7 March 2011

Publishing Technology plc announces Preliminary Results for 2010

Publishing Technology plc (PTO.L) ("Publishing Technology", the "Group"), the AIM quoted, leading provider of information technology tools and online services to international book and academic publishers, is pleased to announce its audited results for the year ended 31 December 2010.

Whilst 2010 continued to be a challenging year with publishers remaining hesitant to undertake major capital investments, the business moved forward positively, increasing efficiency and margins, while continuing to invest in sales and marketing. The publishing software industry is in flux, and the investment foresight we have shown, means that we stand ready to capitalise on the re-igniting of capital investment within publishing.

2010 successes:

- Five sales of our new ***advance*** products including two multi-million dollar deals
- Continued high levels of contract renewals
- Highest levels of new publisher wins on ***ingentaconnect*** since 2007
- First software sales in Brazil and opening of our office in São Paulo
- The launch of our first Japanese site (www.pieronline.jp)
- 43% improvement in profit before tax
- 77% improvement in earnings per share

Financial highlights for full reporting period:

- EBITDA up 21% to £1.1m (2009: £0.9m)
- Total revenues down 1.6% to £15.0m (2009: £15.3m)
- Gross profit up 1.7% to £6.2m (2009: £6.1m)
- Pre-tax profit up 43% to £0.4m (2009: £0.3m)
- Earnings per share up 77% to 10.52p (2009: 5.95p)
- £0.5m of positive cash flow

Our industry

The publishing industry is diverse and it is changing with digital delivery increasing and paper on the decline. To paraphrase Winston Churchill, this is not the end of the book, but it is the end of the beginning of the digital era.

Publishers will have to re-invent the way they operate, from processes which follow a linear chain of events to events with blurred boundaries, and events that result in continuous product renewal. A book is purchased and read, digital information is moved around, amended by many hands, sub divided and reconstituted, re-used and re-purposed by marketing or even by consumers. Consumers and not retailers are in the ascendancy which is an immense challenge to publishers. Technology (not devices), for many years a support function, will be at the cornerstone of future revenue generation capabilities.

This is an exciting time in publishing full of threat and opportunity. Respond to the opportunities effectively and rapidly, and publishers will not only be able to sustain their positions but positively thrive in a world of increasing consumption of the written word.

Publishing Technology provides the scientific, technological and business thought leadership that publishers need. We have turned this into practical solutions through heavy investment, creating publishing-specific solutions that recognise publishing will not be governed by physical book processes.

In 2010 we have added content and publishers to ***ingentaconnect,*** launched three new publishers on ***pub2web***, our major online publishing platform, including one in Japan, sold both our ***Information Commerce Systems*** (***ICS***) and our ***advance*** system in Brazil, and opened an office in São Paulo.

We feel strongly that in 2011 and 2012 we will see greater investment in technology within the publishing industry as publishers who currently rely on decades old systems, change them to suit the realities of the digital future.

George Lossius, Chief Executive of Publishing Technology, commented:

"We believe that content providers who invest in their technological future will be opening the door to enormous growth opportunities and that there has never been a more exciting time to be central to the global publishing industry. From core supply chain services to cutting-edge marketing solutions, our products, including ***advance*** and ***pub2web***, are essential to publishers' success. From trend-setting innovation in the academic sector through to e-book delivery, revenue generation in the publishing landscape is dependent on technology and we are in the best position to provide it."

Martyn Rose, Non-Executive Chairman of Publishing Technology, commented:

"We delivered solid results in a challenging climate in 2010, which was a year that saw global expansion, new products delivered to the market and consolidation of office space. Product wins and prudent expenditure combined to deliver increased profitability. These results are in line with expectations and demonstrate that Publishing Technology's products play a vital role in the publishing industry which continues to take advantage of all digital advances and opportunities for expansion. I look forward to even greater growth in 2011"

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Chairman's statement

Our aims for 2010 were to effectively market and sell our new products (***advance***, ***pub2web*** and ***ICS***), maintain the recurring revenues and margins from mature technologies, to increase our geographic range, to continue to invest heavily in product development, and to improve profitability and the Statement of Financial Position. I am pleased with our progress on all of these goals, particularly in a year when most Publishers and Information providers continued to adopt a "wait and see" attitude to capital expenditure.

