Move your content forward

Publishing Technology plc
Annual Report

For the year ended 31 December 2013

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The Directors submit to the members their report and accounts of the Group for the year ended 31 December 2013. Pages 1 to 18, including the Chairman's statement, Group strategic report, Corporate governance statement and Directors' remuneration report, form part of the Directors' report.

Directors and advisers

Executive Directors
G M Lossius, Chief Executive Officer
A B Moug C.A., Chief Financial Officer

Non-Executive Directors
M C Rose, Chairman
M A Rowse

Company Secretary
A B Moug C.A.

Registered Office
8100 Alec Issigonis Way
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OX4 2HU

Auditor
Grant Thornton UK LLP
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Highlights

- Gross revenues up 4% to £16.9m (2012: £16.3m)
- Gross profit down 2% to £5.8m (2012: £5.9m)
- Pre-tax profit up 135% to £0.7m (2012: £0.3m)
- Profit struck after Research & Development spend of £2.8m (2012: £3.3m)
- Total comprehensive income and earnings per share up 70% to 10.47p (2012: 6.16p)
- China JV in profit (£0.2m) (2012: loss £(0.1)m) on revenues of £0.9m (2012: £0.3m) after the first year of trading with a strong order book for 2014
- Orders signed since October 2013 aggregating to over £4m underpin ***advance*** revenues into 2014 and beyond

Publishing Technology plc

Content solutions that transform business

Publishing Technology (LSE: PTO) is the world-leading provider of content solutions that transform business. We cover the publishing process from end to end, with content systems, audience development and content delivery software and services. Listed on the AIM market of the London Stock Exchange, the company operates jointly from Europe (Oxford) and North America (Boston and New Jersey), with local offices in Brazil, India, China and Australia. Assisting 400 trade and scholarly publishers for over 35 years, Publishing Technology solves the fundamental issues content providers face.

Move your content forward

The future for publishers is uncertain. Success depends on the ability to react swiftly to a diverse array of challenges with systems that are agile, scalable and capable of handling today's challenges, and tomorrow's. Publishers need to concentrate on publishing, not on keeping pace with emerging technologies and specialized expertise and therefore require the right partner.

More than 80% of the world's leading publishers turn to Publishing Technology to advance their content strategies.

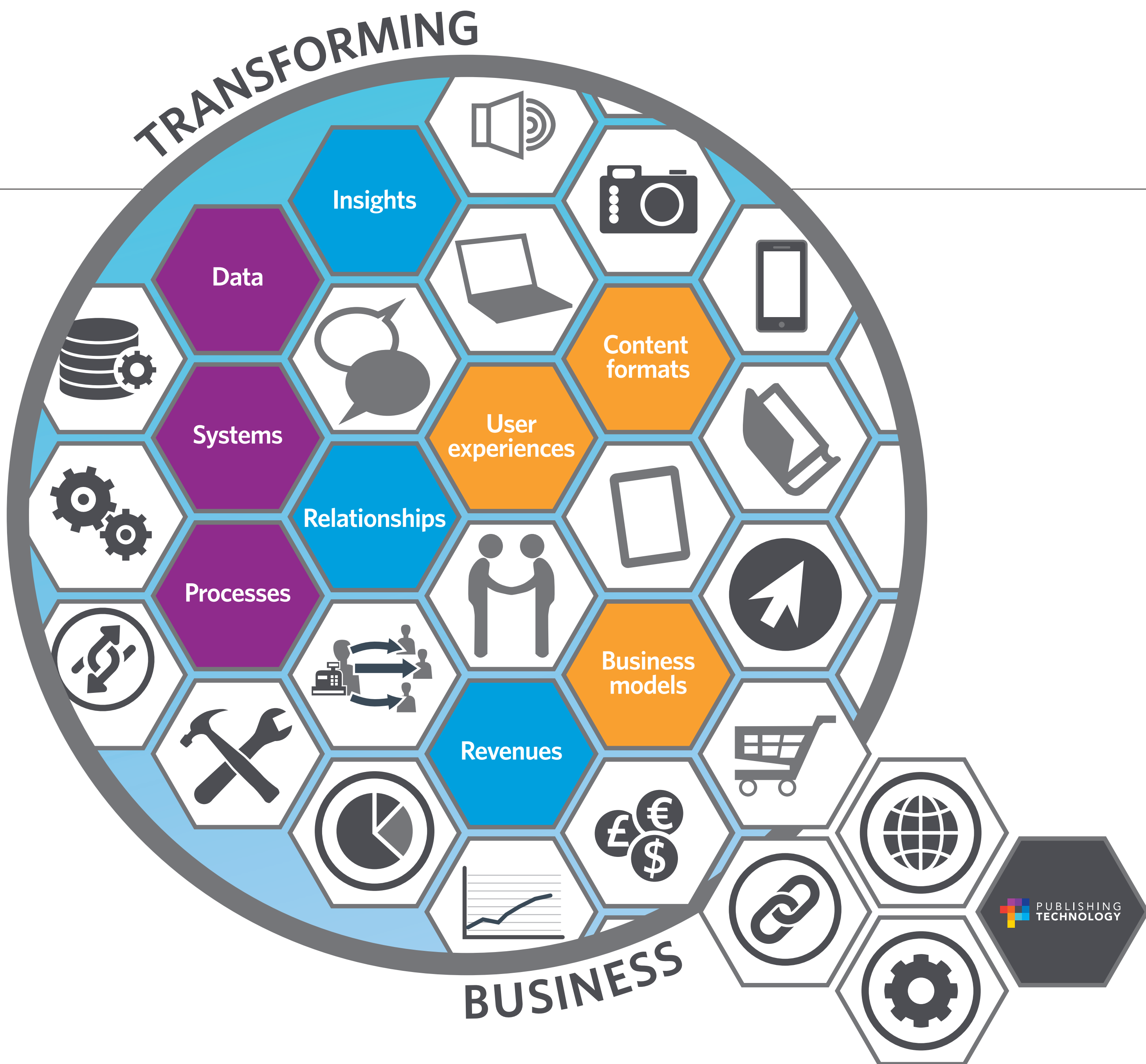
As a single, trusted partner, we have the solutions needed for all technology and business development requirements. We can assist every step of the way, from editorial acquisition through to end-user with our premier digital hosting platforms, sales and marketing consulting, and enterprise systems.

CONTENT SYSTEMS
- Royalties
- Permissions
- Editorial & Production
- Online Sales & Marketing
- Digital & Print Distribution

AUDIENCE DEVELOPMENT
- Global Sales Representation
- Telemarketing
- Market Research
- Customer Service
- Strategic Consulting

CONTENT DELIVERY
- Online Platforms
- Semantic Enrichment
- Mobile
- Ecommerce
- Access Entitlement

More than 80% of the world's leading publishers turn to Publishing Technology to advance their content strategies.



Why chose Publishing Technology?

- Broadest range of industry software and services, from trade to scholarly, print to Digital
- Unmatched industry knowledge, from the combined forces of VISTA (since 1977), ingenta (1998) and PCG (1990)
- Proven global solutions with 7 worldwide offices and history of installing the world's largest royalties system to date
- The best solutions supporting content of all types, giving new opportunities for monetisation and accelerated growth

CONTENT SYSTEMS > Empower your publishing future

Publishing Technology provides a range of applications designed to move content forward in the digital era, combining the best solutions for both print and digital products. Our revolutionary ***advance*** system supports royalties, permissions, editorial, production, online sales and marketing, as well as digital and print distribution.

Applying decades of industry expertise with new technology, ***advance*** is a strategic investment providing a flexible, modular solution that is product agnostic, cost-effective and can be implemented on a global scale. With ***advance***, publishers can integrate entire processes, maximize all revenue streams, and transform from print to digital business models.

advance>

The ***advance*** solution enables publishers to exploit:

- **All channels:** both legacy book trade and emerging direct-to-consumer supply chains
- **All paths to discovery:** best-in-class metadata management, visibility and social commerce
- **All revenue streams:** collect micro-revenues many times over
- **All business models:** supporting fragments, bundles, rentals, pay-per-view, subscriptions and samples
- **All content:** a truly agnostic enterprise system, not a bolt-on to print-based software

advance > Monetize your content

The modular software of ***advance*** can be configured to integrate with an existing technology environment. Modules can be purchased separately, in any combination or as a complete enterprise system.

Product Manager

Retain essential control and consistency of data by improving visibility, opening lines of communication and streamlining the end-to-end lifecycle management of all types of content. Manage assets along with editorial, production and marketing workflows with data transparency, unrivaled metadata management and a single version of the truth.

Relationship Manager

Track each and every touch point at both the individual and organizational level with the complete CRM solution underpinning the ***advance*** framework. Support sales force automation, case management and marketing alongside a 360 degree view of relationships.

Contracts, Rights and Royalties

Confidently fulfill contractual obligations, decrease operating expenses and boost revenue potential with individual applications or a complete intellectual property system. Leverage rights, royalties and permissions compliance with accurate cash flow forecasting, multicurrency calculations and tracking across various products and content types.

Order to Cash (OtC)

Package, market, sell and deliver content in the formats that customers demand, where and when they find it. Integrate the delivery of diverse product types and billing methods via multiple channels, including e-books, online subscriptions, social commerce, digital access, downloads and service billing, while providing full support for print and physical products.

Vista

The ***Vista*** solutions have been powering the fulfilment requirements of many large and smaller publishers for three decades. Even as Publishing Technology has been investing in the digital future, the business base of ***Vista*** and its sister product, ***author2reader*** continues to grow and the systems remain a mainstay in our product and service portfolio. We are very proud to continue a long term strategy of support and product progression for ***Vista*** and ***author2reader***, platforms that support major publishers such as Elsevier, Random House UK, Sage and Cengage.

ICS

Information Commerce Software (ICS) is a single solution that manages business models, access entitlement and cross-selling of products on multiple platforms. It can maximize existing content by creating new revenue streams at the touch of a button. ICS allows publishers to squeeze profits from their intellectual property by empowering sales and marketing teams to pinpoint the needs of the digital customer, create content bundles to sell on the fly, and integrate online models with back office legacy infrastructure.

A range of applications designed to move content forward

AUDIENCE DEVELOPMENT > Grow your business

Our internationally recognized sales and marketing consulting arm, **PCG (Publishers Communication Group)**, provides a range of services designed to support and drive sales strategy. With local staff in a number of countries, PCG has over 20 years of sales, marketing and research experience with a depth of knowledge in scholarly publishing and the global library community.

