Publishing Technology plc interim results

Publishing Technology plc (AIM: PTO), ("Publishing Technology" or the "Group") the AIM quoted leading provider of publisher business applications, audience development and content delivery applications, today announces its unaudited interim results for the six months to 30 June, 2012.

Results

- Revenues up 6% at £7.856m (2011: £7.434m)
- Gross Profit down 8% to £2.693m (2011: £2.937m)
- EBITDA down 32% to £0.352m (2011: £0.514m)
- Net profit excluding restructuring of £0.070m (2011: £0.223m)

New customers and markets

- Major new global ***advance*** application sale to a top 5 publisher
- 8 new customers on Ingentaconnect
- Implementation of first two major ***advance*** modules complete
- 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
- Strong pipeline in Australia and East Asia
- Signed a significant deal with the federal government of Brazil

George Lossius, Chief Executive, commented:

"I am pleased to report a sustainable increase in revenue after many years of product development when revenue has been "treading water".

Our new products, ***advance*** and **pub2web**, are gaining momentum, our mature products, ingentaconnect and Vista author2reader, are maintaining high margins and high renewal rates and our service offering for full global service representation is building, notably in collaboration with Bloomsbury Publishing, promoting their new digital assets.

In addition, our new Chinese JV was ratified by the Chinese authorities in Q1 2012 and the progress of the CNPIEC project in China is very encouraging and has improved the medium term potential of this venture.

As a result, I am confident about the outturn for 2012 and in addition the outlook for recurring revenues from new products and services underpinning the profit in 2013 and beyond."

Notes to Editors:
Publishing Technology enables content providers to focus on their core competences by outsourcing technology requirements to a single, trusted partner. As a major provider of content applications, audience development and content delivery, the Group uniquely spans online and print solutions, providing the industry's only end-to-end proposition specifically designed to support the entire content 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 McGraw Hill, Hachette, Harpercollins, Bloomsbury, Penguin and Reed Elsevier, and not for profit institutions, such as the World Bank, the IMF and the OECD.

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Chief Executive's statement

It is gratifying to see the growth in revenue in the first half compared to last year. We have invested wisely over the last few years and it is now beginning to pay off.

We are now reaching a position where the heavy investment in product development over the last 5 years is changing the shape of the business to one with higher revenues which will drive profit supported by more moderate, but still significant, R&D investment.

I am particularly pleased that the sales of pub2web made in the second half of 2011 have resulted in a 130% uplift in the pub2web revenue in the first half of 2012 which should lead to a substantial uplift in recurring revenue underpinning the profitability of the pub2web business in future periods.

In the ***advance*** division, the period has seen the completion of two of our largest recent projects, notably one of the most significant Royalties systems ever installed, and an equally significant permissions management system. The successful launch of both projects has supported our decision to invest heavily in these areas, and will allow a major margin improvement in future projects for such systems.

Sales of ***advance*** have continued with a new major global project getting underway in June 2012 which solidifies this revenue into 2013. ***advance*** revenue for the first half was held back by the completion of the implementations mentioned above and had a consequent reduction in margin due to the additional resource consumption being required. Following their respective launches, resource utilisation rates have recovered.

Vista (author2reader) recurring revenue increased year on year, and we currently have two significant projects ongoing at existing customers to expand the use of Vista. It is clear that many publishers are investing in new software systems to meet digital challenges rather than replacing systems that manage their legacy businesses, and as such the anticipated drop off of Vista revenues is expected to be much slower than previously estimated and therefore we will be supporting these publishers much further into the future.

Ingentaconnect has been growing at more than one new customer per month in the first half of 2012. Whilst this is slightly down on last year due to the replacement of some sales resource, the market for ingentaconnect remains buoyant.

The PCG business is also growing, with the four Full Representations deals won towards the end of 2011 all launching in the second half of 2012. There has been a great deal of presales activity particularly for Bloomsbury Publishing's Churchill Archive and Drama Online, and sales for both are looking positive.

The joint venture in China has started well. Full authorisation to trade was received at the beginning of Q2 2012 and already the deal with CNPIEC to create the largest digital e-books gateway for Chinese researchers is nearing completion and will enter a second phase shortly.

During Q2 we embarked on two new initiatives designed to structure our business for the next 5 years, Firstly we engaged an external agency to work with us on our market positioning, to ensure we are positioned correctly and obtaining the best results we can from our investments. This will be launched internally and externally over the course of the next few months. This has naturally led into a detailed corporate strategy review which has already revitalised the management team ready for this new phase of the Group's development.

