Publishing Technology plc interim results

Publishing Technology plc (LSE: PTO), ("Publishing Technology" or the "Group") the AIM quoted leading provider of online systems, management software and consulting services to trade and academic publishers of journals and books, today announces its unaudited interim results for the six months to 30 June, 2011.

Results

- EBITDA up 9% to £0.514m (2010: £0.471m)
- Revenues stable at £7.434m (2010: £7.487m)
- Gross Profit down 7% to £2.937m (2010: £3.174m)
- Net Profit £0.147m (2010: £0.226m)
- Net Borrowings £1m lower at £2.123m (2010: £3.136m)

New customers

- 30 new customers signed in the period
- 6 new pub2web sales in H1
- 1 major new advance sale in the period and 1 major author2reader sale
- 18 new customers on Ingentaconnect

New markets

- Increased investment to expand our presence in Brazil
- New investment in developing the sales representation market in India
- Ground breaking Digital Publishing Joint Venture deal being finalised in China.

Like for like revenues excluding discontinued low margin revenue streams were slightly up on 2010 with sales of advance and pub2web being 18% and 25% higher respectively.

George Lossius, Chief Executive, commented:

"This has been a period of investment and therefore of more static profitability than would otherwise have been the case. However, the investment being made during 2011 in the final development phase of our ***advance*** products, in gaining implementation efficiencies for these products, and the investment in international expansion in Latin America, India and China will bring substantial rewards in 2012 and beyond."

Notes to Editors:

The Publishing Technology Group enables publishers to focus on their core competences by outsourcing technology requirements to a single, trusted partner. As a major provider of software and services for the publishing industry, the Group's proposition uniquely spans online and print solutions, providing the industry's only end-to-end suite of software specifically designed to support the entire publishing process and has offices in the USA (Cambridge, MA and Somerset, NJ), the UK (Oxford and Bath), Brazil (São Paulo), India (New Delhi) France (Paris) and Australia (Sydney).

Capabilities cover editorial & production, product information, distribution & fulfilment, content conversion & hosting, website development, sales representation, marketing programmes, information commerce, customer care, rights & royalties and business intelligence. Clients include leading book and journal publishers such as Hachette, Random House, Penguin and Reed Elsevier, and not for profit institutions, such as the World Bank, the IMF and OECD.

For further information please contact:

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

Tom Griffiths
Arbuthnot Securities Limited
Tel: 020 7012 2000

Chief Executive's statement

This has been an exciting period of investment in our new products, in expanding our sales capability, in project efficiencies and in expanding our presence in our chosen BRIC markets.

We have also entered the final phase of the four year redevelopment of our enterprise products and have chosen to invest additional resource to ensure the timely completion of the final modules.

Investment in sales and marketing in new territories has also been significant this year with three staff in Sao Paolo, Brazil, a new sales manager for Australia being hired towards the end of the period and two new staff in New Delhi, India.

In China, we are in the process of setting up a Joint Venture Company with a digital publishing expert based in Beijing to create a solution for the rapidly expanding internal Chinese need for publishing software and information dissemination. Whilst the business plan is highly innovative and ambitious, our own investment in 2011 and 2012 is relatively modest and hinges on providing product and funding marketing activities, with our partner funding staff and infrastructure.

Our investment in sales is resulting in an upturn in new business, the opportunities internationally are developing quickly, and the continuing push to digital publishing is encouraging major mid-term investments by publishers. While I would like to have delivered higher profitability in the first half of 2011, the investments being made are designed to deliver growth and higher profitability in the near term.

G M Lossius
Chief Executive Officer

Financial review

EBITDA for the 6 months to 30 June 2011 at £0.514m is 10% higher than the comparable period for 2010 as a result of a more profitable sales mix and a lower cost base.

Revenue at £7.434m (2010: £7.487m) is £53K lower than the equivalent six months in 2010 due to an evolving sales mix with low margin revenue streams being replaced by revenues from Pub2web which increased by 25% and from ***advance*** which increased by 18% over the same period last year.

Gross margin was £0.237m lower as a result of heavier investment in research and development on the ***advance*** "Order to Cash" module and additional costs associated with the first major implementations of ***advance***. The board is confident this additional investment will bring rewards in 2012 and beyond.

Although EBITDA is 10% up, profit from operations at £0.261m (2010: £0.361m) was affected by foreign exchange losses of £80K (2010: gains of £50K) and higher restructuring costs of £76K (2010: £32K) from redundancies associated with the changing revenue streams. Underlying administration costs were £121K lower than last year (7% improvement).

The Group's business cycle has historically resulted in 60% to 70% of profitability being earned in the second half of the year. The Board believes this cycle will be similar in 2011. The Board does not propose the payment of an interim dividend (2010: £nil).

Earnings per share in the first 6 months were slightly down on the prior year mainly as a result of the foreign exchange losses (last year a foreign exchange gain) and additional restructuring costs.

Net borrowing at 30 June 2011 (cash and cash equivalents and overdraft) is £1m lower than 30 June 2010. In the twelve months to 30 June 2011, £1.1m was generated from operations despite trade and other payables being reduced by a further £0.215m. The Group benefited from an R&D tax credit received in the UK of £0.315m in the six months to 30 June 2011 which was accrued in the accounts to 31 December 2010.

The Group's borrowing requirement is as expected as at 30 June 2011, and the Company has secured an improved overdraft facility of £1.25m through a new relationship with HSBC.

