further details are provided in note 15.

## 8. Tax

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Analysis of credit in the year		
Current tax:		
Current Research and Development tax credit - UK	235	300
Current year State tax - US	-	(29)
Adjustment to prior year charge - UK	12	(2)
Adjustment to prior year charge - US	(12)	(15)
Taxation	235	254

The Group has unutilised tax losses at 31 December 2012 in the UK and the USA of £14.6m (2011: £14.4m) and \$12.4m (2011: \$12.7m) respectively. 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 \$6.8m (2011: \$7.3m) of the total unutilised losses at 31 December 2012.

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:

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Reconciliation of tax expense		
Profit / (loss) on ordinary activities before tax	283	(183)
Tax at the UK corporation tax rate of 24.5% (2011: 26.49%)	69	(48)
Expenses not deductible for tax purposes	3	13
Additional deduction for Research and Development expenditure	(578)	(453)
Surrender of losses Research and Development tax credit refund	286	341
Unrelieved UK losses carried forward	39	44
Utilisation of US losses	(41)	(163)
Effect of foreign tax rates	3	20
Difference in timing of allowances	(50)	(87)
Adjustment to tax charge in respect of prior years	(12)	15
Unrelieved Brazilian losses carried forward	45	62
Unrelieved Australian losses carried forward	1	2
Total taxation	(235)	(254)

United Kingdom Corporation tax is calculated at 24.5% (2011: 26.49%) 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.

## 9. 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 is no longer convertible and 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 the loan or options granted and the basic and diluted earnings per share figures are the same.

	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2011 £'000
Attributable profit	518	71
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and diluted) arising from both total and continuing operations	6.16p	0.84p

Only 4,000 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.

## 10. Intangible assets

As at 31 December 2012, 31 December 2011 and 31 December 2010, intangible assets consisted of goodwill. The cost and net book value of goodwill is £3.7m.

At the year end management carried out an impairment review of goodwill attached to each business unit. Following that review, management are 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 and is reviewed at the end of each financial period for impairment.

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 12 £'000	Year ended 31 Dec 11 £'000
Online Services Division	2,661	2,661
Marketing Communications Division	1,076	1,076
Total goodwill	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.

The value in use calculation is based on the latest 12 month forecast for each business unit and these cash flows have been used as the basis for the full five year forecast applying growth rates which management believe are prudent in the prevailing economic conditions and are reflective of historic performance and future contracted revenue. 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% (2011: 2%). The **pub2web** revenue stream represents what is considered to be "cutting edge" technology and expected, as a result of historic evidence and contracted revenue, to achieve a higher level of growth and this has been reflected accordingly with growth rates ranging between 50% and 20% over the next five years (2011: 20%). Full service representation is a new revenue stream in 2012 for the Marketing Communications Division based on the content sales model. This has been forecast to grow at 20% in the following 2 years before levelling off to a long term rate of 2% from 2015 onwards.

Although management have determined the value in use calculations based on the next five year forecast management recognise that a period in excess of five years is relevant in determining the value in use and consider that an average growth percentage of 2% would be applicable after year five. Management consider that extrapolating using this growth percentage would increase the value in use and therefore no impairment would result. Cash generated by the Online Services Division over the review period is projected to be £12.5m, therefore £9.8m 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. If the assumptions were changed to a flat 2% growth rate across all revenue streams over the 5 year period, the discount rate would have to increase to 62% for Online and 50% for PCG before any impairment was necessary.

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 consider a discount factor of 17% will reflect the Group's cost of capital during the review period (2011: 17%) and that this is applicable to both cash-generating units. Sensitivity analysis was performed using a worst case scenario of 1% growth across all divisions and all revenue streams in the five year forecasts. This yielded cash generation in excess of Goodwill amounting to £1.1m in the Marketing Communications Division and £2.7m in the Online Services Division. Management are satisfied Goodwill has not been impaired.

## 11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2011	18	220	1,218	1,456
Additions	3	6	138	147
Exchange differences	-	-	1	1
At 31 December 2011	21	226	1,357	1,604
Additions	-	15	194	209
Exchange differences	-	(8)	(24)	(32)
At 31 December 2012	21	233	1,527	1,781
<b>Accumulated depreciation and impairment</b>				
At 1 January 2011	3	122	974	1,099
Charge for the year	4	21	162	187
Exchange differences	-	1	2	3
At 31 December 2011	7	144	1,138	1,289
Charge for the year	4	23	147	174
Exchange differences	-	(5)	(20)	(25)
At 31 December 2012	11	162	1,265	1,438
<b>Carrying amount</b>				
At 31 December 2012	10	71	262	343
At 31 December 2011	14	82	219	315
At 31 December 2010	15	98	244	357

Assets held under finance leases with a net book value of £171K (2011: £88K) are included in fixed assets and £59K (2011: £18K) of depreciation was charged on these assets in the year, see note 18 for further details.

