Publishing Technology plc

23 March 2009

Publishing Technology plc Announces Preliminary Results for 2008

Significant EBITDA growth underlines strong trading performance

Publishing Technology plc (PTO.L) ("Publishing Technology" or the "Company"), the leading provider of information technology tools and services to international book and academic publishers, is pleased to announce its audited results for the year ended 31 December 2008.

Highlights

- Group EBITDA of £0.9m
- Positive trading cash flow from business units
- High recurring contract renewals and customer increase
- Expansion into Germany and Brazil
- Solid platform for further growth in rapidly-changing market

The Company reported a significant improvement in trading performance. Based on a comparison with annualised 2007 results, Publishing Technology recorded strong growth in revenues and profits.

Against the same period in 2007: [1]

- Annual revenues were up 7% at £15.4 million;
- EBITDA was up over £1m at £0.9m;
- Gross profit was up 32.2% at £6.1 million; and
- Adjusted profit before tax was £0.6 million, after excluding £1.5 million amortisation and impairment charge relating to the reverse acquisition of Ingenta plc.

Against the 18 months to 31 December 2007:

- Revenue reduced by 16% to £15.4 million
- EBITDA increased by £0.7m to £0.9m;
- Gross profit remained the same at £6.1m; and
- Gross profit percentage increased from 33.5% to 40%

Successes in 2008 included:

- Reorganising the Company into global business units to drive sales;
- A continuing reduction in overheads;
- High levels of recurring contract renewals and extensions;
- A high customer retention rate; and
- Positive foreign exchange benefits from the weakening pound.

In December 2008 the Company launched a prototype of IngentaConnect Mobile which is intended to be fully operational on the Company's online platforms during Q2 of 2009. The company believes the use of Mobile technology to deliver publisher content will come to the fore in 2009 and 2010 creating a new route to market for the large volume of content currently hosted by Publishing Technology.

[1] Publishing Technology's annual report to 31 December 2007 covered an 18 month period as a result of the reverse acquisition of Ingenta plc by Vista International Limited. This reflected 18 months trading of the Vista group and 10 months trading of the Ingenta group from 27 February 2007. Comparisons in the 2008 preliminary results are to this 18 month period. 2007 figures quoted as "against the same period in 2007" in this announcement relate to a comparable 12 month period from 1 January 2007 to 31 January 2007 as if the businesses had combined on 1 January 2007.

Significant progress has been made in delivering new products, including:

- The implementation of the Company's proprietary Information Commerce Software ("ICS") at the British Medical Journal ("BMJ") to provide a simple and flexible solution for building new and diverse online business models;
- A new sales, marketing and circulation management contract with US-based BioOne, which will generate revenue for the Company of $1m per annum;
- The sale of the Company's first new publisher software for Contract, Rights and Royalty management; and
- The first launches of pub2web online portals.

In 2009, Publishing Technology has expanded into new markets. In Brazil, the Company represents BioOne, Nature and other publishers, and in Germany the Company has formed an alliance with a significant provider of software and services to promote its IngentaConnect and pub2web products.

George Lossius, Chief Executive of Publishing Technology, commented:
"The publishing sector, despite being challenged by the current economic turmoil, remains a healthy, growing and innovative industry. It is a sector which will focus on its core skills of content creation and dissemination and will outsource more to trusted partners who can provide publishers with comprehensive technology for online and business solutions.

In this changing environment, Publishing Technology is uniquely positioned to support publishers with a global, consistent, end-to-end service across the breadth of the publishing supply chain, helping them to minimise costs and maximise revenues. Our client list of over 400 publishers will continue to benefit from our comprehensive capabilities and experience, allowing them to concentrate on the things they do best."

Martyn Rose, Non-Executive Chairman of Publishing Technology, commented:
"Last year saw the group focus on completing the integration and consolidation to provide it with a stable and growing revenue base and reduced overheads. We are very pleased with the Company's progress in the year and are well placed to deliver further improvements in 2009."

