5 March 2012

Publishing Technology plc announces Preliminary Results for 2011

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 2011.

2011 ended on a high note achieving significant breakthrough sales of our digital platforms in the last quarter, the go-live of one of the world's largest royalties systems on our new platform, and the signing of a full service representation deal for the new Churchill Online Archive. Whilst reported revenues and profits for the year were disappointing, we started 2012 with a higher level of committed revenues than at the beginning of 2011. Our first major sale into the People's Republic of China was also very exciting, and we believe, will be the first in a lucrative new market.

2011 successes:

- Went live with one of the world's largest royalty systems at McGraw Hill
- Continued high levels of contract renewals
- Strong sales success for pub2web
- Continued level of new publisher wins on ***ingentaconnect***
- Agreement for Chinese joint venture (ratified post year end)
- Opening of our office in Sydney Australia

Financial highlights for the year:

- Revenues down 1% to £14.9m (2010: £15.0m)
- EBITDA down 55% to £0.5m (2010: £1.1m)
- Gross profit down 7% to £5.8m (2010: £6.2m)
- Pre-tax loss of £0.2m (2010: profit of £0.4m)
- Earnings per share of 0.84p (2010: 10.52p)
- £0.5m of positive cash flow (2010: £0.5m)

George Lossius, Chief Executive of Publishing Technology, commented:

"The publishing industry, from books in bookshops through to research journals, is at one of its most exciting stages of development. From e-books to e-tail, from institutional library shelves to open access online, information is being disseminated through more channels than ever before. Our job at Publishing Technology is to provide not only the systems to make this happen seamlessly, but also to listen to our customers so as to provide leadership in the technology sector, as well as innovative solutions. We have, in the past two years, delivered and developed one of the most forward thinking systems to allow the book publishing sector to exploit the advantages and challenges that the digital world presents.

2011 was, undeniably, a tough year but we are extremely encouraged by the positive direction Publishing Technology's business is taking. We closed 2011 with a series of significant breakthroughs, most notably a spate of lucrative contracts signed with major trade and academic publishers and a joint venture ratified post year end to launch our portfolio of products and services in the rapidly growing Chinese market.

With sales of our ***pub2web*** platform enjoying tremendous success and the royalties module of our ***advance*** product going live at one of the world's largest publishing houses, our prediction of publishers investing more in technology is certainly starting to become a reality and we expect this success and growth in demand to continue throughout 2012."

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Chief Executive's review

Publishing Technology plc is just completing its fifth year as a combined group, and we have seen many changes during that time. The evolution of digital publishing has influenced all areas of our business, and we must also evolve to remain competitive. We are making great progress in most areas of the business, and to ensure that we capitalise on these positive developments and position ourselves for the next five years, we have made adjustments to the way we operate.

In our new and growing business areas (***advance***, ***pub2web***, full service representation, and international expansion) we are employing an entrepreneurial approach and spirit. At the same time, we are focussing on providing professional and profitable services in our mature business areas.

We have already seen positive changes in a number of areas:

In our marketing communications division PCG, we have altered the management structure, added new full-service clients, and are analysing services in more detail to improve profitability. PCG has been instrumental in our international expansion, and will continue to make our investments in India and Brazil grow and prosper.

ingentaconnect and ***pub2web*** had tremendous sales success in 2011, and the organisational changes implemented a year earlier will support these. This growing business now also requires stronger global support, business knowledge and delivery, so the current teams have been and will continue to be strengthened to build on this success.

Within Enterprise, ***advance*** has seen two major successful go-lives. However, the additional effort needed to ensure these has had a knock on effect on the development process which has led us to fundamentally re-appraise this division.

As part of this, we have already hired a global head of project delivery to ensure our implementations are controlled, efficient and profitable.

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

The ***advance*** division will be led from the US and will include product development and project delivery. The ***advance*** team will initiate a change program that will improve product development, project profitability, account support, and the interaction between these three functions.

The ***author2reader*** division will also be headquartered in the US. This division has a major long term future vital to the Group and requires tight management to maximize profit, strengthen relationships and maintain high levels of customer satisfaction, extending the life of existing systems and paving the way for future conversions to ***advance***.

We will be taking a more regionally focused approach to selling and have created sales director positions in Europe and the US. We have promoted from within a European Business Development Director to lead sales in Europe for both ***advance*** and the online products. We are currently recruiting for a similar position in the US.

As we sharpen our focus and enhance our internal structure, we must also improve how we position ourselves externally. We have real, solid opportunities and in order to take advantage of these, we must take a more active and assertive stance with our marketing and communications.

In the coming months, we will be refining our communications strategy, image and positioning in the various global publisher and library markets we serve.