Whether it's focus groups with microbiologists, conference exhibits in the Ukraine or library visits at remote universities in Ecuador, PCG has been there. PCG offers a blend of customizable programs that will help publishers navigate their target market, increase sales and globalize their audience, no matter how treacherous the journey.

Deploy a global sales force: benefit from a world-class operation without the investment it would take to build one
Motivate target audience: reach out to end-users and decision makers with campaigns matched to local needs
Identify long-term opportunities: assess and implement new strategies through surveys, focus groups and custom reports

PCG SERVICES

Sales
- Local representation
- Multilingual outreach
- Lead generation
- Customer service

Marketing
- Promotional campaigns
- Collateral materials
- Conference exhibits
- Library relations

Research
- Gap analysis
- Focus groups
- Surveys
- Strategic consulting

A depth of knowledge in scholarly publishing and the global library community

CONTENT DELIVERY > Rise to the digital challenge

Publishing Technology offers a suite of electronic publishing services to support evolving digital strategies. Our hosting services deliver a total of over 70 million page views per year. Whether through our fully outsourced ***ingentaconnect*** scholarly portal or a custom, semantically enriched, multi-format ***pub2web*** platform, we enable publishers of any size, discipline or technical proficiency to convert, store, deliver, and monetise digital content.

pub2web

Publishing Technology's ***pub2web*** platform is a custom hosting solution that supports and delivers all the information an organisation publishes. The result of a multi-million dollar research and development program, ***pub2web*** has been built from the ground up using a powerful combination of industry standard architecture and semantic web technologies to showcase and connect content, regardless of format or type.

It provides online publishing essentials combined with an innovative approach to product development. With ***pub2web***, publishers can maximize the visibility, usage and value of their content while optimizing content licensing around flexible ecommerce and access controls.

- **Unique branding**
- **Multi-format data storage**
- **Semantic enrichment**
- **Flexible product development**
- **Sophisticated access control**

ingentaconnect

Over 250 publishers host their content on ***ingentaconnect***, the home of scholarly research. Academics and students access over 11,000 publications and conduct nearly one million downloads per month in over 25,000 registered institutions around the world.

Our fully outsourced e-publishing package is a proven channel to get content online quickly, easily and affordably. On ***ingentaconnect***, there is a broad spectrum of cost-effective services to choose from, whether a publisher is taking its content online for the first time, looking to increase revenues through online activity or thinking of creating a custom-branded website.

- **Data conversion and enhancement**
- **Secure web hosting**
- **Flexible ecommerce**
- **Linking and distribution**
- **Turn-key platform solution**

We enable publishers of any size, discipline or technical proficiency to convert, store, deliver, and monetise digital content

Chairman's statement

"We enter 2014 with a strong order book of work to be implemented as well as a good pipeline of additional prospects"

Results

I am pleased to report our audited results for the year ended 31 December 2013 which show a 4% increase in revenue and a £0.4m improvement to profit before tax compared to the prior year.

Growth in revenue and profitability were lower than previously expected due to delays in three large implementations of ***advance*** and ***pub2web***. However, the second half of the year saw substantial progress with ***advance*** and two large ***pub2web*** platforms going live (originally expected in the first half). The resulting transition to recurring maintenance and hosting revenue from these projects, although starting later than expected, now provides a higher recurring revenue base from which incremental revenue can grow in 2014 and beyond.

The core profitability centre of the Group remains ***Vista***, which had another excellent year, outstripping internal targets by a significant margin and proving once again that it has a long and profitable future. ***ingentaconnect*** and PCG both had a solid year, showing some revenue growth and maintaining their margins.

I am pleased to report that our investment in our Chinese joint venture is beginning to pay for itself, with the business unit (in which we have a 49% interest) increasing revenues markedly and producing a maiden profit of £0.2m in its second year of trading, reversing a first year loss of £(0.1)m in 2012. Prospects for 2014 are good, with deals signed for digital product management implementations with over 12 new publishers and a contract for implementing ***advance*** at a major Chinese reference publisher.

The Statement of Financial Position continues to improve although our year end borrowings are higher than last year as increased sales and project activity has extended the working capital requirement, with accrued revenue at 31 December 2013 being some £1m higher than the prior year. It is expected that this will flow through to additional invoicing and cash receipts during 2014.

Investment and return

Our strategy over the last few years has been clear: create ***advance*** and ***pub2web*** for the future, maintain revenue and profitability in ***Vista*** and ***ingentaconnect***, and transform PCG to a high value consultancy and full service representation business. 2013 has seen progress on all these fronts, but unfortunately the transition has taken longer than was envisaged, with delays in bringing ***advance*** and ***pub2web*** into profit and spending on research and development continuing at a higher rate than forecast during 2013.

Despite the delays, it is gratifying that after many years of engineering effort, the final module of ***advance*** is being implemented at four publishers and therefore the associated research and development expenditure should begin to reduce to a maintenance level. The ***advance*** software is proving its market-leading position with the software live or being implemented at 13 publishers, a strong pipeline of additional prospects, and a rapidly accelerating sales uptake, with over £4m of new contracts signed since October 2013 for implementation in the period up to 2016.

With growing volumes of recurring revenue from past implementations, a strong order book for both ***advance*** and ***pub2web***, and the expected reduction in research and development expenditure in 2014, we are ever closer to each of the new product divisions producing a net profit return on the substantial investment already made.

Board and management development

As we move from the investment and development phase of our strategy into the growth phase, our Chief Executive, George Lossius, felt that our skill set should be more closely aligned to the challenges of an organisation focused on sales and implementation. As a result, George has taken the decision to step down as Chief Executive of the Group although he will remain on the Board as a Non-Executive Director. The Board is in the process of agreeing the appointment of his replacement which will be announced in due course. The new Chief Executive's focus will be on enhancing the existing sales and sales support teams to sustain continued growth, as well as improving margins by ensuring that our project implementations are carried out as efficiently as possible as activity levels increase. This combination of sales growth, improved operational efficiency and lower research and development spend should lead to improved profits growth. I would like to thank George for his many years of service to Vista and Publishing Technology and wish his successor well as we continue to build the business.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2012: £nil).

Outlook

We have seen a marked increase in sales activity with a number of new deals being signed since October, particularly for ***advance***. We enter 2014 with a strong order book of work to be implemented as well as a good pipeline of additional prospects both for ***advance*** and ***pub2web*** and our Chinese joint venture continues to show good growth in revenues and profits. The strategy for 2014 is to ensure the new products are optimised for efficient implementation, to maintain ***Vista*** and ***ingentaconnect's*** recurring revenue and profitability, and improve margins in the PCG business.

Overall this gives the management team substantial confidence that 2014 will demonstrate continued and accelerating improvement in results for the Group as a whole.

M C Rose
Chairman
28 February 2014
Publishing Technology plc

*"we have seen some good projects being signed in 2013 which has been the best sales year for **advance** so far. "*

Our industry

The publishing industry is still evolving with digital products and online market places opening new sales opportunities. Publishers are now able to break out and re-bundle existing content to create new digital products with which they can target specific markets and boost returns from current assets as well as make use of new sales methods to widen the customer base. Electronic books and journals can be sold in multiple ways through various channels (as physical copy, as pdf download, as text on a computer, as data pushed to a mobile device) and can be sold whole or piecemeal (a chapter, a collection of elements related to a topic, an index or even just a quote, table or photograph).

Granular elements owned by a publisher can be re-packaged and re-sold in different bundles or the rights sold to another publisher to create bundled product from a number of sources. This leads to complexity in the management of rights and royalties as the rights associated with granular "product" elements need to be preserved, monitored and monetised through multiple layers of usage. In addition, access to electronic data has to be secure but available to a subscriber who may have multiple subscriptions to multiple products through multiple affiliations (personal, corporate, societal).

How customers access the supply chain has also changed, with over 45% of all books purchased in the US purchased online (around 20% in the UK). The market has embraced online purchasing, and is also embracing e-books, with around 20% of books now sold in this format. The door is open for publishers and information providers to make the most of the opportunities the online and digital environments provide and Publishing Technology has the products and services required to do so.

We recognised the subtleties of this new era some time ago, and invested to create products which work seamlessly between digital data and physical books and journals. Using ***advance*** and ***pub2web*** systems multiplies the possibilities for data usage exponentially by giving publishers the power to create and control business models to meet new challenges and improve financial returns.

Our strategy

Our strategy has been split into two stages; firstly the build phase, in which we created integrated, content agnostic and future proof products and secondly the growth phase, driving sales and recurring revenue from the new products whilst maintaining margin from older products throughout.

We have now completed the build phase of this plan. There will be a period of settlement as new products are optimised and we develop an efficient implementation methodology, but we are now in the growth phase in which we build recurring revenues and boost profitability to provide returns for shareholders.

In addition to the strategy around our product set and the B2B business, the Board is also investigating the possibility of using our ***pub2web*** platform as the base of a new B2C marketing and retail channel for publishers. We believe this could create a more direct relationship between author and reader and enhance the supply chain by working with bookstores, authors, editors, curators and publishers to provide the consumer with an enhanced experience. The Board will update investors once it has concluded its current investigations.

Operating results

Gross revenue was 4% higher than the prior year at £16.9m (2012: £16.3m) mainly due to the increase in revenue in the Chinese joint venture adding £0.3m and a 9% increase in revenue within the ***Vista*** division. The increase in ***Vista*** was due to additional licence sales to existing customers and additional time based services associated with supporting ***Vista*** projects at a number of customers.

Profit before tax improved by 135% compared to 2012 despite delays to a number of projects in the year.

Gross profit dipped marginally in the year from £5.9m to £5.8m as more effort was required to complete implementations in the year than was envisaged, particularly two major ***pub2web*** implementations. The additional effort required increased ***pub2web*** staff costs by around £0.5m year on year and therefore reduced achievable revenue elsewhere.

The statement of financial position improved with net liabilities decreasing from £1.3m to £0.4m and trade payables reducing from £8.2m to £7.5m. Trade receivables increased from £3.7m to £4.5m as sales activity picked up towards the year end. Accrued income also increased as a result of increased project work. This is a common feature in large enterprise implementations and will be present through 2014 as a result of new sales but it is expected to reduce from the high level at the end of 2013 mainly due to changes being introduced in implementation efficiency and contract terms.

The changing revenue mix from old to new products stalled in 2013 as a result of implementation delays and significantly higher revenue in ***Vista*** than forecast but is expected to continue to transition in 2014.

Sales, marketing and administrative expenses in the year were £4.9m (2012: £5.3m). The reduction was due to restructuring costs included in 2012 not repeated in 2013.