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Chairman's statement

Finance and operations

In our first full year of trading since the reverse acquisition, our primary aim was to consolidate and build on the integration benefits made since 2007 and secondly begin to generate new revenues from the introduction of new products and services which were launched in late 2007 and 2008.

In 2008, revenues were £15.4m and Gross Margin 40% (2007: 34%)[2]. The EBITDA for the year was £0.9m (2007: £0.2m), adjusted profit before tax was £0.6m, after excluding £1.5m of amortisation and impairment of intangible assets relating to the reverse acquisition of Ingenta. These intangible assets are fully amortised or impaired as at 31 December 2008 and no further amortisation of these intangible assets will occur in future years.

[2] References to 2007 figures in the Chairman's statement, the Chief executive's review, the financial review, the financial statements and the notes to the financial statements in this announcement relate to the 18 month period to 31 December 2007. These figures are shown as comparatives in the 2008 annual report and reflect 18 months trading of the Vista group and 10 months trading of the Ingenta group from 27 February 2007.

The group reported a loss before tax of £1.3m after charging:

- £1.5m of amortisation and impairment referred to above;
- £0.4m of onerous lease provision;
- £2.8m (2007: £3.1m) of Research and Development expenditure all of which was expensed through the income statement as incurred; and
- £0.2m of foreign exchange gains (2007: loss of £0.3m) due to the fall in Sterling.

The group's net debt at 31 December 2008 was £2.4m in the form of an overdraft (2007: £1.7m deficit including a short term revolving credit facility of £1.5m).

Revenues have grown consistently, with recurring revenues of approximately 65% of the total for the year, and operating efficiencies continue to improve revenue, gross margin and profitability. The group therefore shows a higher year on year revenue, generates cash from the business units, has a positive EBITDA and positive pre-tax profits before adjustment for the non-trading items detailed above.

During 2008, the business re-organised along global divisional lines, and each area of the business demonstrated an improving market position. Our Scholarly Online division continued to strengthen the IngentaConnect portal, saw two publishers successfully go live during the year on its new Pub2Web platform and sold new implementations of pub2web for 2009. Our PT Operations division sold the first of the newly engineered Publishing Management Modules (Contracts, Rights and Royalties), and implemented our new Information Commerce System at the British Medical Journal on budget and on time. The Publishers Communication Group (PCG) continued the trend of growth, and notably secured a sales and circulation management contract with BioOne which will transform the financial performance of this division in 2009.

In April 2008, Publishing Technology issued 263,793,000 new ordinary shares to raise net proceeds of £0.9m to support its working capital and investment needs. As part of this fund raising, the nominal value of the Company's shares was reduced from 1p to 0.1p. Subsequently, in July 2008 the ordinary shares of 0.1p were consolidated into ordinary shares of 10p on the basis of 1 new ordinary share for every 100 old ordinary shares. In October 2008, the Company completed a capital reduction by cancelling all of its deferred shares and the share premium account. This created positive reserves, an important step in cleaning up our balance sheet, and gave the Company the ability to pay dividends in the future.

Staff

The contribution made by all Publishing Technology staff in 2008 has been exceptional. It underlines our commitment to improve our customer service and to deliver high quality products and services. Once more an increasing volume of work was delivered by a leaner, more efficient and more innovative workforce. The Board wishes to congratulate and thank all employees for their ongoing enthusiasm and commitment.

Current trading and prospects

Having focused in 2008 on completing the integration and consolidation to provide the group with a stable and growing revenue base and reduced overheads geared to maximise profits, the Company has started 2009 with a healthy order book and is in a strong position to capitalise on some exciting potential revenues from our new products and services and from new customers.

We are very pleased with the progress made in 2008 and are well placed to deliver further growth in 2009.