## 12. Trade and other receivables

Trade and other receivables comprise the following:

	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000
Trade receivables - gross	3,669	2,832	2,245
Allowance for credit losses	(27)	(31)	(34)
Trade receivables - net	<u>3,642</u>	<u>2,801</u>	<u>2,211</u>
Other receivables	77	54	71
Accrued income	<u>827</u>	<u>670</u>	<u>675</u>
Financial assets	<u>4,546</u>	<u>3,525</u>	<u>2,957</u>
Prepayments	<u>216</u>	<u>123</u>	<u>171</u>
Non financial assets	<u>216</u>	<u>123</u>	<u>171</u>
Trade and other receivables	<u>4,762</u>	<u>3,648</u>	<u>3,128</u>

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 reporting date comprise amounts receivable from the sale of goods and services of £3.6m (2011: £2.8m, 2010: £2.2m).

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

The average credit period taken on sales of goods is 42 days (2011: 48 days, 2010: 51 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 £27K (2011: £31K, 2010: £34K) 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 12 £'000	Year ended 31 Dec 11 £'000
Balance as at 1 January	31	34
Amounts written off (uncollectable)	(4)	(3)
Additional allowance in year	<u>-</u>	<u>-</u>
Balance as at 31 December	<u>27</u>	<u>31</u>

An analysis of unimpaired trade receivables that are past due is given in note 26.

### 13. Cash and cash equivalents

	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000
Cash at bank and in hand:			
Cash at bank:			
- GBP	24	31	16
- USD	1,549	795	1,575
- EUR	198	220	159
- BRL	2	10	-
Cash in hand - GBP	1	-	1
	<u>1,774</u>	<u>1,056</u>	<u>1,751</u>
Bank Overdraft - GBP	(2,319)	(1,467)	(2,623)
	<u>(2,319)</u>	<u>(1,467)</u>	<u>(2,623)</u>
Net cash and cash equivalents	(545)	(411)	(872)

'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.

### 14. 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 48 days (2011: 47 days, 2010: 58 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 12 £'000	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000
Trade payables	814	357	714
Accruals	1,121	893	564
Finance lease liabilities	88	38	-
Other payables	1,530	1,404	1,537
	<u>3,553</u>	<u>2,692</u>	<u>2,815</u>
Financial liabilities			
Deferred income	4,120	3,674	2,991
Social security and other taxes	565	906	1,157
	<u>4,685</u>	<u>4,580</u>	<u>4,148</u>
Non financial liabilities			
Trade and other payables	8,238	7,272	6,963

## 15. Borrowings

	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000
Bank overdrafts (note 13)	2,319	1,467	2,623
Short term loans	-	497	-
Loan note	1,500	1,500	1,500
	3,819	3,464	4,123
On demand or within one year (shown under current liabilities)	2,319	1,964	2,623
In the second year	1,500	1,500	1,500

	Year ended 31 Dec 12 %	Year ended 31 Dec 11 %	Year ended 31 Dec 2010 %
Interest rates:			
Bank overdrafts	3.25 - 4% above base	2.75 - 3.25% above base	2.75% above base
Short term loans	12%	12%	12%
Loan Note	8%	8%	8%
Loan Note - default interest	4%	4%	4%

The facility with HSBC has consisted of a core overdraft of £1.25m with increases to £1.5m at half year and year end to accommodate the Group's cash cycle.

As at 31 December 2012, the overdraft facility was £1.5m (2011: £1.5m, 2010: £1.5m) at an interest rate of 3.25% above base for the £1.25m core and 4% above base for the additional £250K. The facility dropped back to £1.25m at the end of January 2013 at an interest rate of 3.25% above base. Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 3.75% (2011: 3.65%, 2010: 3.25%) 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 notes are debt instruments. All conversion windows have closed and management have therefore accounted for the loan notes entirely as financial liabilities.

The short term loans were loans received from Directors, employees and related parties. Amounts due relating to Directors of the Company or other related parties are disclosed within related parties transactions (note 25).

All borrowings are measured at amortised cost.

### Loan notes

The base interest rate on the 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 Group did not redeem any of the loan notes during 2012. The Group is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. The Group 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 loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2014.

## 16. Provisions

There were no provisions as at 31 December 2012 (2011 £20K). The provision as at 31 December 2011 was in respect of dilapidations on a previous office which is no longer required.