Divisional results

Vista

Vista had an exceptional year in 2013, increasing revenue by 9% to £7.5m (2012: £6.9m). Gross margin increased from 50% to 53% as a result of additional licence sales to existing customers and the completion of a new implementation for an international publishing customer.

Revenues in this division are dominated by recurring maintenance, hosting, and managed services, and while those revenue streams were maintained, with less than a 1% decline in recurring revenue, they were augmented by license purchases and a renewed pipeline of capital investment projects despite many publishers' corporate mandates to migrate to new platforms being delayed or cancelled. This combination of circumstances led to a very good result for the division.

advance

advance revenue fell by £0.2m to £2.5m in 2013 (2012: £2.7M). Recurring revenue improved slightly but time based services fell by £300K in a slow implementation year with a number of delays. This is in sharp contrast to 2013 being the best sales year for ***advance*** so far in which we have sold four new deals which have either started or are due to start in 2014 and run into 2015 and beyond.

While project progress in 2013 was not at the pace we hoped, we have now sold, completed, or started projects for every ***advance*** module, in each of our key target sectors and geographies and prospects are good for accelerating levels of activity. There are now more than 20 ***advance*** modules live or being implemented at over 13 publishers. The implementations currently underway or due to start have substantially underpinned our order book for 2014 and provide time based revenue into 2015 and 2016.

2013 was a positive year for ***advance*** research and development with a number of core developments being completed. Order to cash (OtC) is now deployable and being implemented for four customers during 2014. There are still some elements to be optimised but engineering investment should begin to reduce during 2014.

Online

Online revenue fell by £0.3m in 2013 to £4.1m (2012: £4.4m). This was entirely due to delays in two ***pub2web*** projects which both went live towards the end of the year rather than in the first half as expected. Both projects were much larger than all previous ***pub2web*** implementations with one being of an equivalent size to ***ingentaconnect***. The accumulation of live customers on ***pub2web*** now transforms the recurring revenue of the division. There are now 15 live ***pub2web*** platforms hosted in UK, US, France, Japan, and China.

A further £0.5m was invested in research and development on the ***pub2web*** platform in the year. This will slightly reduce in 2014 although any reduction is likely to be offset by additional investment being made in the ***ingentaconnect*** platform.

ingentaconnect revenue improved slightly in 2013 with particularly good time based revenues from existing customers which presage two larger publishers moving off the platform in 2014. One is moving to ***pub2web*** but one is being lost and this will affect margins in 2014 for ***ingentaconnect*** particularly as we re-invest in the platform and in business development activity to attract new customers.

PCG

PCG revenue increased by 12% compared to the prior year to £2.4m (2012: £2.1m). This was mainly due to the first full year of sales of Drama Online and the Churchill Archive on behalf of Bloomsbury, a 22% increase in content sales revenue over the prior year, and a steady increase in BioOne revenue.

The slowdown in the Brazilian economy has challenged the PCG Brazilian operation. Telemarketing revenue was also depressed in 2013 but we began to move from small low margin business to larger, higher margin telemarketing and consulting. In Brazil, we will scale back some activities, and in telemarketing we will ensure that we concentrate on the most profitable areas which may also allow us to re-deploy resource to other opportunities.

For 2014, PCG will focus on increasing revenue and improving margins in core business activities and reducing risk.

China

The Chinese joint venture, Beijing Ingenta Digital Publishing Technology (BIDPT), in which we hold a 49% stake, has established a good foothold in the market, recently winning 12 publisher contracts as part of a government sponsored initiative to drive publishers towards online platforms. BIDPT was one of only five companies chosen to provide services for which the Chinese Government will provide 30% of the funding.

We have sold the first instance of ***advance*** in China to China Law Press who have recently signed the contract for implementation. The pipeline for ***advance*** and ***pub2web*** in China is growing and as a result the employee numbers have increased to over 20 technical staff led by local managers to serve the Chinese market.

Business Development

2013 saw the implementation of a new business development strategy that focused on early approach to potential prospects, good qualification and a focus on global accounts. As a result we have seen some good projects being signed in 2013 which has been the best sales year for ***advance*** so far.

There have been three major signings since late 2013; UK book and periodicals distributor Turpin Distribution; a second large UK based distributor; and a leading French legal publisher. Our current pipeline of future prospects is also strong and we look forward to reporting further contract wins during 2014.

Taxation

A tax credit of £216K (2012: £235K) is included in the results for 2013 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 Group has unutilised tax losses at 31 December 2013 in the UK and the USA of £14.7m (2012: £14.6m) and $11.9m (2012: $12.4m) 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 US 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 $6.3m (2012: $6.8m) of the unutilised losses carried forward.

Cash flow

Cash outflow from operations was £1.0m (2012: £0.5m inflow) mostly as a result of a £0.8m increase in trade receivables and a £0.8m reduction in trade and other payables. At the year end, net borrowings were £1.3m (2012: £0.5m). Cash flow in the year was affected by the increased working capital requirements of implementing a number of large scale projects in 2013, particularly in the ***advance*** division. Cash flow was lower than expected as a result of accrued revenue (revenue recognised on work complete ahead of invoicing to customers) increasing by £0.4m to £1.3m.

It is expected that as the ***advance*** projects being implemented in 2014 get closer to a *go live* position and as future projects are undertaken under different payment terms, the pressure on working capital as a result of accrued revenue will ease during 2014.

Cash absorbed by operations for capital expenditure during the year amounted to £137K (2012: £75K). A tax credit of £237K (2012: £312K) in respect of research and development expenditure was received in the year which related to the year ended 31 December 2012.

Funding

The Group has a core overdraft facility of £1.25m with HSBC plc. Management have assured themselves that this, together with other available short term funding, is adequate for the needs of the business based on the cash flow forecasts. The Group has marked seasonality in cash flows which is expected to continue and has been taken into account in assessing the working capital requirements. The overdraft facility is due for renewal in April 2014. 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 2015.

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

The Company did not redeem any loan notes during 2013. The loan notes are accruing interest at 12% per annum (paid bi-annually) until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2015.

During the year the Group made use of short term loans from Directors to cover the cash requirement peaks at mid year and year end.

The Group had net current liabilities of £3.2m (2012: £3.8m) as at 31 December 2013, of which £4.0m (2012: £4.1m) relates to deferred income which will be recognised as revenue in the year ending 31 December 2014.

Review of business and future developments

The Directors use a number of key performance indicators to measure the success of the business. These include, but are not limited to: revenue, gross margin, EBITDA, cash flow, sales pipeline data, and data on internet usage including site visits and downloads. These KPIs are measured monthly against budget and forecast.

The main business risks are not meeting revenue targets, not being able to attract the required funding for the Group's cash profile, and the risk of delays to implementations from human error, customer readiness or software bugs.

The revenue risk is reduced by providing customer service which maintains current and recurring revenue and by continuing to develop new products which continue to attract new customers and bring in new licence and implementation revenues.

The funding risk is reduced by having an agreed facility with the Group's bankers, by continuing to be profitable and cash generative to reduce debt.

The technology risk is reduced by the experience of the employees who develop and implement the products, on-going training, robust processes for development and implementation, and the competitive advantage of having what the board believes to be the most advanced software available in the market.

On behalf of the Board.

G M Lossius
Chief Executive Officer
28 February 2014

Directors' report

For the year ended 31 December 2013

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The Group's principal activities are the provision of content systems, audience development and content delivery software and services, including the internet-based electronic delivery of published research materials, and the provision of internet-based search and access services for libraries and consumers.

Going concern

The Directors have prepared the financial statements on the going concern basis. In assessing whether this assumption is appropriate, management have taken into account all relevant available information about the future including profit and cash forecasts, the support of the shareholders and Directors, banking facilities and management's ability to affect costs and revenues.

Management regularly forecast profit, financial position and cash flows for the Group. A rolling forecast is updated monthly; with a short term ten week cash forecast updated daily. Revenue is forecast in detail with all revenue contracts individually listed and ranked by probability from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years in light of known changes and have concluded that forecast costs are robust.

Directors

The Directors of the Company who held office during the year were:

Executive Directors	G M Lossius, Chief Executive Officer
	A B Moug, Chief Financial Officer
Non-Executive Directors	M C Rose, *Chairman*
	M A Rowse

The interests of Directors in the shares of the Company at 31 December 2013 are disclosed in the Directors' remuneration report.

Corporate governance

Details of corporate governance for the year to 31 December 2013 are disclosed in the corporate governance statement.

Research and development activities

The Group carries out research and development activities in connection with administration systems, web delivery, access control and linking technologies. All costs relating to these activities are written off to the Statement of Comprehensive Income as incurred. The charge to the Statement of Comprehensive Income was £2.8m (2012: £3.3m) in the year to 31 December 2013.

Substantial shareholdings

As at 14 February, 2014 the Company had been notified of the following shareholders who are interested, directly or indirectly, in three percent or more of the issued share capital of the Company:

Name	Number of ordinary 10p shares	Percentage of issued ordinary share capital
M C Rose	2,508,112	29.81%
Sutterton Label Printers	538,000	6.39%
A B Moug	476,795	5.67%
Legal & General Assurance Society Limited	460,000	5.47%
Almandine LLC	435,065	5.17%
G M Lossius	422,627	5.02%
The executors of B P Gibson	361,646	4.30%
Criseren Investments Limited	359,942	4.28%
W J Barbour	354,500	4.21%
M A Rowse	273,277	3.25%

Charitable and political contributions

The Group made no political contributions (2012: £nil) and made £1,000 of charitable contributions (2012: £500) during the year.

Creditor payment policy

The Group's payment policy is to negotiate with its suppliers at the time they are engaged and to abide by the terms agreed. During the year ended 31 December 2013 the Group, on average, paid its trade payables within 49 days of receipt of a valid invoice (2012: 48 days, 2011: 47 days).

Due to the company being a holding company and having limited trade, details have been provided for the Group which the Directors consider to be a fair reflection of business activities.

Financial risk management

Details of the Group's financial risks are given in note 26.

Employment policy

Group employees are regularly consulted by Management and kept informed of matters affecting them and the overall development of the Group. The Group's policy is to give disabled people full and fair consideration for job vacancies, having due regard for their abilities and the safety of the individual. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and appropriate training is arranged.

Directors' and officers' liability insurance

The Group, as permitted by sections 234 and 235 of the Companies Act 2006, maintains insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Group.

Auditor

Grant Thornton UK LLP, offer themselves for re-appointment as auditor. A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board.