M C Rose

Chairman
Publishing Technology plc
20 March 2009

Chief Executive's review

The publishing sector, whilst being challenged from several quarters and having to ride out the current economic turmoil, remains a healthy, growing and innovative industry sector. It is one which, we believe, will focus on its core skills of content creation and dissemination, whilst leaning more and more towards the suppliers who can provide a comprehensive outsourcing service of technology and business process solutions for them so that they can rise to the challenges of the changes in publishing and information provision.

In this changing environment, Publishing Technology is uniquely able to support publishers with a consistent, end-to-end service across the breadth of the publishing supply chain. Our client list of over 400 publishers benefit from our comprehensive capabilities and experience, allowing them to focus on their business. We believe that Publishing Technology's offering is very well positioned and will continue to strengthen as publishers realise that they can outsource their technical and business process requirements to a trusted partner.

Scholarly Online division

With its two flagship products, IngentaConnect and pub2web, this division made some significant strides during the year. It delivered the first pub2web systems, sold new pub2web implementations and, by the end of the year, had created a sizeable pipeline of prospects. At the same time, IngentaConnect acquired new publishers and retained close to 100% of its existing customer base.

A number of efficiencies were also introduced such as streamlining the document delivery process of IngentaConnect, reducing Chinese based server costs to 20% of the previous year, and positioning the division to significantly reduce direct costs in 2009.

Sales of online advertising were disappointing and, whilst consistent and reliable at the base levels, remained lower than hoped for and a change of direction may be required to improve such sales.

Publishing Technology Operations

This group brought together business units in the UK and USA, as well as some shared services under one global umbrella to deliver our Publishing Management systems. Operational efficiencies and optimisation of resource utilisation became immediately clear following the amalgamation of separate groups into one. Customer retention remained at 100%, although 2008 was slower than hoped for in the acquisition of new customers, which is receiving greater focus now that we have created a combined global sales team.

Another clear benefit of the organisation change has been the acceleration in the development of new Publishing Management applications. Our focus on this process has allowed the team to make significant progress in a short timescale, and we are excited by the new modules being delivered by the engineering team.

Outlook

The outlook for 2009 is naturally less predictable than in past years, however 2008's solid performance reflects the group's considerable efforts and successes in integration as well as in new product development. We believe that new products, and in particular continued innovation, will make a significant contribution to our progress during 2009 and 2010. We anticipate making further progress based on maintaining our core business whilst expanding some newer services and systems. Sterling remaining weak will also have a positive cash impact on the business.

Now that we have created a business that has shown its ability to operate profitably, we intend to improve on this and create a growing and reliable business.

The group is continuing to explore potential new markets, and has recently entered the German and Brazilian markets. The group is also continuing to explore potential acquisition opportunities that will complement its capabilities and increase its competitive strength.

G M Lossius

Chief Executive Officer
Publishing Technology plc
20 March 2009

Financial review
For the year ended 31 December 2008

Comparative information
As a result of the business combination on 27 February 2007, the comparative figures for 2007 were issued under the name of the legal parent 'Publishing Technology plc', but were a continuance of the financial statements of Vista International Limited and are for an 18 month period from 1 July 2006 to 31 December 2007. The 2007 income statement represents 18 months trading of the former Vista group companies and 10 months trading of the former Ingenta group companies incorporated from 27 February 2007 (the date of the reverse acquisition).

Operating results
Revenue for the year ended 31 December 2008 was £15.4m (2007: £18.4m). Gross profit for the period was £6.1m (2007: £6.2m) and the gross margin was 40% (2007: 34%). Sales and marketing and administrative expenses (excluding amortisation and impairment of intangibles) in the period were £5.7m (2007: £6.5m). The loss before tax in the period was £1.3m (2007: £1.7m). The net loss for the financial period was £1.4m (2007: £1.6m).

Taxation
A tax credit of £27K (2007: £0.3m) is included in the results for 2008 relating to amounts received and 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 HM Revenue and Customs approval. In 2008, due to the taxable profit of the group, the R&D tax credit reduces taxable profit. In 2007 the R&D tax credit was able to be taken in cash and therefore as income in the income statement.