## 17. Deferred tax

Subject to agreement with HMRC, the Group has unrealised losses in the UK of £14.6m (2011: £14.4m). The Group also has unutilised losses in the USA of \$12.4m (2011: \$12.8m), 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 a further \$6.8m (2011: \$7.3m) will be able to be used going forward but that these are inherently uncertain. As a result the Board believe conditions for the recognition of a deferred tax asset have not been met and consequently no deferred tax asset is recognised in respect of the losses (2011: £Nil, 2010: £Nil).

## 18. Finance lease arrangements

The Group as lessee

Elements of the Group's IT equipment are held under finance lease arrangements. As at 31 December 2012, the net carrying amount of equipment under finance lease arrangements was £171K (2011: £88K). Finance lease liabilities are secured by the related assets. Future minimum finance lease payments are as follows:

Year ended 31 December 2012	< 1 year £'000	1 - 5 years £'000	5 years £'000	Total £'000
Lease payments	100	96	-	196
Finance charges	(12)	(9)	-	(21)
Net present value	88	87	-	175

Year ended 31 December 2011	< 1 year £'000	1 - 5 years £'000	5 years £'000	Total £'000
Lease payments	43	62	-	105
Finance charges	(5)	(6)	-	(11)
Net present value	38	56	-	94

The lease agreements include fixed payments and a purchase option at the end of the three year lease. The agreement is non cancellable and does not contain any further restrictions.

## 19. Operating lease arrangements

The Group as lessee

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

	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000
Land and buildings			
Minimum lease payments due within one year	337	233	311
Minimum lease payments due in the second to fifth years inclusive	800	624	618
Minimum lease payments due after the fifth year	22	-	-
	<u>1,159</u>	<u>857</u>	<u>929</u>
Other			
Minimum lease payments due within one year	74	123	126
Minimum lease payments due in the second to fifth years inclusive	10	83	196
	<u>84</u>	<u>206</u>	<u>322</u>

Operating leases for Land and Buildings represent contracts on the following offices: Oxford, UK; Bath, UK; and Somerset, New Jersey, USA. At year end, the Group had entered into a new 5 year lease at 38 Chauncy Street, Boston with a commencement date in March 2013.

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.

## 20. Share capital

As at 31 December 2012, 31 December 2011 and 31 December 2010

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

### 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.

## 21. Share options

The Group has an approved option scheme which 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 2012 were as follows (2011: 15,619, 2010: 17,868):

Number of Shares	Grant Date	Exercise Price	Expiry Date
6,400	21 January 2003	£5.25	21 January 2013
400	30 June 2003	£11.75	30 June 2013
1,194	21 January 2004	£9.50	21 January 2014
50	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
4,000	18 August 2010	£0.62	18 August 2020
15,644			

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

The change from 31 December 2011 is due in part to some options lapsing as they reached the 10<sup>th</sup> anniversary of the grant date during the year. 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.

## 22. Investment in own shares

	Publishing Technology Shares held in trust Number	Treasury Shares Number	Nominal value £	Cost £
At 31 December 2010	182,989	2,447	18,544	5,862
Shares transferred into trust	80,408	-	8,041	1,500
Shares sold in the year	(10,482)	-	(1,048)	(196)
Options exercised and shares removed from the trust	(1,942)	-	(194)	(36)
At 31 December 2011	250,973	2,447	25,343	7,130
At 31 December 2012	250,973	2,447	25,343	7,130

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.

## 23. 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 13 'cash and cash equivalents'. The initial recognition of finance lease liabilities are non-cash transactions excluded from the statement of cash flows.

## 24. Contingent liabilities

There were no contingent liabilities at 31 December 2012, 31 December 2011 or 31 December 2010.

## 25. 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 19.

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Short term employee benefits	439	433

### Directors' transactions

The amounts outstanding with Directors as at 31 December 2012 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced Non-Executive Directors fees. The amounts outstanding as at 31 December 2011 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced Non-Executive fees, short term loans to the Group and interest on short term loans to the Group.

	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000
Amounts outstanding with Directors	8	360	19

The Company borrowed £265K from Directors in June 2012 which was repaid with interest in August 2012, and subsequently borrowed £365K in September 2012 which was repaid with interest in December 2012 ("short term loans"). All Short Term Loans had an interest rate of 12% per annum.

### Loan notes

The note holder of the £1.5m loan notes is a trust in which M C Rose, the Non Executive Chairman of the Group, is a trustee. Interest of £180K was accrued in the year to 31 December 2012, of which £90K was outstanding as at 31 December 2012 and was paid on 14 January 2013. The Note holder has waived any right to repayment of the loan note until April 2014.