G M Lossius
Director
28 February 2014

Corporate governance statement

Corporate governance statement

The Group is committed to high standards of corporate governance. It has adopted procedures to institute good governance insofar as it is practical and appropriate for an organisation of its size and nature, notwithstanding the fact that companies that have securities traded on the Alternative Investment Market (AIM) are not required to comply with the UK Corporate Governance Code as appended to the Listing Rules issued by the Financial Services Authority.

As the Group grows, it will regularly review the extent of its corporate governance practices and procedures. At its current stage of development, the parent company does not consider it appropriate to be fully compliant with the UK Corporate Governance Code.

Board of Directors

Board meetings are scheduled to take place every month, with additional meetings to review and approve significant transactions. There were twelve meetings in the year to 31 December 2013. The Board is provided with Board papers before each Board meeting. The Company Secretary's services are available to all members of the Board. If required, the Directors are entitled to take independent advice and if the Board is informed in advance, the Group will reimburse the cost of the advice. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

Non-Executive Directors are appointed on a contract with a three month notice period and the Executive Directors are appointed on a contract with a twelve month notice period. All Directors are subject to re-election. Each year, one third of the Directors are subject to re-election by rotation. The Group does not combine the role of Chairman and Chief Executive. New Directors are subject to re-election at the first AGM after their appointment.

At the year end, the Board comprised the Non-Executive Chairman, the Chief Executive, the Chief Financial Officer and one other Non-Executive Director.

Remuneration Committee

The Remuneration Committee is composed of two Non-Executive Directors: M C Rose (Chairman) and M A Rowse. It is responsible for the terms and conditions and remuneration of the Executive Directors and senior management. The Remuneration Committee may consult external agencies when ascertaining market salaries. The Chairman of the Remuneration Committee will be available at the AGM to answer any shareholder questions.

Audit Committee

The Audit Committee is comprised of two Non-Executive Directors: M C Rose (Chairman) and M A Rowse. It monitors the adequacy of the Group's internal controls and provides the opportunity for the external auditor to communicate directly with the Non-Executive Directors.

The Audit Committee also ensures that the external auditor is independent via the segregation of audit related work from other accounting functions and non audit related services provided, and measures applicable fees with similar auditors.

Relations with shareholders

The Group gives high priority to its communication with shareholders. This is achieved through the Group's website, correspondence and extensive corporate information. In addition, the Group visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports online, from the Group's head office or via the Financial Times Annual Report Service. At the AGM the shareholders are given the opportunity to question members of the Board. The notice of the AGM is sent to shareholders at least 21 business days before the meeting.

Internal controls

The Board of Directors acknowledges its responsibility for the Group's system of risk management and internal control, including suitable monitoring procedures. There are inherent limitations in any system of risk management and internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Group's control environment is the responsibility of the Group's Directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for business units is delegated to the operational management, including key risk assessment. Investment policy, acquisition and disposal proposals and major capital expenditure are authorised and monitored by the Board.

The Group operates a comprehensive budgeting and financial reporting system and, as a matter of routine, compares actual results with budgets, which are approved by the Board of Directors.

Management accounts are prepared for the Group on a monthly basis. Material variances from budget are thoroughly investigated. In addition updated forecasts are prepared monthly, to reflect actual performance and the revised outlook for the year.

The Board considered the usefulness of establishing an internal audit function and decided in view of the size of the Group, it was not cost-effective to establish. This will be kept under review.

Functional reporting and risk management

The Directors and management have considered the risks facing the business and these are assessed on an ongoing basis. The key risks are discussed in the Director's Report. Other risks which come under the direct control of the Directors include treasury management, capital expenditure, insurance, health and safety and regulatory compliance. Risk assessment includes the review of potential mitigations. The accounting policies cover several key risks and these are included in the notes.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) for the parent company and International Financila Reporting Standards (IFRS's) as adopted by the European Union for the group. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards for the parent company and IFRS's for the group have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.

M C Rose
Chairman of the Audit Committee
28 February 2014

Directors' remuneration report

For the year ended 31 December 2013

The Remuneration Committee comprises M C Rose (Chairman) and M A Rowse who are Non-Executive Directors. The Remuneration Committee decides the remuneration policy that applies to Executive Directors and senior management. The Remuneration Committee meets regularly in order to consider and set the annual remuneration for the Executive Directors, having regard to personal performance and industry remuneration rates. In determining that policy, it considers a number of factors including:

- the basic salaries and benefits available to Executive Directors of comparable companies,
- the need to attract and retain Directors of an appropriate calibre, and
- the need to ensure Directors' commitment to the success of the Group.

Non-Executive Directors are appointed on a contract with a three month notice period and may be awarded fees in relation to the Board and committee meetings attended. Any fee awards to Non-Executive Directors are determined by the Board. Non Executive Directors do not participate in the Company's share option scheme and do not receive the benefit of pension contributions.

The Group made contributions to externally administered defined contribution pension schemes for two Executive Directors.

The interests of the Directors at 31 December 2013 in the shares of the Company were as follows:

	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2013	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2012
M C Rose	2,508,112	2,508,113
A B Moug	476,795	471,619
G M Lossius	422,627	422,627
M A Rowse	273,277	273,277

Directors' interests

The Directors at 31 December 2013 had no interests in options over the ordinary shares. The Directors had no post-employment benefits, other long-term benefits, termination benefits or share-based payments in the year.

The market price of the Company's shares at the end of the year was £3.47 and the price ranged in the year between £1.95 and £6.50.

Directors' remuneration

	Salary and fees £'000s	Benefits £'000s	Sums paid to a third party for Directors' services £'000s	Pension Contribution £'000s	Total Remuneration £'000s	Group National Insurance costs £'000s	2013 Total cost of employment £'000s	2012 Total remuneration £'000s	2012 Total cost of employment £'000s
G M Lossius	125	13	-	31	169	17	186	163	181
A B Moug	117	14	-	14	145	16	161	151	168
M C Rose	36	-	51	-	87	4	91	84	88
M A Rowse	-	-	25	-	25	-	25	41	41
					426		463	439	478

On behalf of the Remuneration Committee.

M C Rose
Chairman
28 February 2014

Auditor's report

Independent auditor's report to the members of Publishing Technology plc

We have audited the financial statements of Publishing Technology plc for the year ended 31 December 2013 which comprise the Group statement of comprehensive income, the Group statement of financial position, the Group statement of changes in equity, the Group statement of cash flows, the parent company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
28 February 2014

Group Statement of Comprehensive Income

For the year ended 31 December 2013

	note	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Gross revenue		16,910	16,284
Less revenue from joint venture	3	(439)	(148)
Group revenue	2	16,471	16,136
Cost of sales		(10,703)	(10,270)
Gross profit		5,768	5,866
Sales and marketing expenses		(1,507)	(1,510)
Administrative expenses		(3,372)	(3,760)
Profit from operations	5	889	596
Share of profit / (loss) from joint venture	3	104	(28)
Finance costs	7	(328)	(285)
Profit before income tax		665	283
Income tax	8	216	235
Profit for the year attributable to equity holders of the parent		881	518
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(57)	(31)
Total comprehensive income for the year attributable to equity holders of the parent		824	487
Basic and diluted earnings per share (pence)	9	10.47	6.16

All activities are classified as continuing.
The accompanying notes form part of these financial statements.

As at 31 December 2013

	note	31 Dec 13 £'000	31 Dec 12 £'000	31 Dec 11 £'000
Non-current assets				
Goodwill and other intangible assets	10	3,737	3,737	3,737
Property, plant and equipment	11	349	343	315
Investments accounted for using the equity method	3	278	24	-
		4,364	4,104	4,052
Current assets				
Trade and other receivables	12	5,971	4,762	3,648
Research and Development tax credit receivable	8	240	235	300
Cash and cash equivalents	13	1,235	1,774	1,056
		7,446	6,771	5,004
Total assets		11,810	10,875	9,056
Equity				
Share capital	20	841	841	841
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(898)	(841)	(810)
Retained earnings		(6,208)	(7,089)	(7,607)
Investment in own shares	22	(7)	(7)	(7)
Total equity		(445)	(1,269)	(1,756)
Non-current liabilities				
Borrowings	15	1,500	1,500	1,500
Finance leases	18	72	87	56
		1,572	1,587	1,556
Current liabilities				
Trade and other payables	14	7,454	8,238	7,272
Borrowings	15	3,229	2,319	1,964
Provisions	16	-	-	20
		10,683	10,557	9,256
Total liabilities		12,255	12,144	10,812
Total equity and liabilities		11,810	10,875	9,056

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2014 and were signed on its behalf by:

A B Moug C.A.
Director

G M Lossius
Director

The accompanying notes form part of these financial statements.

Registered number: 837205

Group Statement of Changes in Equity

For the year ended 31 December 2013

	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 2013	841	11,055	(5,228)	(841)	(7,089)	(7)	(1,269)
Profit for the year	-	-	-	-	881	-	881
Other comprehensive expense:							
Exchange differences on translating foreign operations	-	-	-	(57)	-	-	(57)
Total comprehensive (expense) / income for the year	-	-	-	(57)	881	-	824
Balance at 31 December 2013	841	11,055	(5,228)	(898)	(6,208)	(7)	(445)

For the year ended 31 December 2012

	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 2012	841	11,055	(5,228)	(810)	(7,607)	(7)	(1,756)
Profit for the year	-	-	-	-	518	-	518
Other comprehensive expense:							
Exchange differences on translating foreign operations	-	-	-	(31)	-	-	(31)
Total comprehensive (expense) / income for the year	-	-	-	(31)	518	-	487
Balance at 31 December 2012	841	11,055	(5,228)	(841)	(7,089)	(7)	(1,269)

For the year ended 31 December 2013

	note	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Profit before taxation		665	283
Adjustments for			
Share of (profit) / loss from joint venture		(104)	28
Depreciation		218	174
Interest expense		328	285
Unrealised foreign exchange differences		(57)	(31)
Increase in trade and other receivables		(1,210)	(1,114)
(Decrease) / increase in trade and other payables		(802)	905
Decrease in provisions		-	(20)
Cash (outfow) / inflow from operations		(962)	510
Interest paid		(285)	(273)
Research and Development tax credit received		237	312
Tax paid		(25)	(12)
Net cash (outflow) / inflow from operating activities		(1,035)	537
Cash flows from investing activities			
Purchase of property, plant and equipment		(137)	(75)
Joint venture investment		(150)	(52)
Net cash used in investing activities		(287)	(127)
Cash flows from financing activities			
Proceeds from / (repayment of) short term borrowings		634	(497)
Payment of finance lease liabilities		(103)	(53)
Net cash from / (used in) financing activities		531	(550)
Net decrease in cash and cash equivalents		(791)	(140)
Cash and cash equivalents at the beginning of the year	13	(545)	(411)
Exchange differences on cash and cash equivalents		(9)	6
Cash and cash equivalents at the end of the year	13, 23	(1,345)	(545)

The accompanying notes form part of these financial statements.