The group has unutilised tax losses at 31 December 2008 in the UK and the USA of £12.1m (2007: £13.3m) and $2.9m (2007: $15.5m) 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 tax losses in the USA are restricted to approximately $150K per annum.

Shareholders' returns and dividends
The Directors do not recommend the payment of a dividend (2007: £nil).

Balance sheet and cash
Shareholders' deficit totalled £3.4m at the period end (2007: deficit £2.4m). The increase is mainly due to £1.5m of amortisation of intangible assets in the year.

Cash outflow from operating activities was £1.4m (2007: £2.5m outflow). At the period end, net bank overdraft was £2.4m (2007: £1.7m inclusive of a short term revolving credit facility).

Cash absorbed by operations for capital expenditure during the period amounted to £0.2m (2007: £0.2m). A tax credit of £0.3m (2007: £nil) in respect of Research and Development expenditure was received in the period which related to the year ended 31 December 2007 for current and prior Ingenta companies and the 18 month period ended 31 December 2007 for prior Vista companies.

Going concern and future funding
The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all available information about the future.

As part of its assessment, management have taken into account the profit and cash forecasts, the continued support of the shareholders and directors, banking facilities and management ability to affect costs and revenues.

Management regularly forecast profit and loss, balance sheet and cash flow for the group. The rolling forecast is normally updated ten times in the year (January and July being the only months it is not updated).

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 revenue is ranked by visibility of secured revenues. Management have reviewed forecast costs for reasonableness against prior periods and with knowledge of expected movements. Management have concluded that forecast costs are robust and that any cost reductions are reasonably firm and will not negatively impact revenue or profit.

The group has secured an overdraft facility of £2m which will be reviewed as positive cash flows reduce the requirement for this facility. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

The cash flow assumes £500,000 of the convertible loan will be redeemed by 14 July 2009 and a further £500,000 will be redeemed by 14 January 2010 in line with the convertible loan agreement which allows for payment within 14 days of the redemption date.

The major risk for future trading is the general economic downturn and how it will affect the publishing industry and academic institutions. During previous downturns, these market sectors have been somewhat resilient without being immune and therefore the board are confident that the forecasts set for 2009/10 are achievable in the current market.

Treasury

The group's policy with regard to cash balances is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise interest earned while maintaining sufficient funds to meet day-to-day requirements.

The group operates in a business which 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
Publishing Technology plc
20 March 2009

Consolidated Income Statement
For the year ended 31 December 2008

	note	Year ended 31 December 08 £'000	18 Months ended 31 December 07 £'000
Revenue		15,351	18,360
Cost of sales		(9,207)	(12,207)
Gross profit		6,144	6,153
Sales and marketing expenses		(1,929)	(1,925)
Administrative expenses		(3,773)	(4,596)
Amortisation and impairment of intangibles	2	(1,494)	(748)
Other Income – rental income		117	92
Loss from operations	2	(935)	(1,024)
Analysis of loss from operations:			
Profit before net finance costs, tax, depreciation, amortisation, impairment and foreign exchange gains and losses (EBITDA)		919	236
Depreciation		(220)	(244)
Amortisation and impairment of intangibles		(1,494)	(748)
Provision for onerous lease		(358)	-
Gain on sale of investments		9	-
Loss on sale of property, plant and equipment		(2)	-
Foreign exchange gain / (loss)		224	(268)
Restructuring costs		(13)	-
Loss from operations		(935)	(1,024)
Finance income		1	187
Finance costs		(317)	(879)
Loss before income tax		(1,251)	(1,716)
Income tax	3	(109)	128
Loss for the period		(1,360)	(1,588)
Attributable to Equity holders of the parent		(1,360)	(1,588)
Retained loss for the period	5	(1,360)	(1,588)
Loss per share			
From total and continuing operations Basic and diluted (pence)	4	(17.90)	(35.09)

All activities are classified as continuing.