As a result, I am confident about the outturn for 2012 and in addition the outlook for recurring revenues from new products and services underpinning the profit in 2013 and beyond.

G M Lossius
Chief Executive Officer

Financial review

Revenue is 6% higher than the same period in the prior year mainly as a result of a significant increase in **pub2web** implementation revenue. This in turn should result in substantial recurring revenue from the larger install base in future periods.

On-going PCG revenues are 20% higher than the equivalent period in 2011. This is a result of renegotiated content sales contracts and tighter controls on telemarketing pricing. The new Full Service Representations deals will also begin to increase PCG revenues from the second half of 2012.

Gross Margin has reduced as a result of additional resource used to undertake the first major ***advance*** implementations. This has also impacted on margin and EBITDA. These issues are now resolved and day rates and gross margin have recovered on a month to month basis.

Profitability and earnings per share have been impacted in the period by £241K of non recurring restructuring costs associated with the management changes carried out at the beginning of the year. Cost of sales is high as a result of the additional ***advance*** implementation costs referred to above which has impacted gross profit, EBITDA and net profit.

Trade and other payables are similar to the same period last year. Within this category, deferred income has increased as a result of the higher revenue and offset a significant reduction in tax and social security creditor.

Trade Debtors are 15% higher than the same period last year whilst debtor days have improved from 40 days to 38 days. The Debtor movement is therefore entirely due to increased revenue. The Group benefited from an R&D tax credit of £311K in the six months to 30 June 2012 (2011: £315K) which was accrued in the accounts to 31 December 2011.

The “investment accounted for using the equity method” relates to our Chinese joint venture shown at cost adjusted by our 49% proportion of the joint venture’s profit or loss in each period. The loss in the first period includes pre trading and set up expenditure dating back to August 2011.

Net borrowing at 30 June 2012 is £765K higher than 30 June 2011 and £681K higher than year end as a result of the additional costs in the first half for restructuring, implementations and working capital movements. This is a temporary position which we expect to unwind in the second half.

Historically the Group’s business cycle has resulted in the majority of profit being recorded in the second half. With all known restructuring costs and additional implementation costs accounted for in the first half, the Board believes this weighting will be more pronounced in 2012 than it was in 2011. The Board does not propose the payment of an interim dividend (2011: £nil).

A B Moug
Chief Financial Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June 2012 £'000	Unaudited Six months ended 30 June 20111 £'000
Group revenue		7,856	7,434
Less: revenue from equity accounted investment	3	75	-
Group revenue excluding equity accounted investment		7,781	7,434
Cost of sales		(5,088)	(4,497)
Gross profit		2,693	2,937
Sales and marketing expenses		(756)	(782)
Administrative expenses		(1,924)	(1,894)
Profit from operations		13	261

Analysis of profit from operations			
Profit before net finance costs, tax, depreciation and foreign exchange gains and losses (EBITDA)		352	514
Depreciation		(85)	(97)
Foreign exchange loss		(13)	(80)
Restructuring costs		(241)	(76)
Profit from operations		13	261

Share of loss from equity accounted investments	3	(45)	-
Finance costs		(137)	(97)
(Loss) / profit before tax		(169)	164
Tax		(2)	(17)
Retained (loss) / profit for the period		(171)	147
Other comprehensive income:			
Exchange differences on translating foreign operations		(98)	(33)
Total comprehensive (expense) / income for the period		(269)	114
(Loss) / profit attributable to owners of the parent		(171)	147
Total comprehensive (expense) / income attributable to owners of the parent		(269)	114
Basic and diluted (loss) / profit per share – pence	4	(2.03)p	1.75p

Condensed Consolidated Interim Statement of Financial Position

	Note	Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000
Non current assets			
Goodwill		3,737	3,737
Property, plant & equipment		323	329
Investments accounted for using the equity method	3	7	-
		4,067	4,066
Current assets			
Trade and other receivables	5	2,682	2,236
		2,682	2,236
Total assets		6,749	6,302
Equity			
Share capital		841	841
Merger reserve		11,055	11,055
Reverse Acquisition reserve		(5,228)	(5,228)
Translation reserve		(908)	(813)
Investment in own shares		(7)	(6)
Retained earnings		(7,778)	(7,531)
		(2,025)	(1,682)
Current liabilities			
Trade and other payables	8	5,886	5,861
Borrowings	6	2,888	2,123
		8,774	7,984
Total liabilities		8,774	7,984
Total equity and liabilities		6,749	6,302