There have been no other loans, quasi-loans or other transactions with Directors or other key management personnel in the year to 31 December 2012 other than those detailed in this note.

### Joint venture transactions

Publishing Technology plc provided software programming services to the joint venture for a value of £75K during the year. These were charged at normal commercial rates. At year end £47K remained outstanding and £28K has been included as accrued income and provided for at the reporting date..

## 26. 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 and US Dollars. 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 statement of comprehensive income.

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 2012		
Financial assets	1,150	-
Financial liabilities	(1,528)	-
Total exposure	(378)	-
31 December 2011		
Financial assets	1,581	-
Financial liabilities	(1,133)	-
Total exposure	448	-

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 2012 (2011: 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% (2011: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2012	(34)	(106)
31 December 2011	(72)	(141)

If GBP had weakened against USD by 10% (2011: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2012	41	130
31 December 2011	88	173

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 2012 the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings (being the loans see note 15) 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 2012	(25)	25	(25)	25
31 December 2011	(24)	24	(24)	24
31 December 2010	(31)	39	(31)	39

### 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:

	2012 £'000	2011 £'000	2010 £'000
Cash and cash equivalents (note 13)	1,774	1,056	1,751
Trade and other receivables (note 12)	4,762	3,648	3,128
	6,536	4,704	4,879

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 not impaired can be shown as follows:

	2012 £'000	2011 £'000	2010 £'000
Not more than 3 months	3,428	2,696	2,114
More than 3 months but less than 6 months	145	82	60
More than 6 months but not more than 1 year	72	41	50
More than 1 year	24	13	21
	3,669	2,832	2,245

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.

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2011: £nil, 2010: £nil).

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with various banks.

### 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 forecasts. 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 2014.

The Group maintains borrowing facilities and enters into finance lease arrangements to meet its liquidity requirements for the medium term forecast period (1 year).

As at 31 December 2012, 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 2012:				
Loans	90	90	1,500	-
Bank borrowings (note 15)	2,319	-	-	-
Short term loans	-	-	-	-
Finance lease obligations	50	50	96	-
Trade and other payables (note 14)	3,465	-	-	-
<b>Total</b>	<b>5,924</b>	<b>140</b>	<b>1,596</b>	<b>-</b>

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	1 to 5 years	Later than 5 years
31 December 2011:				
Loans	90	90	1,590	-
Bank borrowings (note 15)	1,467	-	-	-
Short term loans	508	-	-	-
Finance lease obligations	21	21	63	-
Trade and other payables (note 14)	2,654	-	-	-
<b>Total</b>	<b>4,740</b>	<b>111</b>	<b>1,653</b>	<b>-</b>

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 2012			As at 31 December 2011		
	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	3,642	-	3,642	2,801	-	2,801
Other receivables	77	-	77	54	-	54
Prepayments and accrued income	827	216	1,043	670	123	793
Cash and cash equivalents	1,774	-	1,774	1,056	-	1,056
	<b>6,320</b>	<b>216</b>	<b>6,536</b>	<b>4,581</b>	<b>123</b>	<b>4,704</b>

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

	As at 31 December 2012			As at 31 December 2011		
	Financial liabilities at amortised cost £'000	Non financial liabilities £'000	Total for financial position heading £'000	Financial liabilities at amortised cost £'000	Non financial liabilities £'000	Total for financial position heading £'000
Trade payables	814	-	814	357	-	357
Social security and other taxes	-	565	565	-	906	906
Finance leases	-	175	175	-	94	94
Other payables	1,530	-	1,530	1,404	-	1,404
Accruals	1,121	-	1,121	893	-	893
Deferred income	-	4,120	4,120	-	3,674	3,674
Bank overdrafts	2,319	-	2,319	1,467	-	1,467
Short term loans	-	-	-	497	-	497
Loan note	1,500	-	1,500	1,500	-	1,500
Provisions	-	-	-	-	20	20
	<u>7,284</u>	<u>4,860</u>	<u>12,144</u>	<u>6,118</u>	<u>4,694</u>	<u>10,812</u>

## 27. 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 notes less cash and cash equivalents. The Group's goal in capital management is 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 the loan notes. 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:

	2012 £'000	2011 £'000	2010 £'000
Total equity	(1,269)	(1,756)	(1,796)
Loan notes	1,500	1,500	1,500
Short term loans	-	497	-
Cash and cash equivalents	545	411	872
Capital	<u>776</u>	<u>652</u>	<u>576</u>
Total equity	(1,269)	(1,796)	(1,796)
Borrowings	<u>3,819</u>	<u>3,464</u>	<u>4,123</u>
Overall financing	<u>2,550</u>	<u>1,709</u>	<u>2,327</u>
Capital to overall financing ratio	0.30	0.38	0.25