Notes to the Group financial statements

For the year ended 31 December 2013

General information and nature of operations

Publishing Technology plc (the 'Company') and its subsidiaries (together the 'Group') is a provider of content systems, audience development and content delivery software and services to publishers, information providers, academic libraries and institutions. The nature of the Group's operations and its principal activities are set out in the Chairman's statement and Group Strategic report.

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, OX4 2HU. The consolidated financial statements were authorised by the Board of Directors for issue on 28 February, 2014.

1. Principal accounting policies

Going concern

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's 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 monthly.

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 ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and concluded that forecast costs are robust.

As at 31 December 2013 the Group had net current liabilities of £3.2m (2012: £3.8m), of which £4.0m (2012: £4.1m) relates to deferred income which will be recognised in the year ending 31 December 2014.

The Group has secured an overdraft facility of £1.25m which will be reviewed as positive cash flows reduce the requirement. This facility is due for annual renewal in April 2014 however management have received confirmation from HSBC that based on their knowledge of the Group's performance they do not see any reason that the facility would not be provided until March 2015, being the period to which the going concern forecasts have been prepared. Management have assured themselves that this facility, together with short term director's loans funding as required, is adequate for the needs of the business based on the cash flow forecasts.

The Company did not redeem any of the loan notes during 2013. The Company is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. The Company will continue to pay interest at 12% on the £1.5m until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2015.

The major risks for future trading are the uptake of new generation products ***advance*** and ***pub2web***, which to a certain extent will rely on the general economic conditions improving, allowing publishers and information providers to commit to larger capital expenditure projects. The new customer wins in 2013 gives the Board confidence that the forecast for 2014 is achievable. It is therefore considered appropriate to use the going concern basis to compile these financial statements.

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

The accounting policies applied have been applied consistently throughout the Publishing Technology Group. The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain financial instruments.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Significant management judgements in applying accounting policies

The following are the significant management judgements used in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Contract revenue

The stage of completion of any long term contract is assessed by management by taking into consideration all information available at the reporting date. In this process management makes significant judgements about milestones, actual work performed and the estimated costs to complete the work.

Support revenue

The Group provides after-sales support. The amount of the selling price associated with the subsequent servicing agreement is deferred and recognised as revenue over the period during which the service is performed. The nature of services provided depends on the customer's use of the products. Therefore management needs to make significant judgements in determining when to recognise income from after-sales services. In particular, this requires knowledge of the customers and the markets in which the Group operates. The recognition is based on historical experience in the market, and management believes that after-

sales-support gives rise to income recognition based on services actually performed.

Deferred tax assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Research and development expenditure

Research and development expenditure is fully written off to the Statement of Comprehensive Income as costs are incurred. The Board have taken into account the inherent risks in all research and development expenditure and specifically the expenditure being incurred by the business in the year and have concluded that the requirements of IAS 38 to capitalise development expenditure have not been met.

Estimation uncertainty

When preparing the financial statements management make a number of estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Impairment

An impairment loss is recognised for the amount by which an asset's, or cash generating unit's, carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset, or cash-generating unit, and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. See note 10 for details of the review.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2013. Subsidiaries are entities over which the Group has the power to control the financial and operating policies, so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The acquisition cost is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer and excludes any transaction costs. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment in joint ventures. The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Stock options

The Group operates an Approved and an Unapproved Employee Stock Option plan. No charge has been recognised during the year as the fair value of the options is not considered to be material. Only material charges are recognised.

Property, plant and equipment

Cost

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation

Depreciation is calculated using the straight - line method to allocate the cost of assets less their estimated residual value over their estimated useful lives, as follows:

Leasehold improvements	Over the term of the lease
Computer equipment	3 yrs
Fixtures, fittings and equipment	5 yrs

The residual value and the useful life of each asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Disposal of assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are recognised immediately in the income statement and are not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and at least annually thereafter.

On disposal of a subsidiary, the attributable net book value of goodwill is included in the determination of the profit or loss on disposal.

Impairment of intangibles and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related goodwill.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The Group classifies its financial assets as 'loans and receivables' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group assesses at the date of each Statement of Financial Position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Statement of Financial Position.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method; less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy

or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Statement of Comprehensive Income within 'Sales and marketing expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Sales and marketing expenses' in the Statement of Comprehensive Income.

Available for sale financial assets

Available for sale financial assets are non derivative financial assets that are either designated in this category or are not classified in any other category. They are included in non current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

On initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. After initial recognition, financial assets are measured at fair value, without any deduction of transaction costs.

Gains and losses arising from changes in the fair value of a financial asset are recognised in other comprehensive income, except for impairment losses. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified from equity to profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Financial liabilities

The Group's financial liabilities include borrowing and trade and other payables.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits together with other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity

Share capital represents the nominal value of shares that have been issued.

The translation reserve within equity relates to foreign currency translation differences arising on the translation of the Group's foreign entities.

Retained earnings include all current and prior year retained profits and losses.

Reverse acquisition reserve and merger reserve represent balances arising on the acquisition of Ingenta plc in 2007. The IFRS 3 acquisition adjustment reflects the entries required under reverse acquisition accounting, whereby consolidated shareholders funds comprise the capital structure of the legal parent combined with the reserves of the legal subsidiary and the post acquisition reserves of the parent.

Investment in own shares within equity represents the cost of shares held within the Vista International Employee Share Ownership Trust 1999.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into account the type of customer, type of transaction and specifics of each arrangement.

Revenues from the processing of e-journal content and ongoing services within ***ingentaconnect*** are recognised in the period to which they relate. The period is assessed by reference to when the work is carried out.

Revenues from document delivery under pay per view access, clearance and digitisation services within ***ingentaconnect*** revenue, are recognised on despatch/delivery of the documents.

Revenues from long term contracts within consulting services are recognised on the percentage of completion method. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end. Where certain products are sold as multi element arrangements, revenue is recognised when each element is delivered to the customer based on the fair value of each product element which is assessed as being the selling price of the product when sold separately.

Revenues collected or billed in advance for hosted services, managed services and support and upgrade revenue, are recorded as deferred income and recognised over the term of the contract or the period to which it relates.

Revenue from sales of software licences is recognised immediately if there are no associated implementation requirements. Otherwise licence revenue is recognised over the period of the implementation on a percentage complete basis. Software licences can only be sold without associated implementation where they are additional licences within the existing install base.

Revenue within PCG from contracts where the Group acts as sales agent is recognised when invoices are sent on behalf of the customer to subscribers. The Group raises invoices on behalf of customers and collects the remittances from subscribers acting as agent and therefore no entries are made in the Group's ledgers for invoices raised. Revenue from these contracts is the commission element of the sale earned when invoices are raised to subscribers being PCG's obligations under the agreement. Revenue is therefore accrued for invoices raised to subscribers as agent based on the percentage commission to be applied to each sale. The Group invoices the customer for the Group's commission monthly in arrears when cash receipts are forwarded to the customer.

Employee benefits

Pension obligations

The Group operates various pension schemes which are by nature defined contribution plans. A defined contribution plan is a pension plan under which the Group pays a fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group does not operate a defined benefit plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Employee Share Ownership Trust (ESOT)

As the company is deemed to have control of the ESOT, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The ESOT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The ESOT's investment

in the company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

The depreciation methods and useful lives for assets held under finance leases are described under 'Property, Plant and Equipment' above. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

Leases in which a significant risk and reward of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense and are spread on a straight-line basis over the lease term.

Operating expenses

Operating expenses are recognised in the Statement of Comprehensive Income upon utilisation of the service or at the date of their origin.

Finance cost

Financing costs comprise interest payable, the amortisation of the costs of acquiring finance and the unwinding of discounts that are recognised in the Statement of Comprehensive Income. Interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

Income taxes

The tax expense recognised in the Statement of Comprehensive Income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate

asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Foreign currency

The consolidated financial statements are presented in Sterling (GBP), which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using a monthly estimated rate set at the beginning of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at an approximation of the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Board, at which level strategic decisions are made.

IFRS 8 'Operating segments' requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and reported in a manner which is more consistent with internal reporting provided to the chief operating decision-maker.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group.

New standards and interpretations currently in issue (as at 30 January 2014) but not effective for accounting periods commencing on 1 January 2013 are:

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

2. Revenue

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) by type is as follows:

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Licences	559	808
Consulting Services	4,620	4,137
Hosted Services	3,377	3,396
Managed Services	2,824	2,921
Support and Upgrade	2,699	2,737
PCG	2,392	2,137
	16,471	16,136

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) by Business Unit is as follows:

	Year ended 31 Dec 13			Year ended 31 Dec 12		
	Recurring Revenue £'000	Non-recurring Revenue £'000	Total Revenue £'000	Recurring Revenue £'000	Non-recurring Revenue £'000	Total Revenue £'000
Vista Applications Division	5,725	1,735	7,460	5,779	1,092	6,871
advance Applications Division	363	2,174	2,537	322	2,420	2,742
Online Services Division	3,111	971	4,082	2,990	1,395	4,385
Marketing Communications Division (PCG)	897	1,495	2,392	840	1,298	2,138
	10,096	6,375	16,471	9,931	6,205	16,136

A geographical analysis of the Group's revenue (excluding revenue of the equity accounted investment) is as follows:

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
UK	7,183	6,361
USA	7,493	8,451
Rest of the World	1,795	1,324
	16,471	16,136

Revenue is allocated to geographical locations based on the location of the customer.

3. Joint venture

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Ltd (BIDPT) which was purchased during the year to 31 December 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 financial information on BIDPT is as follows:

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Assets	303	100
Liabilities	(50)	(58)

	Year ended 31 Dec 13	Year ended 31 Dec 12
Revenues	895	302
Profit / loss	212	(57)
Revenue attributable to the Group	439	148
Profit / loss attributable to the Group	104	(28)

Changes in equity accounted investments

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Cost of 49% investment in BIDPT	52	-
Investment in the year	150	52
Retained profit / (loss) attributable to the Group	76	(28)
Investment book value	278	24

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

4. Operating segments

The following segment information has been prepared in accordance with IFRS 8, 'Operating Segments', which defines the requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 follows the management approach, which is the basis for decision making within the Group.