Finance and operations
It is encouraging to see profit before tax increase by 43% from £287K to £409K and earnings per share improve by 77% to above 10p per share. Once again our net debt position reduced and the Statement of Financial Position improved. It is my hope that with a further reduction in net debt in 2011, the board will be in a position to consider dividend payments in the near future.

We have as expected seen an increase in consulting revenue from our new ***advance*** product set and a decline in consulting revenue from the older ***author2reader*** product as the focus for new sales and implementations moves from one to the other. However it is encouraging that the £1.3m increase in consultancy services (time and materials) for ***advance*** far outweighs the £0.4m reduction in consultancy in ***author2reader***. Equally as encouraging the recurring revenues for ***author2reader*** have remained steady year on year as similar revenues for ***advance*** have increased. This does not mean the mature technologies are discontinued in any way, a fact underlined by a major sale of ***author2reader*** in January 2011, but the emphasis for new installations is on ***advance***.

Revenues have dropped slightly from 2009 mainly as a result of low margin revenues being removed which has increased the Gross Margin in both percentage and cash terms.

International expansion
2010 has been a busy year internationally. The first sales of software in Brazil came much quicker than anticipated with sales of ***ICS*** and ***advance*** being booked before we even opened our office. In Japan, the pier online site for Sun Media went live and is the first site built in Japanese. In Germany, our partner Klopotek has started re-selling ***ingentaconnect*** and ***pub2web*** into the German market, one of the five largest global publishing markets.

We opened offices in Brazil (São Paulo) and Australia (Sydney) in the year, and will soon open an office in India (New Delhi) and in France (Paris). We consolidated our UK offices by combining Watford and Oxford together in a new and better equipped head office in Oxford and in early 2011 moved into a more appropriately sized office in Bath reducing to a tenth of the size with the associated cost savings that implies.

The 2010 results, whilst internally disappointing, have met the profit expectations of the market and have further enhanced our Statement of Financial Position and the stability and growth potential of the Group. 2010 has been a year of expansion and investment, building on our foundations to underpin growth and change in 2011.

Staff
There have been a number of imperatives which have led to staff movements in the year: The change in products required a change in skill set, which ultimately leads to staffing changes.

As we near the end of our product redevelopment, this inevitably will change the focus from Research and Development to sales, marketing, implementation, and project management. To this end we welcomed Mark Carden as our new International Sales and Marketing Director in June and he has made a significant impact on our pipeline and in our ability to get our message to the market; and, the increasing geographic expansion has focused recruitment efforts in North and South America.

This year, as before, I would like to recognise the unflagging dedication, enthusiasm and inventiveness of the staff at Publishing Technology. Their dedication to service was recently highlighted by a near 90% approval rating from a customer service quality questionnaire. Maintaining such a high level for a 24/7 service is highly impressive, and also showed a significant improvement from our previous survey.

2010 has been a solid year of change for the Group with continued investment in new products, the start of a shift of revenues from old to new business models, technologies and services, and expansion geographically to take advantage of our product set. It has also been a year in which we have successfully protected margins from mature products and services, and maintained recurring revenue renewals.

I am excited by progress on products, the continued geographic expansion, and by the increasing profitability and margins being attained. I look forward to the strides we can take in 2011.

M C Rose
Chairman
4 March 2011
Publishing Technology plc

Chief executive's review

I am pleased to announce a positive progression in profits in a year where economic conditions remained uncertain. We made a decision a couple of years ago to refocus on activities that we felt were core, and we could service effectively and profitably. Whilst this has resulted in a small decline in revenues, the margins of the business have improved in 2010 and we are extremely confident, will continue to improve in 2011.

Against the uncertainty of demand engendered by economic conditions and the difficulty of forecasting high value sales, we managed our cost base tightly but without impacting on our ability to deliver. At the same time, with a confident eye on the future, we maintained investment levels in new product development, and increased our investment in sales and marketing to build the base needed to reap the rewards of our investment.

The sales successes of 2010 and early 2011 (more new name customers than in any of the previous five years) have underlined that we have the products and services that publishers need and want, and that with the appropriate level of investment in promoting them, expansion of our customer base will follow.