# Company Balance Sheet

As at 31 December 2012

	note	2012 £'000	2011 £'000
Investments	3	3,120	3,068
Current assets			
Debtors	4	2,828	2,799
Current liabilities			
Creditors - amounts falling due within one year	5	1,261	1,020
Net current assets		1,567	1,779
Total assets less current liabilities		4,687	4,847
Creditors - amounts falling due after more than one year	6, 9	1,500	1,500
Net assets		3,187	3,347
Capital and reserves			
Called up share capital	7	841	841
Retained earnings	8	2,346	2,506
Equity shareholders' funds		3,187	3,347

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2013 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 March 2014 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 Company 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 page 13 and the Group accounting policies).

### 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 a monthly estimated rate set at the beginning of each month. 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.

### 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.

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.

### 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 £160K (2011: £166K).

An audit fee of £20K was paid in respect of the parent company audit (2011: £20K). Tax fees for the Group of £14K (2011: £14K) have been borne by the subsidiary companies.

The Company employed two Executive Directors (2011: two) and the Non Executive Chairman. The costs of these employees and the fees for the other Non-Executive Director were borne by the subsidiaries.

### 3. Investments

	2012 £'000	2011 £'000
Cost		
At 1 January	3,068	3,068
Investments made in the year	52	-
Subsidiary undertakings	3,120	3,068

Details of subsidiary undertakings, in which the Company holds majority shareholdings and investments in which the Company holds significant interest and which have been consolidated and disclosed respectively 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%	Dormant
		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
Publishing Technology do Brasil LTDA	Brazil	Ordinary shares	100%	Publishing software and services
Publishing Technology Australia Pty Ltd	Australia	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
Beijing Ingenta Digital Publishing Technology Limited	China	Ordinary shares	49%	Publishing software and services

### 4. Debtors

	2012 £'000	2011 £'000
Amounts owed by subsidiary undertakings	2,828	2,799

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

	2012 £'000	2011 £'000
Other creditors:		
Bank overdraft	1,148	351
Short term loans (note 9)	-	497
Accruals	113	172
	1,261	1,020

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

	2012 £'000	2011 £'000
Debt:		
Loan notes (note 9)	1,500	1,500

## 7. Share Capital

	2012 £'000	2011 £'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.

## 8. Equity and Reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2011	841	2,506	3,347
Retained loss for the year	-	(160)	(160)
At 31 December 2012	841	2,346	3,187

## 9. Borrowings

	2012 £'000	2011 £'000
Bank overdraft	1,148	351
Short term loans	-	497
Loan notes	1,500	1,500
	2,648	2,348
On demand or within one year	1,148	848
In more than one year	1,500	1,500
	2,648	2,348

Interest rates:	Year ended 31 Dec 12 %	Year ended 31 Dec 11 %
Bank overdrafts	3.25 - 4% above base	2.75% - 3.25% above base
Short term loans	12%	12%
Loan notes	8%	8%
Loan notes - default interest	4%	4%

Bank overdrafts are repayable on demand. Overdrafts of £1,148K (2011: £351K) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 3.75 % (2011: 3.65%) per annum.

The Company borrowed £265K from Directors in June 2012 which was repaid with interest in August 2012, and subsequently borrowed £365K in September 2012 which was repaid with interest in December 2012 ("short term loans"). All Short Term Loans had an interest rate of 12% per annum.

All conversion windows in relation to the loan notes have now closed. Management have therefore accounted for the loan notes entirely as financial liabilities.

#### Loan notes

The base interest rate on the loan notes issued by Publishing Technology plc is 8%. If the Company 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 Company did not redeem any of the loan notes during 2012. The Company is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. 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 loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2014.

### 10. Related party transactions

The note holder of the £1.5m loan notes is a trust in which M C Rose, the Non Executive Chairman of the Company, is a trustee. Interest of £180K (2011: £180K) was accrued in the year to 31 December 2012, of which £90K (2011: £90K) was outstanding as at 31 December 2012 and paid in January 2013. Related party transactions are detailed in note 25 to the consolidated accounts.

The Company borrowed £265K from Directors in June 2012 which was repaid with interest in August 2012, and subsequently borrowed £365K in September 2012 which was repaid with interest in December 2012 ("short term loans"). All Short Term Loans had an interest rate of 12% per annum.

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