The Board consider the Group on a Business Unit basis. Reports by Business Unit are used by the chief decision-maker in the Group. Significant operating segments are: ***Vista***; ***advance***; Online; and PCG. This split of business segments is based on the products and services each offer. ***Vista*** sells ***author2reader*** publishing management systems, ***advance*** sells the new generation of enterprise level publishing management systems. Online provides ***ingentaconnect***, ***pub2web*** and ***ICS*** online products, and PCG provides consultancy service in sales and marketing and also full service representation services expertise to publishers. The reported operating segments derive their revenues from the revenue streams reported in the revenue analysis in note 2. A further discussion of revenue streams within each division is included on pages 2 to 5. All revenues are derived from trade with external parties.

Property, plant and equipment is held in the UK £188K (2012: £174K), the USA £156K (2012: £162K), Brazil £4K (2012: £6K) and Australia £1K (2012: £1K)

One customer contributed more than 10% of revenue (2012: one). The Group's operations are located in the United Kingdom, North America, Brazil, India, China and Australia. Any transactions between Business Units are on normal commercial terms and conditions.

Segment information by Business Unit is presented below.

Year to 31 December 2013	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
External sales	2,537	7,460	4,082	2,392	16,471
Segment result (EBITDA)	(1,479)	3,302	(771)	320	1,372
Depreciation	(39)	(116)	(63)	-	(218)
Unallocated corporate expenses					(246)
Restructuring					(43)
Foreign exchange loss					24
Operating profit					889
Share of profit from equity accounted investment					104
Finance costs					(328)
Profit before tax					665
Tax					216
Profit after tax					881

Other information	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
Capital additions	76	76	76	1	229
Statement of Financial Position					
Assets					
Attributable Goodwill	-	-	2,661	1,076	3,737
Segment assets	2,436	2,436	2,088	808	7,768
Unallocated corporate assets					305
Consolidated total assets					11,810
Liabilities					
Segment liabilities	2,236	2,236	1,340	446	6,258
Unallocated corporate liabilities					5,997
Consolidated total liabilities					12,255
Total equity and liabilities					11,810

Year to 31 December 2012	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
External sales	2,742	6,872	4,384	2,138	16,136
Segment result (EBITDA)	(1,572)	3,240	(252)	137	1,553
Depreciation	(34)	(85)	(55)	-	(174)
Unallocated corporate expenses					(453)
Restructuring					(317)
Foreign exchange loss					(13)
Operating profit					596
Share of loss from equity accounted investment					(28)
Finance costs					(285)
Profit before tax					283
Tax					235
Profit after tax					518

Other information	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
Capital additions	70	69	69	1	209
Statement of Financial Position					
Assets					
Attributable Goodwill	-	-	2,661	1,076	3,737
Segment assets	2,143	2,143	1,837	727	6,850
Unallocated corporate assets					288
Consolidated total assets					10,875
Liabilities					
Segment liabilities	2,123	2,123	1,388	977	6,611
Unallocated corporate liabilities					5,533
Consolidated total liabilities					12,144
Total equity and liabilities					10,875

Refer to note 10 for the estimates used in valuation of cash generating units.

5. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Research and development costs	2,777	3,309
Net foreign exchange (gains)/losses	(24)	13
Depreciation of property, plant and equipment		
- owned assets	121	115
- assets under finance leases	97	59
Operating lease rentals:		
- land and buildings	259	244
- other	89	111
Auditor's remuneration	71	76
Restructuring costs	43	317

A more detailed analysis of auditor's remuneration on a worldwide basis is provided below.

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Fees payable to the Group's auditor for:		
The audit of the parent company and consolidated financial statements	20	20
For other services:		
The audit of the Company's subsidiaries pursuant to legislation	33	38
Taxation services	18	18
	71	76

A description of the work of the Audit Committee is set out in the corporate governance statement on page 16 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6. Staff numbers and costs

	Year ended 31 Dec 13 Average number	Year ended 31 Dec 12 Average number
Staff numbers:		
Operations	133	125
Sales and marketing	31	35
Administration	12	10
	176	170

	Year ended 31 Dec 13 Average number	Year ended 31 Dec 12 Average number
Their aggregate remuneration comprised:		
Wages and salaries	9,099	8,684
Social security costs	992	956
Contribution to defined contribution plans	404	379
Other staff costs	586	515
Staff costs	11,081	10,534
Remuneration in respect of Directors was as follows:		
Non-Executive Director fees	112	125
Executive Directors' emoluments	269	280
Company pension contributions to money purchase schemes	45	34
	426	439
Remuneration of the highest paid Director (aggregate emoluments)	169	163

Further unaudited information on Directors' remuneration is provided in the Directors' remuneration report. Key management personnel within the business are considered to be the Board of Directors. Pension contributions of £31K were paid in respect of the highest paid Director (2012: £23K). There are two (2012: two) Directors included in the money purchase pension schemes.

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total cost charged to income of £404K (2012: £379K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2013, contributions of £42K (2012: £43K) due in respect of the current reporting period were included in the Statement of Financial Position for payment in January 2014.

The Group operates an Unapproved Employee Stock Option plan. No charge has been recognised during the year as the cumulative fair value of the options is not considered to be material.

7. Finance costs

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Interest payable:		
Interest on bank overdraft and loans	110	74
Interest on finance leases	20	15
Other loans	198	196
	328	285

Interest on other loans payable relates to the loan note and the short term loans. Further details are provided in note 15.

8. Tax

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Analysis of credit in the year		
Current tax:		
Current research and development tax credit - UK	240	235
Current year State tax – US	(24)	-
Adjustment to prior year charge - UK	-	12
Adjustment to prior year charge - US	-	(12)
Taxation	216	235

The Group has unutilised tax losses at 31 December 2013 in the UK and the USA of £14.7m (2012: £14.6m) and $11.9m (2012: $12.4m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA.

The US 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 $6.3m (2012: $6.8m) of the total unutilised losses at 31 December 2013.

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 as follows:

Reconciliation of tax expense	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Profit on ordinary activities before tax	665	283
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	155	69
Expenses not deductible for tax purposes	4	3
Additional deduction for Research and Development expenditure	(583)	(578)
Surrender of losses Research and Development tax credit refund	276	286
Unrelieved UK losses carried forward	34	39
Utilisation of US losses	(74)	(41)
Effect of foreign tax rates	19	3
Difference in timing of allowances	(54)	(50)
Adjustment to tax charge in respect of prior years	(3)	(12)
Unrelieved China losses carried forward	(24)	-
Unrelieved Brazilian losses carried forward	34	45
Unrelieved Australian losses carried forward	-	1
Total taxation	(216)	(235)

United Kingdom Corporation tax is calculated at 23.25% (2012: 24.5%) 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.

9. 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. Almost all outstanding options have an exercise price in excess of the average market price in the year, therefore there is no material dilutive impact from options granted and the basic and diluted earnings per share figures are the same.

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Attributable profit	881	518
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and diluted) arising from both total and continuing operations	10.47p	6.16p

Only 7,500 (2012: 4,000) potential ordinary shares from options are dilutive. The Board believe this to be immaterial to the calculation and therefore no diluted Earnings per share has been calculated.

10. Intangible assets

As at 31 December 2013, 31 December 2012 and 31 December 2011, intangible assets consisted of goodwill. The cost and net book value of goodwill is £3.7m.

At the year end management carried out an impairment review of goodwill attached to each business unit. Following that review, management are of the opinion that no impairment has taken place. In its review of other assets, management is also of the opinion that the carrying value of such assets is reasonably stated and that no impairment has occurred. The goodwill reported in the Group accounts arises from the reverse acquisition of Ingenta plc in 2007 and is reviewed at the end of each financial period for impairment.

For the purpose of annual impairment testing, goodwill is allocated to the following cash generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Online Services Division	2,661	2,661
Marketing Communications Division	1,076	1,076
Total Goodwill	3,737	3,737

The recoverable amounts of the cash generating units were determined based on value in use calculations for the next five years which management believe will reflect the minimum period during which the business will benefit from the resulting cash generation.

The value in use calculation is based on the latest 12 month forecast for each business unit and these cash flows have been used as the basis for the full five year forecast applying growth rates which management believe are prudent in the prevailing economic conditions and are reflective of historic performance and future contracted revenue. Much of the revenue is regarded as recurring and unlikely to be adversely affected by technological change. Where applicable, management have assumed a forecast growth rate of 2% (2012: 2%). The ***pub2web*** revenue stream represents what is considered to be 'cutting edge' technology and expected, as a result of historic evidence and contracted revenue, to achieve a higher level of growth and this has been reflected accordingly with growth rates of 10% over the next five years (2012: 50-20%). Full Service Representation is a relatively new revenue stream for PCG based on the content sales model. This has been forecast to grow at 5% - 1% over the next five years.

Although management have determined the value in use calculations based on the next five year forecast management recognise that a period in excess of five years is relevant in determining the value in use and consider that an average growth percentage of 2% would be applicable after year five. Management consider that extrapolating using this growth percentage would increase the value in use and therefore no impairment would result. Cash generated by Online over the review period is projected to be £4.2m, therefore £1.6m in excess of the carrying value of its allocated Goodwill with no other associated material assets held which will generate the future cash flows. Similarly, cash generated by PCG is projected to be £2.4m, therefore £1.2m in excess of its allocated Goodwill. If the assumptions were changed to a flat 2% growth rate across all revenue streams over the 5 year period, the discount rate would have to increase to 26% for Online and 63% for PCG before any impairment was necessary.

Management assumptions include stable profit margins based on past experience in this market which the management see as the best available information for the market. Management consider a discount factor of 17% will reflect the Group's cost of capital during the review period (2012: 17%) and that this is applicable to both cash-generating units. Sensitivity analysis was performed using a worst case scenario of 1% growth across all divisions and all revenue streams in the five year forecasts. This yielded cash generation in excess of Goodwill amounting to £1.1m in PCG and £2.7m in Online. Management are satisfied Goodwill has not been impaired.

11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2012	21	226	1,357	1,604
Additions	-	15	194	209
Exchange differences	-	(8)	(24)	(32)
At 31 December 2012	21	233	1,527	1,781
Additions	5	27	197	229
Exchange differences	(1)	(5)	(15)	(21)
At 31 December 2013	25	255	1,709	1,989
Accumulated depreciation and impairment				
At 1 January 2012	7	144	1,138	1,289
Charge for the year	4	23	147	174
Exchange differences	-	(5)	(20)	(25)
At 31 December 2012	11	162	1,265	1,438
Charge for the year	4	28	186	218
Exchange differences	-	(3)	(13)	(16)
At 31 December 2013	15	187	1,438	1,640
Carrying amount				
At 31 December 2013	10	68	271	349
At 31 December 2012	10	71	262	343
At 31 December 2011	14	82	219	315

Assets held under finance leases with a net book value of £167K (2012: £171K) are included in property, plant and equipment and £97K (2012: £59K) of depreciation was charged on these assets in the year, see note 18 for further details.