The long view
A number of years ago the Group set a strategy to re-engineer our product set, obtain online products by acquisition, reduce historical debt inherited from the dot.com era, and create a profitable, forward looking stable business which, through the years of transition, would maintain profitability and cash flow.

I am very pleased with the achievement of these goals so far and the transformation we have made to the Group particularly in the four years since the reverse takeover of Ingenta plc which brought online products ***ingentaconnect***, ***pub2web*** and ***ICS*** into the Group. 2011 will see the completion of the new ***advance*** product set after five years and roughly £10m of investment. All this has been achieved whilst improving profitability and the Statement of Financial Position.

Outlook
We are confident that the actions and investments we have made in our product and services development sets us apart from our competition and will enable us to drive increased sales and profitability. There is no competitor that stands up against Publishing Technology in terms of the breadth of service and modernity of solutions.

Our near term strategy is clear: drive profitable growth from our recurring business, add to our customer roster and future recurring business through new customer acquisition, and expand our global reach to dynamic and growing markets.

We will continue to invest in our products in 2011 to the level of about £2m, all of the investment being made in Oxford, our head office, where the teams are close to not only our own subject matter experts, but also regular contributions from our customers through product strategy meetings.

Current trading
Our current sales and revenue performance is strong. In the first two months of the year we have seen a substantial improvement on the three prior years, thanks in no small part to significant contracts won in the first month of the year. It is too early in the year to be certain of the second half, but our confidence is at a high level and our secured revenues at the highest levels since the formation of Publishing Technology in 2007.

We are confident that in 2011, with an increased focus on margins from recurring business and new business sales, our profits will grow along with an increasing revenue line.

G M Lossius
Chief Executive Officer
4 March 2011
Publishing Technology plc

Financial review
For the year ended 31 December 2010

Overview
2010 has seen improved profitability on changing but stable revenue streams which has continued to fund the investment in new product development.

Operating results
Net profit for the year was up 77% at £885K (2009: £500K) despite revenue being roughly flat.

Revenue for the year ended 31 December 2010 was £15,018K (2009: £15,262K). This change was partly due to a planned reduction in low margin business. In general revenues were stable with a movement in activities from mature technologies to newer products and, as sales of products have been stronger in the US, there was a shift of revenue from Europe to that region.

Revenues for maintenance, hosting and managed services of the ***author2reader*** product have been maintained in both geographies and margins have been improved.

Gross profit for the year was £6,248K (2009: £6,143K) and gross margin as a percentage of revenue was 42% (2009: 40%).The improvement is due to low margin business being replaced by higher margin business in operationally geared sectors, lower staff costs on newer technologies, and efficiencies in office costs as a result of the various office moves this year.

Sales and marketing and administrative expenses in the year were £5,564K (2009: £5,636K). The Group has invested behind the new products which is reflected in higher Sales and Marketing costs mostly notably in the hire of a Sales and Marketing Director who came on board in June 2010. Administrative savings have continued to be made with an additional £137K being taken out in 2010 compared to 2009.

EBITDA improved from £913K to £1,103K, a 21% increase year on year as a result of the improvement to margins and reduction in administration costs. Whilst this performance was not as good as the Board would have wished, the EBITDA was in line with market expectations.

Profit before tax is up £122K (43%) at £409K (2009: £287K) and net profit for the year has increased to £885K (2009: £500K) which continues the improving trend of profitability.

Taxation

A tax credit of £317K (2009: £170K) is included in the results for 2010 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 HM Revenue and Customs approval.

The group has unutilised tax losses at 31 December 2010 in the UK and the USA of £14.3m (2009: £14.2m) and $13.7m (2009: $18.6m) 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. A maximum of $491K of losses can be used per annum from April 2008 for 20 years from that date, however unused losses can be carried forward. The board believe the US legal entities will be able to make use of $9.7m of the unutilised losses carried forward.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2009: £nil).

Financial position and cash

Shareholders' deficit totalled £1.8m at the year end (2009: deficit £2.6m). The reduction is mainly due to the retained profit in the year reduced by £118K of exchange loss on translating foreign operations.