Consolidated statement of recognised income and expense
For the Year ended 31 December 2008

	note	Year ended 31 December 08 £'000	18 Months ended 31 December 07 £'000
Exchange differences on translation of foreign operations		(940)	(15)
Net loss recognised directly in equity	5	(940)	(15)
Loss for the period	5	(1,360)	(1,588)
Total recognised income and expense for the period attributable to Equity holders of the parent		(2,300)	(1,603)

Consolidated Balance Sheet
As at 31 December 2008

	Note	31 December 2008 £000's	31 December 2007 £000's
Non-current assets			
Goodwill and other intangible assets		3,737	5,231
Property, plant and equipment		389	307
Available for sale investments		-	102
		4,126	5,640
Current assets			
Trade and other receivables		3,661	2,539
R & D tax credit receivable	3	-	315
Cash and cash equivalents		734	581
		4,395	3,435
Total assets		8,521	9,075
Equity			
Share capital	5	841	11,610
Share premium	5	-	20,685
Merger reserve	5	11,055	11,055
Reverse acquisition reserve	5	(5,228)	(38,048)
Translation reserves	5	(977)	(37)
Retained earnings	5	(9,063)	(7,703)
Investment in own shares		(4)	(7)
Total equity		(3,376)	(2,445)
Non-current liabilities			
Borrowings		500	1,000
Provisions		200	-
		700	1,000
Current liabilities			
Trade and other payables		6,924	7,020
Borrowings		4,115	3,323
Provisions		158	177
		11,197	10,520
Total liabilities		11,897	11,520
Total equity and liabilities		8,521	9,075

Consolidated Cash Flow Statement
For the Year ended 31 December 2008

	Year ended 31 December 08 £'000	18 months ended 31 December 07 £'000
Loss before taxation	(1,251)	(1,716)
Adjustments for		
Amortisation and impairment of intangibles	1,494	748
Depreciation	220	244
Loss on sale of property, plant and equipment	2	-
Gain on sale of investments	(9)	-
Investment income	(1)	(187)
Interest expense	317	879
Unrealised foreign exchange differences	(1,202)	115
Decrease in inventories	-	7
Increase in trade and other receivables	(1,122)	(1,071)
Decrease in trade and other payables	(14)	(1,488)
Increase in provisions	181	17
Cash used in operations	(1,385)	(2,452)
Interest paid	(396)	(879)
R&D tax credit received	342	-
Net cash used in operating activities	(1,439)	(3,331)
Cash flows from investing activities		
Purchase of property, plant and equipment	(176)	(231)
Costs of reverse acquisition	-	(228)
Proceeds from sale of investments	109	-
Interest received	1	187
Net cash used in investing activities	(66)	(272)
Cash flows from financing activities		
Net proceeds from issue of share capital	1,093	1,967
Costs of issuing shares	(227)	-
(Repayment of) / proceeds from short term borrowings (revolving credit facility)	(1,500)	1,500
Payment of finance long term borrowings	-	(50)
Net cash (used in) / from financing activities	(634)	3,417
Net decrease in cash and cash equivalents	(2,139)	(186)
Cash and cash equivalents at beginning of period	(242)	(56)
Cash and cash equivalents at end of period	(2,381)	(242)

Notes to the preliminary announcement
For the Year ended 31 December 2008

1. Basis of preparation

The principal accounting policies of the group are set out in the group's 2008 annual report and financial statements.