Executive Level Changes
These strategic moves led to the departure of two Publishing Technology executives at the beginning of 2012 and while these changes were significant and difficult, they were necessary and I am excited by the atmosphere of renewed endeavour and innovation.

Outlook for PT
We have a clear strategy: to maximise and protect the profits from our mature businesses (***ingentaconnect***, ***author2reader*** and Marketing Communications), to establish stability and build profitability in the new products and services (***advance***, ***pub2web*** and Full Service Representation) and drive into new and exciting markets for all of these products.

We know the investments made in forward looking technology set us apart and will drive long term growth and profitability.

We will continue to invest significantly in our products in 2012 with the goal of completing the current major investment round in the ***advance*** product during the coming year.

Current trading
We are confident that 2012 will see a more solid revenue base in both ***pub2web*** and ***advance*** as the new larger ***pub2web*** implementations go live and the revenues move to more profitable recurring maintenance and hosting streams.

The difficult changes made in the first quarter of 2012 will help to secure our future growth and profitability.

G M Lossius
Chief Executive Officer
5 March 2012
Publishing Technology plc

Chairman's statement

2011 has been a year of mixed fortunes; there has been solid progress in product development, in the go-live of the first major ***advance*** modules including one of the world's largest royalties systems, in sales of pub2web, and in international expansion. However, it has been a disappointing year in terms of our results and, in particular, profitability.

I am confident that the reduction in profitability in 2011 will be reversed in 2012 under the leadership of our executive team which has met the issues head on with decisive action to ensure our products are robustly developed and professionally and profitably implemented.

The sales of ***pub2web*** exceeded our estimates by some margin in 2011 increasing the install base from 4 to 15 once current projects are complete.

Pub2web revenue doubled from 2010 to 2011 and the sales towards the end of 2011 have underpinned 2012 implementation revenue.

The decline in Group profitability is mainly due to the growing pains in the ***advance*** division where considerable additional R&D effort was required during implementation to ensure the success of royalties and permissions at McGraw Hill. With this milestone reached, the additional R&D effort required at the implementation stage will reduce rapidly in subsequent implementations.

The PCG division successfully won four new full service representation deals in the year all of which start during 2012. This is a relatively new revenue stream for PCG but one which can be highly profitable when the correct skills are deployed.

Internationally this was a highly productive year with continued stability in South America and India, some additional preparatory work in Australia, and most excitingly of all, the creation of a joint venture in China which we believe will become the largest global publishing market.

The relationship with our JV partner in China is particularly prescient at a time when Chinese publishers backed by the Chinese authorities are looking for digital ways of engaging with the international community.

The contracts for the JV have been signed and were formally ratified by the Beijing Committee for Commerce in January 2012.

We have already signed contracts with one of the largest Chinese publishers to work together to develop a digital platform for Chinese content similar to ***Ingentaconnect***.

Finance and operations
Whilst it is disappointing to report a reduction in both profitability and earnings for 2011, the progress of the Group towards our mid-term goals has been encouraging and the successes in international expansion and the improvement in revenues and sales from ***pub2web*** impressive.

As it did in 2010, our debt position reduced by a further £0.5m in 2011 and it is my hope that with a healthier profitability in 2012, the debt position can be substantially reduced by the end of the year.

Staff
As George has stated in his Chief Executive's Review, it has been necessary to make a number of organisational changes to ensure the success of the business.

Whilst it is always difficult to make such changes, George and his team have the unanimous support of the Board. Sadly, two executive level colleagues have left us in the reshuffle.

During the year one of our Non Executive Directors, Ward Shaw, also left the Group.

I would sincerely thank them all for their loyalty, dedication, and integrity and on a wider front, I would once again like to recognise the professionalism, dedication and creativeness of the staff at Publishing Technology. We are a people based business, and the employees have proven year after year that we are a business staffed by the best in the industry.

2012 is shaping up to be transformative for the Group. There is already a lot of progress and change on many fronts. The ***advance*** products are nearing completion, the pub2web order book is fuller than it has ever been and the new full service representation deals in PCG are building a more stable and less sales dependent structure to that division.

It is an exciting time to be at the forefront of digital technology in publishing.

M C Rose
Chairman
2 March 2012
Publishing Technology plc

Financial review
For the year ended 31 December 2011

Overview
2011 has been a year of investment, with continued high Research and Development costs particularly for the ***advance*** product both in completing the final order to cash ("OtC") module and higher costs than expected from the first major implementations of ***advance*** which have had a significant impact on the project profitability achieved. Revenues have remained stable year on year but while the Enterprise divisions saw a reduction in old technology in the year with only a modest rise in new technology, the Online division saw a marked improvement in revenues due to the success of ***pub2web***.