Cash inflow from operations was £0.8m (2009: £1.4m). At the year end, net bank overdraft was £0.9m (2009: £1.4m), an improvement of £0.5m in the year (2009: £1m).

Cash absorbed by operations for capital expenditure during the year amounted to £208K (2009: £164K). A tax credit of £154K (2009: £64K) in respect of Research and Development expenditure was received in the year which related to the year ended 31 December 2009.

Debt has reduced significantly and consistently over the last few years whilst investing almost £10m in the redevelopment of our core offering.

To further improve the debt / equity ratio, the Board and the holders of the loan notes (formerly convertible) are continuing discussions on converting these into equity by issuing approximately 2.7m new shares at market price. If agreement is reached, approval will be sought from shareholders at the Annual General Meeting.

Assuming ratification, the business should be core debt free and only using a floating overdraft facility by the end of 2011.

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 relevant available information about the future including 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, financial position and cash flows for the Group. The rolling annual forecast is normally updated every month, with a short term thirteen week forecast being updated daily.

Revenue streams are forecast in detail with all recurring revenue contracts individually listed; revenue is ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and have concluded that forecast costs are robust.

The Group has secured an overdraft facility of £1m which will be reviewed as positive cash flows reduce the requirement. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

The major risks for future trading are the continuing economic situation and the uncertainty that brings to capital spending decisions and academic institution budgets.

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
4 March 2011
Publishing Technology plc

Group Statement of Comprehensive Income
For the year ended 31 December 2010

	note	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Revenue		15,018	15,262
Cost of sales		(8,770)	(9,119)
Gross profit		6,248	6,143
Sales and marketing expenses		(1,787)	(1,722)
Administrative expenses		(3,777)	(3,914)
Profit from operations	2	684	507
Analysis of profit from operations:			
Profit before finance costs, tax, depreciation, loss on sale of property, plant and equipment and foreign exchange gains and losses (EBITDA)		1,103	913
Depreciation		(187)	(186)
Loss on sale of property, plant and equipment		(33)	-
Foreign exchange gain / (loss)		64	(162)
Restructuring costs		(263)	(58)
Profit from operations		684	507
Finance costs		(275)	(220)
Profit before income tax		409	287
Income tax	3	476	213
Profit for the year attributable to equity holders of the parent		885	500
Other comprehensive (expense) / income:			
Exchange differences on translation of foreign operations		(118)	315
Total comprehensive income for the year attributable to equity holders of the parent		767	815
Basic and diluted earnings per share (pence)	4	10.52	5.95

All activities are classified as continuing.

Group Statement of Financial Position
As at 31 December 2010

	31 Dec 10 £000	31 Dec 09 £000	31 Dec 08 £000
Non-current assets			
Goodwill and other intangible assets	3,737	3,737	3,737
Property, plant and equipment	357	346	389
	4,094	4,083	4,126
Current assets			
Trade and other receivables	3,128	2,883	3,661
Research and Development tax credit receivable	317	170	-
Cash and cash equivalents	1,751	1,162	734
	5,196	4,215	4,395
Total assets	9,290	8,298	8,521
Equity			
Share capital	841	841	841
Merger reserve	11,055	11,055	11,055
Reverse acquisition reserve	(5,228)	(5,228)	(5,228)
Translation reserve	(780)	(662)	(977)
Retained earnings	(7,678)	(8,563)	(9,063)
Investment in own shares	(6)	(4)	(4)
Total equity	(1,796)	(2,561)	(3,376)
Non-current liabilities			
Borrowings	1,500	1,500	500
Provisions	-	20	200
	1,500	1,520	700
Current liabilities			
Trade and other payables	6,963	6,533	6,721
Borrowings	2,623	2,538	4,115
Provisions	-	86	158
Deferred tax creditor	-	182	203
	9,586	9,339	11,197
Total liabilities	11,086	10,859	11,897
Total equity and liabilities	9,290	8,298	8,521