2. Loss from operations

Loss from operations has been arrived at after charging/(crediting):

	Year ended 31 December 08	18 Months ended 31 December 07
	£'000	£'000
Research and development costs	2,813	3,073
Net foreign exchange (gains) / losses	(224)	268
Depreciation of property, plant and equipment		
- owned assets	220	244
Operating lease rentals:		
- land and buildings	578	633
- other	200	312
Amortisation of internally-generated intangible assets	747	748
Impairment of internally-generated intangible assets	747	-
Loss on sale of property, plant and equipment	(2)	-
Gain on sale of investments	9	-
Auditor's remuneration	115	115

3. Tax

	Year ended 31 December 08	18 months ended 31 December 07
	£'000	£'000
Analysis of charge in period (continuing operations)		
Current tax:		
- Current Research and Development tax credit - UK	-	(317)
- Overseas	-	2
- Adjustment to prior year charge	109	-
	109	(315)
Deferred tax	-	187
Taxation	109	(128)

The tax for the period is higher (2007: lower) than the standard rate of the corporation tax in the UK (28.5%; 2007: 30%).

The differences are explained below:

Reconciliation of tax expense	Year ended 31 December 08 £'000	18 months ended 31 December 07 £'000
Loss on ordinary activities before tax	(1,251)	(1,716)
Tax at the UK corporation tax rate of 28.5% (2007:30%)	(357)	(515)
Income not subject to corporation tax		
Property, plant and equipment	(10)	-
Others	(11)	-
Expenses not deductible for tax purposes	423	240
Additional deduction for R&D expenditure	(266)	-
Adjustment to goodwill not deductible to taxation	-	217
UK losses carried forward	130	(58)
US losses carried forward	112	-
Effect of foreign tax rates	(32)	-
Difference in timing of allowances	11	(199)
Adjustment to tax charge in respect of prior years	109	-
Total taxation (continuing operations)	109	(315)

United Kingdom Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the Year (2007 comparative is an 18 month period).

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.

A deferred tax asset has not been recognised in relation to tax losses due to uncertainty over their recoverability.

4. Loss per share

Basic loss 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 loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Since the group is loss making there is no dilutive impact

	Year ended 31 December 2008 £'000	18 months ended 31 December 2007 £'000
Attributable loss	(1,360)	(1,588)
Weighted average number of ordinary shares ('000)	7,596	4,525
Loss per share (basic and dilutive) arising from both total and continuing operations	(17.90)p	(35.09) p

All potential ordinary shares including options and conditional shares are anti-dilutive.
Shares were consolidated in the year on the basis of 1 new share for every 100 existing shares. The 2007 loss per share has been restated on the basis of this consolidation.

5. Share capital and reserves

	Ordinary shares £'000	Deferred Shares £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained Earnings £'000	Investment in own shares £'000	Total £'000
Balance as 30 June 2006	37	-	6	756	-	-	(22)	(6,093)	(7)	(5,323)
Share movements prior to acquisition of Ingenta plc	17	803	591	-	-	-	-	(22)	-	1,389
Acquisition adjustments under IFRS3	11,556	(803)	20,088	(756)	11,055	(38,048)	-	-	-	3,092
Total recognized loss for the period	-	-	-	-	-	-	(15)	(1,588)	-	(1,603)
Balance at 31 December 2007	11,610	-	20,685	-	11,055	(38,048)	(37)	(7,703)	(7)	(2,445)
Shares issued in the year	245	-	1,348	-	-	-	-	-	-	1,593
Costs associated with shares issued in the year	-	-	(227)	-	-	-	-	-	-	(227)
Other movements in the year	(11,014)	-	(21,806)	-	-	32,820	-	-	3	3
Total recognised loss	-	-	-	-	-	-	(940)	(1,360)	-	(2,300)
Balance as at 31 December 2008	841	-	-	-	11,055	(5,228)	(977)	(9,063)	(4)	(3,376)

Other movements in the year relate to a capital reduction and to sales of shares from the Employee Share Ownership Trust.

6. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet at 31 December 2008, consolidated cash flow statement and associated notes have been extracted from the group's 2008 statutory financial statements upon which the auditor's opinion is unqualified and which do not include any statement under section 237 of the Companies Act 1985.

Those financial statements will be delivered to the registrar of companies following this announcement.

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