Operating results
As a result of the additional investments in the ***advance*** product and higher implementation costs, the Group made a net profit for the year of £71K (2010: £885K). Revenue was slightly lower than the prior year at

£14.9m (2010: £15.0m) and there was a continued movement from mature products to newer technology. ***Pub2web*** in particular showed a healthy improvement. ***advance*** revenue suffered from the additional effort expended in the first major implementations. Margins for maintenance, hosting and managed services of the ***author2reader*** product were improved.

Gross profit for the year was £5.8m (2010: £6.2m) and gross margin as a percentage of revenue was 39% (2010: 42%).The reduction is due to the low margin attained on the first major implementations of the ***advance*** product. Sales and marketing and administrative expenses in the year were £5.6m (2010: £5.6m). EBITDA has reduced from £1.1m to £0.5m as a result of the increased investment in the product and the additional cost of implementations in the USA.

Taxation

A tax credit of £300K (2010: £317K) is included in the results for 2011 relating to amounts expected to be receivable under the Research and Development tax credit scheme. The claim has been prepared on the same basis as in prior years and is subject to HMRC approval. The amount receivable under the Research and Development tax credit scheme has reduced due to a change in the rules.

The Group has unutilised tax losses at 31 December 2011 in the UK and the USA of £14.4m (2010: £14.3m) and $12.7m (2010: $13.7m) respectively. The tax losses in the USA are restricted from April 2008 due to change of control rules being triggered by the issue of new shares in the parent company. The Group may use a maximum of $491K per annum of the brought forward losses for a maximum of 20 years from April 2008. The Board believes that the US legal entities have the potential to make use of $7.3m of the unutilised losses carried forward.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2010: £nil).

Financial position and cash

Shareholders' deficit totalled £1.8m as at 31 December 2011 (2010: deficit £1.8m). Cash inflow from operations was £22K (2010: £678K). At the year end, net bank overdraft was £0.4m (2010: £0.9m), an improvement of £0.5m in the year (2010: £0.5m). Cash absorbed by operations for capital expenditure during the year amounted to £41K (2010: £208K). A tax credit of £315K (2010: £154K) in respect of Research and Development expenditure was received in the year which related to the year ended 31 December 2010. The Board and the holders of the loan notes discussed the potential for conversion into equity during 2011 and agreed that these loans should remain outstanding on their existing terms.

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

Although at 31 December 2011 the Group had net current liabilities of £4.3m (2010: £4.4m), £3.7m (2010: £3.0m) relates to deferred income which will be recognised in the year ending 31 December 2012. In addition net cash inflows of £0.5m have been recognised in 2011.

The Group has secured an overdraft facility of £1.25m with HSBC plc which replaced RBS plc in June 2011. Management have assured themselves this is adequate for the needs of the business based on the cash flow forecasts. While this facility is due for annual renewal in June 2012, management has received confirmation from HSBC that based on their knowledge of the Group's performance, they do not see any reason that the facility should not continue to be provided until March 2013.

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

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

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

A B Moug C.A.
Chief Financial Officer
5 March 2012
Publishing Technology plc

Group Statement of Comprehensive Income
For the year ended 31 December 2011

	note	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Revenue		14,879	15,018
Cost of sales		(9,112)	(8,770)
Gross profit		5,767	6,248
Sales and marketing expenses		(1,812)	(1,787)
Administrative expenses		(3,804)	(3,777)
Profit from operations	2	151	684
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)		506	1,103
Depreciation		(187)	(187)
Loss on sale of property, plant and equipment		-	(33)
Foreign exchange (loss) / gain		(72)	64
Restructuring costs		(96)	(263)
Profit from operations		151	684
Finance costs		(334)	(275)
(Loss) / profit before income tax		(183)	409
Income tax	3	254	476
Profit for the year attributable to equity holders of the parent		71	885
Other comprehensive expense:			
Exchange differences on translation of foreign operations		(30)	(118)
Total comprehensive income for the year attributable to equity holders of the parent		41	767
Basic and diluted earnings per share (pence)	4	0.84	10.52

All activities are classified as continuing.