A B Moug
Chief Financial Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000
Revenue		7,434	7,487
Cost of sales		(4,497)	(4,313)
Gross profit		2,937	3,174
Sales and marketing expenses		(782)	(941)
Administrative expenses		(1,894)	(1,872)
Profit from operations		261	361
Analysis of profit from operations			
Profit before net finance costs, tax, depreciation and foreign exchange gains and losses (EBITDA)		514	471
Depreciation		(97)	(128)
Foreign exchange (loss) / gain		(80)	50
Restructuring costs		(76)	(32)
Profit from operations		261	361
Finance costs		(97)	(119)
Profit before tax		164	242
Tax		(17)	(16)
Retained profit for the period		147	226
Other comprehensive income:			
Exchange differences on translating foreign operations		(33)	(55)
Total comprehensive income for the period		114	171
Profit attributable to owners of the parent		147	226
Total comprehensive income attributable to owners of the parent		114	171
Basic and diluted profit per share – pence	3	1.75p	2.69p

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000
Non current assets			
Goodwill		3,737	3,737
Property, plant & equipment		329	337
		4,066	4,074
Current assets			
Trade and other receivables	4	2,236	2,823
Cash and cash equivalents	6	-	59
		2,236	2,882
Total assets		6,302	6,956
Equity			
Share capital		841	841
Merger reserve		11,055	11,055
Reverse Acquisition reserve		(5,228)	(5,228)
Translation reserve		(813)	(717)
Investment in own shares		(6)	(4)
Retained earnings		(7,531)	(8,337)
		(1,682)	(2,390)
Current liabilities			
Trade and other payables	7	5,861	6,172
Borrowings	5	2,123	3,136
Provisions		-	38
		7,984	9,346
Total liabilities		7,984	9,346
Total equity and liabilities		6,302	6,956

Unaudited condensed consolidated interim statement of changes in equity

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Investment in own shares £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2011	841	11,055	(5,228)	(780)	(6)	(7,678)	(1,796)
Profit for the period	-	-	-	-	-	147	147
Other comprehensive income: Exchange differences on translation of foreign operations	-	-	-	(33)	-	-	(33)
Total comprehensive income / (expense) for the period	-	-	-	(33)	-	147	114
Balance at 30 June 2011	841	11,055	(5,228)	(813)	(6)	(7,531)	(1,682)

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Investment in own shares £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2010	841	11,055	(5,228)	(662)	(4)	(8,563)	(2,561)
Profit for the period	-	-	-	-	-	226	226
Other comprehensive income: Exchange differences on translation of foreign operations	-	-	-	(55)	-	-	(55)
Total comprehensive income / (expense) for the period	-	-	-	(55)	-	226	171
Balance at 30 June 2010	841	11,055	(5,228)	(717)	(4)	(8,337)	(2,390)

Condensed Consolidated Interim Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2011 £'000	Unaudited Six months ended 30 June 2010 £'000
Profit before tax		164	242
Adjustments for:			
Depreciation		97	128
Interest expense		97	119
Unrealised foreign exchange differences		(39)	(105)
Decrease in trade and other receivables		889	105
Decrease in trade and other payables		(1,097)	(634)
Cash generated from / (used in) operations		111	(145)
Interest paid		(108)	(90)
R&D tax credit received		315	154
Net cash generated from / (used in) operating activities		318	(81)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment		(69)	(120)
Net cash used in investing activities		(69)	(120)
Net increase / (decrease) in cash and cash equivalents		249	(201)
Cash and cash equivalents at beginning of period		(872)	(1,376)
Cash & cash equivalents at end of period	6	(623)	(1,577)

Notes to the Unaudited Interim Report for the six months ended 30 June 2011

1. Nature of operations and general information

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

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 837205 and its registered office is 8100 Alec Issigonis Way, Oxford Business Park North, Oxford OX4 2HU. The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 2 August, 2011.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 404 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2010, prepared under IFRS as adopted by the European Union, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section c 498 (2) or section 498 (3) of the Companies Act 2006.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2011. They have been prepared following the recognition and measurement principles of IFRS as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010.

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

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2010.

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

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

3. 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 period.

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

	Six months ended 30 June 2011	Six months ended 30 June 2010
Attributable profit (£'000)	147	226
Weighted average number of ordinary shares	8,413,610	8,413,610
Profit per share (basic and dilutive) arising from both total and continuing operations	1.75p	2.69p

4. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2011 £'000	30 June 2010 £'000
Trade receivables – gross	1,555	2,021
Less: provision for impairment of trade receivables	(33)	(20)
Trade receivables – net	1,522	2,001
Other receivables	33	184
Prepayments and accrued income	681	638
	2,236	2,823

5. Borrowings

	30 June 2011 £'000	30 June 2010 £'000
Bank overdrafts	623	1,636
Loan note (formerly convertible)	1,500	1,500
	2,123	3,136
On demand or within one year	2,123	3,136
In second year	-	-
In third to fifth years inclusive	-	-
	2,123	3,136
Amount due for settlement after 12 months	-	-

6. Cash and cash equivalents

	30 June 2011 £'000	30 June 2010 £'000
Cash and cash equivalents	-	59
Bank overdraft	(623)	(1,636)
Cash and cash equivalents including overdraft	(623)	(1,577)

7. Trade and other payables

Trade payables comprise the following:

	30 June 2011 £'000	30 June 2010 £'000
Trade payables	764	834
Social security and other taxes	1,037	727
Other payables	947	1,317
Accruals	502	602
Deferred income	2,611	2,692
	5,861	6,172

8. Contingencies and commitments

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

9. Post balance sheet events

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

10. Copies of the Interim Financial Statements

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