12. Trade and other receivables

Trade and other receivables comprise the following:

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000
Trade receivables – gross	4,456	3,669	2,832
Allowance for credit losses	(26)	(27)	(31)
Trade receivables - net	4,430	3,642	2,801
Other receivables	58	77	54
Accrued income	1,253	827	670
Financial assets	5,741	4,546	3,525
Prepayments	230	216	123
Non financial assets	230	216	123
Trade and other receivables	5,971	4,762	3,648

All amounts are short term. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables at the reporting date comprise amounts receivable from the sale of goods and services of £4.5m (2012: £3.6m, 2011: £2.8m).

Trade receivables are pledged as security against the Group's overdraft facility.

The average credit period taken on sales of goods is 59 days (2012: 42 days, 2011: 48 days).

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be individually impaired and an allowance for credit losses of £26K (2012: £27K, 2011: £31K) has been recorded accordingly within 'sales and marketing' in profit. This allowance has been determined by reference to expected receipts.

The movement in the allowance for credit losses can be reconciled as follows:

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Balance as at 1 January	27	31
Amounts written off (uncollectable)	(1)	(4)
Additional allowance in year	-	-
Balance as at 31 December	26	27

An analysis of unimpaired trade receivables that are past due is given in note 26.

13. Cash and cash equivalents

Trade and other receivables comprise the following:

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000
Cash at bank and in hand:			
Cash at bank:			
- GBP	41	24	31
- USD	942	1,549	795
- EUR	248	198	220
- BRL	3	2	10
Cash in hand – GBP	1	1	-
	1,235	1,774	1,056
Bank Overdraft - GBP	(2,580)	(2,319)	(1,467)
Net cash and cash equivalents	(1,345)	(545)	(411)

'Net cash and cash equivalents' is used for the Statement of Group Cash Flows. The net carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

14. Trade and other payables

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2012: 48 days, 2011: 47 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Payables falling due within one year:

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000
Trade payables	689	814	357
Accruals	791	1,121	893
Finance lease liabilities	92	88	38
Other payables	1,250	1,530	1,404
Financial liabilities	2,822	3,553	2,692
Deferred income	3,969	4,120	3,674
Social security and other taxes	663	565	906
Non financial liabilities	4,632	4,685	4,580
Trade and other payables	7,454	8,238	7,272

15. Borrowings

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000
Bank overdrafts (note 13)	2,580	2,319	1,467
Short term loans	649	-	497
Loan note	1,500	1,500	1,500
	4,729	3,819	3,464
On demand or within one year (shown under current liabilities)	3,229	2,319	1,964
In the second year	1,500	1,500	1,500

Interest rates:	Year ended 31 Dec 13 %	Year ended 31 Dec 12 %	Year ended 31 Dec 11 %
Bank overdrafts	3.5% - 4%	3.25% - 4%	2.75% – 3.25%
	above base	above base	above base
Short term loans	12%	12%	12%
Loan Note	8%	8%	8%
Loan Note – default interest	4%	4%	4%

The facility with HSBC has consisted of a core overdraft of £1.25m with increases to £2.0m at year end to accommodate the Group's cash cycle.

As at 31 December 2013, the overdraft facility was £2.0m (2012: £1.5m, 2011: £1.5m) at an interest rate of 3.5% above base for the £1.25m core and 4% above base for the additional £0.75m. The facility is based on Group net funds which totalled £1.3m (2012: £0.5m). The facility dropped back to £1.25m at the end of January 2014 at an interest rate of 3.5% above base. Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 3.75% (2012: 3.75%, 2011: 3.65%) per annum.

The Directors are of the opinion that the carrying value of the bank overdrafts is a reasonable approximation of their fair value.

The loan notes are debt instruments. All conversion windows have closed and management have therefore accounted for the loan notes entirely as financial liabilities.

The short term loans were loans received from Directors, employees and related parties. Amounts due relating to Directors of the Company or other related parties are disclosed within related parties transactions (note 25).

All borrowings are measured at amortised cost.

Loan note

The base interest rate on the loan note issued by Publishing Technology is 8%. If the Group does not pay any sum payable under this instrument within 14 days of its due date, the balance for the time being outstanding is subject to default interest. Default interest is set at 4% above the base interest rate.

Interest is accrued and paid half yearly in arrears on 30 June and 31 December.

The Group did not redeem any of the loan notes during 2013. The Group is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. The Group will continue to pay interest at 12% on the £1.5m until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2015.

16. Provisions

There were no provisions as at 31 December 2013 (2012 £Nil). The provision as at 31 December 2011 was in respect of dilapidations on a previous office which is no longer required.

17. Deferred tax

Subject to agreement with HMRC, the Group has unrealised losses in the UK of £14.7m (2012: £14.6m). The Group also has unutilised losses in the USA of $11.9m (2012: $12.4m), these losses have yet to be agreed with the US tax authorities. The US tax losses have become restricted under US change of control laws subsequent to the capital raising in April 2008 and the Directors believe a further $6.3m (2012: $6.8m) will be able to be used going forward but that these are inherently uncertain. As a result the Board believe conditions for the recognition of a deferred tax asset have not been met and consequently no deferred tax asset is recognised in respect of the losses (2012: £Nil, 2011: £Nil).

18. Finance lease arrangements

The Group as lessee

Elements of the Group's IT equipment are held under finance lease arrangements. As at 31 December 2013, the net carrying amount of equipment under finance lease arrangements was £167K (2012: £171K). Finance lease liabilities are secured by the related assets. Future minimum finance lease payments are as follows:

Year ended 31 December 2013	< 1 year £'000	1 - 5 years £'000	5 years £'000	Total £'000
Lease payments	103	79	-	182
Finance charges	(11)	(7)	-	(18)
Net present value	92	72	-	164

Year ended 31 December 2012	< 1 year £'000	1 - 5 years £'000	5 years £'000	Total £'000
Lease payments	100	96	-	196
Finance charges	(12)	(9)	-	(21)
Net present value	88	87	-	175

The lease agreements include fixed payments and a purchase option at the end of the three year lease. The agreement is non cancellable and does not contain any further restrictions.

19. Operating lease arrangements

The Group as lessee

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000
Land and buildings			
Minimum lease payments due within one year	359	337	233
Minimum lease payments due in the second to fifth years inclusive	450	800	624
Minimum lease payments due after the fifth year	-	22	-
	809	1,159	857
Other			
Minimum lease payments due within one year	39	74	123
Minimum lease payments due in the second to fifth years inclusive	62	10	83
	101	84	206

Operating leases for Land and Buildings represent contracts on the following offices: Oxford, UK; Bath, UK; and Somerset, NJ, USA; and Boston, MA, USA.
Other Operating leases represent car leases, photocopier leases and sundry equipment leases.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

20. Share capital

As at 31 December 2013, 31 December 2012 and 31 December 2011

	£'000
Authorised:	
12,000,000 ordinary shares of 10p each	1,200
Issued and fully paid:	
8,413,610 ordinary shares of 10p each	841

Share issues

The authorised capital of the Company is £1.2m divided into 12,000,000 ordinary shares of 10p each, of which 8,413,610 ordinary shares of 10p each are issued. All issued shares are fully paid up. The remainder of the Company's authorised share capital is unissued.

21. Share options

The Group has an approved option scheme which is an H M Revenue and Customs approved scheme available to eligible Directors and employees. The total number of options outstanding over ordinary shares of 10p each that have been granted and have not lapsed at 31 December 2013 were as follows (2012: 15,644, 2011: 15,619):

Number of Shares	Grant Date	Exercise Price	Expiry Date
1,194	21 January 2004	£9.50	21 January 2014
50	2 August 2004	£6.00	2 August 2014
100	22 November 2004	£3.25	22 November 2014
2,500	4 October 2005	£1.95	4 October 2015
1,000	30 March 2006	£2.16	30 March 2016
4,000	18 August 2010	£0.62	18 August 2020
8,844			

These options are exercisable from the first, second and third anniversaries of the date of grant.

The change from 31 December 2012 is due to options lapsing as they reached the 10th anniversary of the grant date during the year. No charge has been made for the year under IFRS 2 as the Directors do not consider there is a material impact on the reported result.

Share options are exercisable up to ten years after grant. If a recipient ceases to be an eligible employee within three years of the grant date, the options lapse after one month unless the employee ceases to be an eligible employee by reason of redundancy, retirement, injury, disability or death in which case the options lapse after 12 months.

22. Investment in own shares

	Publishing Technology Shares held in trust Number	Treasury Shares Number	Nominal value £	Cost £
At 31 December 2011	250,973	2,447	25,343	7,130
At 31 December 2012	250,973	2,447	25,343	7,130
At 31 December 2013	219,162	2,171	22,133	6,550

Investment in own shares relates to shares held by the Spread Trustee Company Limited as trustees of the Vista International Limited 1998 Employee Share Ownership Trust and the purchase of Publishing Technology plc ordinary shares on the market. The trust holds shares in which employees have a beneficial interest and over which employees hold fully vested options to purchase.

The Group is deemed to have control of the assets, liabilities, income and costs of the trust.

23. Notes to the cash flow statement

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 13 'cash and cash equivalents'. The initial recognition of finance lease liabilities are non-cash transactions excluded from the statement of cash flows.

24. Contingent liabilities

There were no contingent liabilities at 31 December 2013, 31 December 2012 or 31 December 2011.

25. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Directors' remuneration report on page 18.

	Year ended 31 Dec 13 £'000	Year ended 31 Dec 12 £'000
Short term employee benefits	426	439

Directors' transactions

The amounts outstanding with Directors as at 31 December 2012 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced Non-Executive Directors fees. The amounts outstanding as at 31 December 2013 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced Non-Executive fees, short term loans to the Group and interest on short term loans to the Group.

	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000	As at 31 Dec 11 £'000
Amounts outstanding with Directors	613	8	360

The Company borrowed £580K from Directors in October 2013 which was repaid with interest in January 2014 ('short term loans'). All short term loans had an interest rate of 12% per annum.