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 2012	841	11,055	(5,228)	(810)	(7)	(7,607)	(1,756)
Loss for the period	-	-	-	-	-	(171)	(171)
Other comprehensive income: Exchange differences on translation of foreign operations	-	-	-	(98)	-	-	(98)
Total comprehensive expense for the period	-	-	-	(98)	-	(171)	(269)
Balance at 30 June 2012	841	11,055	(5,228)	(908)	(7)	(7,778)	(2,025)

	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)

Condensed Consolidated Interim Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2012 £'000	Unaudited Six months ended 30 June 2011 £'000
(Loss) / profit before tax		(169)	164
Adjustments for:			
Share of loss from equity accounted investment	3	45	-
Depreciation		85	97
Interest expense		137	97
Unrealised foreign exchange differences		(98)	(39)
Decrease in trade and other receivables		960	889
Decrease in trade and other payables		(1,449)	(1,097)
Cash (used in) / generated from operations		(489)	111
Interest paid		(139)	(108)
Tax Paid		(2)	-
R&D tax credit received		312	315
Net cash (used in) / generated from operating activities		(318)	318
Payment of finance leases		(17)	-
Loans received		296	-
Loans repaid		(497)	-
Net cash used in financing activities		(218)	-
Cash flows from investing activities			
Investment in equity accounted investment		(52)	-
Purchase of property, plant and equipment		(93)	(69)
Net cash used in investing activities		(145)	(69)
Net (decrease) / increase in cash and cash equivalents		(681)	249
Cash and cash equivalents at beginning of period	7	(410)	(872)
Cash & cash equivalents at end of period	7	(1,091)	(623)

Notes to the Unaudited Interim Report for the six months ended 30 June 2012

1. Nature of operations and general information

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

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 837205 and its registered office is 8100 Alec Issigonis Way, Oxford Business Park North, Oxford OX4 2HU. The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 30 July, 2012.

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 2011, prepared under IFRS as adopted by the European Union, have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain a statement under section 498 (2) or section 498 (3) of the Companies Act 2006.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2012. 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 2011.

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 2011.

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

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

3. Equity accounted investment

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

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

	30 June 2012 £'000	30 June 2011 £'000
Assets	140	-
Liabilities	129	-

	Six months ended 30 June 2012 £'000	Six months ended 30 June 2011 £'000
Revenues	152	-
Loss	(92)	-
Loss attributable to the Group	(45)	-

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

4. Loss / Earnings per share

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

For diluted (loss) / earnings 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 2012	Six months ended 30 June 2011
Attributable (loss) / profit (£'000)	(171)	147
Weighted average number of ordinary shares	8,413,610	8,413,610
(Loss) / profit per share (basic and dilutive) arising from both total and continuing operations	(2.03)p	1.75p

5. Trade and other receivables

Trade and other receivables comprise the following:

	30 June 2012 £'000	30 June 2011 £'000
Trade receivables – gross	1,787	1,555
Less: provision for impairment of trade receivables	(31)	(33)
Trade receivables – net	1,756	1,522
Other receivables	43	33
Prepayments and accrued income	883	681
	2,682	2,236

6. Borrowings

	30 June 2012 £'000	30 June 2011 £'000
Bank overdrafts	1,091	623
Loan note	1,500	1,500
Short Term Loans	297	-
	2,888	2,123
On demand or within one year	2,888	2,123
In second year	-	-
In third to fifth years inclusive	-	-
	2,888	2,123
Amount due for settlement after 12 months	-	-

7. Cash and cash equivalents

	30 June 2012 £'000	30 June 2011 £'000
Cash and cash equivalents	-	-
Bank overdraft	(1,091)	(623)
Cash and cash equivalents including overdraft	(1,091)	(623)

8. Trade and other payables

Trade payables comprise the following:

	30 June 2012 £'000	30 June 2011 £'000
Trade payables	655	764
Social security and other taxes	323	1,037
Other payables	1,029	947
Accruals	912	502
Deferred income	2,967	2,611
	5,886	5,861

9. Contingencies and commitments

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

10. Post balance sheet events

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

11. Copies of the Interim Financial Statements

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