Group Statement of Changes in Equity
For the year ended 31 December 2010

	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 2010	841	11,055	(5,228)	(662)	(8,563)	(4)	(2,561)
Investment in own shares in the year	-	-	-	-	-	(2)	(2)
Transactions with owners	-	-	-	-	-	(2)	(2)
Profit for the year		-	-	-	885	-	885
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	(118)	-	-	(118)
Total comprehensive income for the year	-	-	-	(118)	885	-	767
Balance at 31 December 2010	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)

For the year ended 31 December 2009

	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 2009	841	11,055	(5,228)	(977)	(9,063)	(4)	(3,376)
Profit for the year	-	-	-	-	500	-	500
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	315	-	-	315
Total comprehensive income for the year	-	-	-	315	500	-	815
Balance at 31 December 2009	841	11,055	(5,228)	(662)	(8,563)	(4)	(2,561)

Group Statement of Cash Flows
For the Year ended 31 December 2010

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Profit before taxation	409	287
Adjustments for		
Depreciation	187	186
Loss on sale of property, plant and equipment	33	-
Interest expense	275	220
Unrealised foreign exchange differences	140	543
(Increase) / decrease in trade and other receivables	(245)	778
Increase in Research and Development tax credit receivable	(147)	(170)
Increase / (decrease) in trade and other payables	248	(209)
(Decrease) / Increase in provisions	(106)	(252)
Cash from operations	794	1,383
Interest paid	(255)	(250)
Research and Development tax credit received	154	64
Net cash from operating activities	693	1,197
Cash flows from investing activities		
Purchase of property, plant and equipment	(208)	(164)
Net cash used in investing activities	(208)	(164)
Cash flows from financing activities		
Cost of investment in own shares	(2)	-
Net cash used in financing activities	(2)	-
Net increase in cash and cash equivalents	483	1,033
Cash and cash equivalents at the beginning of the year	(1,376)	(2,381)
Exchange differences on cash and cash equivalents	21	(28)
Cash and cash equivalents at the end of the year	(872)	(1,376)

Notes to the Group financial statements
For the Year ended 31 December 2010

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2010 annual report and financial statements.

2. Profit from operations

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

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Research and development costs	2,653	3,094
Net foreign exchange (gains) / losses	(64)	162
Depreciation of property, plant and equipment		
- owned assets	187	186
Operating lease rentals:		
- land and buildings	469	553
- other	153	185
Auditor's remuneration	85	85

3. Tax

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Analysis of charge in year		
Current tax:		
Current Research and Development tax credit - UK	317	170
Adjustment to prior year charge - UK	16	-
Adjustment to prior year charge - US	(47)	43
	286	213
Deferred tax	190	-
Taxation	476	213

The Group has unutilised tax losses at 31 December 2010 in the UK and the USA of £14.3m (2009: £14.2m) and $13.7m (2009: $18.6m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA.

The U.S. 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 $9.7m of the total unutilised losses at 31 December 2010.

The differences are explained below:

Reconciliation of tax expense	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Profit on ordinary activities before tax	409	287
Tax at the UK corporation tax rate of 28% (2009: 28%)	115	80
Expenses not deductible for tax purposes	14	28
Additional deduction for Research and Development expenditure	(362)	(329)
Surrender of losses Research and Development tax credit refund	317	170
Utilisation of UK losses	(123)	(88)
Unrelieved UK losses carried forward	150	125
Utilisation of US losses	(368)	(17)
Unrelieved US losses carried forward	-	88
Effect of foreign tax rates	73	24
Difference in timing of allowances	(71)	(250)
Adjustment to tax charge in respect of prior years	(31)	(44)
Release of deferred tax liability	(190)	-
Total taxation	(476)	(213)

United Kingdom Corporation tax is calculated at 28% (2009: 28%) 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.

4. 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 (formerly convertible) is no longer convertible and all outstanding options have an exercise price in excess of the average market rate in the year, therefore there is no dilutive impact from the loan (formerly convertible) or options granted.

	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Attributable profit	885	500
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and dilutive) arising from both total and continuing operations	10.52p	5.95p

All potential ordinary shares including options and conditional shares are anti-dilutive.

5. Publication of non-statutory accounts

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

The Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and associated notes have been extracted from the group's 2010 statutory financial statements upon which the auditor's opinion is unqualified and which do not include any statement under section 498 of the Companies Act 2006.

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

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