Group Statement of Financial Position
As at 31 December 2011

	31 Dec 11 £000	31 Dec 10 £000	31 Dec 09 £000
Non-current assets			
Goodwill and other intangible assets	3,737	3,737	3,737
Property, plant and equipment	315	357	346
	4,052	4,094	4,083
Current assets			
Trade and other receivables	3,648	3,128	2,883
Research and Development tax credit receivable	300	317	170
Cash and cash equivalents	1,056	1,751	1,162
	5,004	5,196	4,215
Total assets	9,056	9,290	8,298
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	(810)	(780)	(662)
Retained earnings	(7,607)	(7,678)	(8,563)
Investment in own shares	(7)	(6)	(4)
Total equity	(1,756)	(1,796)	(2,561)
Non-current liabilities			
Borrowings	1,500	1,500	1,500
Provisions	-	-	20
	1,500	1,500	1,520
Current liabilities			
Trade and other payables	7,328	6,963	6,533
Borrowings	1,964	2,623	2,538
Provisions	20	-	86
Deferred tax liability	-	-	182
	9,312	9,586	9,339
Total liabilities	10,812	11,086	10,859
Total equity and liabilities	9,056	9,290	8,298

Group Statement of Changes in Equity
For the year ended 31 December 2011

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

For the year ended 31 December 2010

	Share capital	Merger reserve	Reverse acquisition reserve	Translation reserve	Retained earnings	Investment in own shares	Total attributable to owners of parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'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 expense: Exchange differences on translating foreign operations	-	-	-	(118)	-	-	(118)
Total comprehensive (expense) / income for the year	-	-	-	(118)	885	-	767
Balance at 31 December 2010	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)

Group Statement of Cash Flows
For the Year ended 31 December 2011

	Year ended 31 Dec 11 £'000	Year ended 31 Dec10 £'000
(Loss) / profit before taxation	(183)	409
Adjustments for		
Depreciation	187	187
Loss on sale of property, plant and equipment	-	33
Interest expense	334	275
Unrealised foreign exchange differences	(30)	(118)
Increase in trade and other receivables	(535)	(245)
Increase in trade and other payables	163	344
Increase / (Decrease) in provisions	20	(106)
Cash (used in) / from operations	(44)	779
Interest paid	(242)	(255)
Research and Development tax credit received	315	154
Tax paid	(7)	-
Net cash from operating activities	22	678
Cash flows from investing activities		
Purchase of property, plant and equipment	(41)	(208)
Net cash used in investing activities	(41)	(208)
Cash flows from financing activities		
Cost of investment in own shares	(1)	(2)
Proceeds from short term borrowings	497	-
Payment of finance lease liabilities	(11)	-
Net cash used in financing activities	485	(2)
Net increase in cash and cash equivalents	466	468
Cash and cash equivalents at the beginning of the year	(872)	(1,376)
Exchange differences on cash and cash equivalents	(5)	36
Cash and cash equivalents at the end of the year	(411)	(872)

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2010 annual report and financial statements. These remain unchanged for the year ended 31 December 2011.

2. Profit from operations

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Research and development costs	2,489	2,653
Net foreign exchange losses / (gains)	72	(64)
Depreciation of property, plant and equipment		
- owned assets	169	187
- assets under finance leases	18	-
Operating lease rentals:		
- land and buildings	316	469
- other	142	153
Auditor's remuneration	72	85

3. Tax

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Analysis of charge in year		
Current tax:		
Current Research and Development tax credit - UK	300	317
Current year State tax – US	(29)	-
Adjustment to prior year charge - UK	(2)	16
Adjustment to prior year charge - US	(15)	(47)
	254	286
Deferred tax	-	190
Taxation	254	476

The Group has unutilised tax losses at 31 December 2011 in the UK and the USA of £14.4m (2010: £14.3m) and $12.7m (2010: $13.7m) 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 $7.3m (2010: $8.3m) of the total unutilised losses at 31 December 2011.

No deferred tax has been recognised in accordance with advice from US tax accountants on the basis that the US losses are restricted and there is uncertainty on the value of losses which will be able to be used.

The differences are explained below:

Reconciliation of tax expense	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
(Loss) / profit on ordinary activities before tax	(183)	409
Tax at the UK corporation tax rate of 26.49% (2010: 28%)	(48)	115
Expenses not deductible for tax purposes	13	14
Additional deduction for Research and Development expenditure	(453)	(362)
Surrender of losses Research and Development tax credit refund	341	317
Utilisation of UK losses	-	(123)
Unrelieved UK losses carried forward	44	150
Utilisation of US losses	(163)	(368)
Effect of foreign tax rates	20	73
Difference in timing of allowances	(87)	(71)
Adjustment to tax charge in respect of prior years	15	(31)
Unrelieved Brazilian losses carried forward	62	-
Unrelieved Australian losses carried forward	2	-
Release of deferred tax liability	-	(190)
Total taxation	(254)	(476)

United Kingdom Corporation tax is calculated at 26.49% (2010: 28%) of the estimated assessable profit for the year. The UK tax rate has changed based on the Chancellor's budget.

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Attributable profit	71	885
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and diluted) arising from both total and continuing operations	0.84p	10.52p

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 2011 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 the release of 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.