Loan notes

The note holder of the £1.5m loan notes is a trust in which M C Rose, the Non Executive Chairman of the Group, is a trustee. Interest of £180K was accrued in the year to 31 December 2013, of which £90K was outstanding as at 31 December 2013 and was paid on 13 January 2014. The note holder has waived any right to repayment of the loan note until April 2015.

There have been no other loans, quasi-loans or other transactions with Directors or other key management personnel in the year to 31 December 2013 other than those detailed in this note.

Joint venture transactions

Publishing Technology plc invoiced software programming services to the joint venture for a value of £47K during the year. These were charged at normal commercial rates. At year end £47K was deferred (2012: £nil) and £0K remained outstanding (2012: £47K). No revenue was accrued in the year (2012: £28K).

26. Financial risk management

The Group is exposed to various risks in relation to financial assets and liabilities. The main types of risk are foreign currency risk, interest rate risk, market risk, credit risk and liquidity risk.

The Group's risk management is closely controlled by the Board and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not actively trade in financial assets for speculative purposes nor does it write options. The most significant financial risks are currency risk, interest rate risk and certain price risks.

Foreign currency sensitivity

The Group trades in Sterling (GBP), US Dollars (USD) and Euros (EUR). Most of the Group's transactions are carried out in Sterling and US Dollars. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily in USD, through the trading divisions in the USA (Publishing Technology Inc and Publishers Communication Group Inc). The Group does not borrow or invest in USD other than an intercompany loan denominated in USD between Vista International Ltd and Vista North America Holdings Ltd, the currency movement on which offsets within the Group statement of comprehensive income.

In order to mitigate the Group's foreign currency risk, non GBP cash flows are monitored and excess USD and EUR not required for foreign currency expenditure are translated into GBP on an on-going basis. The Group is a net importer of USD being cash flow positive in the USA by approximately $2.5m per annum. No further hedging activity is undertaken. The Group does not enter into forward exchange contracts.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

	Short-term exposure USD £'000	Long-term exposure USD £'000
31 December 2013		
Financial assets	1,057	-
Financial liabilities	(995)	-
Total exposure	62	-
31 December 2012		
Financial assets	1,150	-
Financial liabilities	(1,528)	-
Total exposure	(378)	-

The following table illustrates the sensitivity of profit and equity with regard to the Group's financial assets and financial liabilities and the USD / GBP exchange rate 'all other things being equal'. Transactions in EUR are immaterial and therefore movements of the EUR / GBP exchange rate have not been analysed.

It assumes a + / - 10% change of the USD / GBP exchange rate for the year ended 31 December 2013 (2012: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group foreign currency financial instruments held at each reporting date.

If GBP had strengthened against USD by 10% (2012: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2013	(41)	(115)
31 December 2012	(34)	(106)

If GBP had weakened against USD by 10% (2012: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2013	50	140
31 December 2012	41	130

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long term financing. Long term borrowings are therefore usually at fixed rates. At 31 December 2013 the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings (being the loans see note 15) are at fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of + / - 1%. These changes are considered to be reasonably possible based on market movements and current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year £'000		Equity £'000	
	+ 1%	- 1%	+1%	-1%
31 December 2013	(30)	30	(30)	30
31 December 2012	(25)	25	(25)	25
31 December 2011	(24)	24	(24)	24

Credit risk analysis

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2013 £'000	2012 £'000	2011 £'000
Cash and cash equivalents (note 13)	1,235	1,774	1,056
Trade and other receivables (note 12)	5,971	4,762	3,648
	7,206	6,536	4,704

The Group continuously monitors defaults of customers and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and reports on customers are used. The Group's policy is only to deal with creditworthy customers.

The Group's management considers that the financial assets above that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Some of the unimpaired trade receivables are past due at the reporting date. Financial assets not impaired can be shown as follows:

	2013 £'000	2012 £'000	2011 £'000
Not more than 3 months	4,100	3,428	2,696
More than 3 months but less than 6 months	214	145	82
More than 6 months but not more than 1 year	107	72	41
More than 1 year	35	24	13
	4,456	3,669	2,832

In respect of trade and other receivables, the Group is not exposed to any significant credit risk from any single customer or group of customers having the same characteristics. Trade receivables consist of a large number of customers in different sectors of the market and geographical locations.

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2012: £nil, 2011: £nil).

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with various banks.

Liquidity risk analysis

The Group manages its liquidity needs by monitoring scheduled debt repayments for long term financial liabilities as well as forecast cash flows due in day to day business. Liquidity needs are monitored in various time bands. Short term cash flow is monitored daily using known daily inflows and outflows for cash flows within 8 to 12 weeks. Medium term cash flows within 12 months are monitored using monthly rolling forecasts. Longer term cash flows are monitored using higher level management strategy documents. Net cash requirements are compared to borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period of 15 months to March 2015.

The Group maintains borrowing facilities and enters into finance lease arrangements to meet its liquidity requirements for the medium term forecast period (1 year).

As at 31 December 2013, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
31 December 2013:				
Loans	90	90	1,500	-
Bank borrowings (note 15)	2,580	-	-	-
Short term loans	-	-	-	-
Finance lease obligations	51	52	79	-
Trade and other payables (note 14)	2,730	-	-	-
Total	5,451	142	1,579	-

This compares to the Group's financial liabilities in the previous reporting period as follows:

	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than than 5 years
31 December 2012:				
Loans	90	90	1,500	-
Bank borrowings (note 15)	2,319	-	-	-
Short term loans	-	-	-	-
Finance lease obligations	50	50	96	-
Trade and other payables (note 14)	3,465	-	-	-
Total	5,924	140	1,596	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying value of the liabilities at the reporting date. Where the customer has a choice of when an amount is paid the liability has been included on the earliest date on which payment can be required.

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities. An analysis of the Group's assets is set out below:

	As at 31 December 2013			As at 31 December 2012		
	Loans and receivables	Non financial assets	Total for statement of financial position heading	Loans and receivables	Non financial assets	Total for statement of financial position heading
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	4,430	-	4,430	3,642	-	3,642
Other receivables	58	-	58	77	-	77
Prepayments and accrued income	1,253	230	1,483	827	216	1,043
Cash and cash equivalents	1,235	-	1,235	1,774	-	1,774
	6,976	230	7,206	6,320	216	6,536

An analysis of the Group's liabilities is set out below:

	As at 31 December 2013			As at 31 December 2012		
	Financial liabilities at amortised cost	Non financial liabilities	Total for statement of financial position heading	Financial liabilities at amortised cost	Non financial liabilities	Total for statement of financial position heading
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	689	-	689	814	-	814
Social security and other taxes	-	663	663	-	565	565
Finance leases	-	164	164	-	175	175
Other payables	1,250	-	1,250	1,530	-	1,530
Accruals	791	-	791	1,121	-	1,121
Deferred income	-	3,969	3,969	-	4,120	4,120
Bank overdrafts	2,580	-	2,580	2,319	-	2,319
Short term loans	-	-	-	-	-	-
Loan note	1,500	-	1,500	1,500	-	1,500
Provisions	-	-	-	-	-	-
	6,810	4,796	11,606	7,284	4,860	12,144

27. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity plus the loan notes less cash and cash equivalents. The Group's goal in capital management is a capital to overall financing ratio of 1:6 to 1:4.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities other than the loan notes. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

	2013 £'000	2012 £'000	2011 £'000
Total equity	(445)	(1,269)	(1,756)
Loan notes	1,500	1,500	1,500
Short term loans	-	-	497
Cash and cash equivalents	1,345	545	411
Capital	2,400	776	652
Total equity	(445)	(1,269)	(1,796)
Borrowings	4,729	3,819	3,464
Overall financing	4,284	2,550	1,668
Capital to overall financing ratio	0.56	0.30	0.38

Company Balance Sheet

As at 31 December 2013

	note	2013 £'000	2012 £'000
Investments	3	3,270	3,120
Current assets			
Debtors	4	2,680	2,828
Current liabilities			
Creditors - amounts falling due within one year	5	1,410	1,261
Net current assets		1,270	1,567
Total assets less current liabilities		4,540	4,687
Creditors - amounts falling due after more than one year	6, 9	1,500	1,500
Net assets		3,040	3,187
Capital and reserves			
Called up share capital	7	841	841
Retained earnings	8	2,199	2,346
Equity shareholders' funds		3,040	3,187

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2014 and were signed on its behalf by:

A B Moug C.A.
Director

G M Lossius
Director

Registered number: 837205

The accompanying notes form part of these financial statements.

Notes to the Company financial statements

1. Accounting Policies

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom. A summary of the principal Company accounting policies, which have been applied consistently, is set out below.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Going concern

The Directors have prepared the financial statements on the going concern basis which assumes that the parent company and its subsidiaries will continue in operational existence for the foreseeable future.

The Directors have prepared trading projections to March 2015 which have been used to assess the feasibility of the going concern assumption. On the basis of the trading projections the Directors believe that the Company will be able to continue in operational existence for the foreseeable future. It is therefore considered appropriate to use the going concern basis to compile these financial statements (refer to the Group Strategic report on page 10 and the Group accounting policies).

Share options

The Company has an Approved and an Executive option scheme. The Company has not recognised a share-based payment charge within its accounts as the charge is not deemed material for the year.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the year are recorded at a monthly estimated rate set at the beginning of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

Deferred taxation

Provision is made for deferred taxation, using the full provision method, on all material timing differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £147K (2012: £160K).

An audit fee of £20K was paid in respect of the parent company audit (2012: £20K). Tax fees for the Group of £18K (2012: £14K) have been borne by the subsidiary companies.

The Company employed two Executive Directors (2012: two) and the Non Executive Chairman. The costs of these employees and the fees for the other Non-Executive Director were borne by the subsidiaries.

3. Investments

	2013 £'000	2012 £'000
Cost		
At 1 January	3,120	3,068
Investments made in the year	150	52
Subsidiary and joint venture undertakings	3,270	3,120

Details of subsidiary undertakings, in which the Company holds majority shareholdings and investments in which the Company holds significant interest and which have been consolidated and disclosed respectively in the Group financial statements, are as follows:

Company	Country of registration	Holding	Proportion held	Nature of the business
Catchword Limited	England	Ordinary shares	100%	Dormant
		Preference shares	100%	
Ingenta Limited	England	Ordinary shares	100%	Dormant
Ingenta US Holdings Inc	USA	Ordinary shares	100%	Holding Company
PCG Inc	USA	Ordinary shares	100%	Marketing and Sales Consultancy
Publishing Technology (Europe) Limited	England	Ordinary shares	100%	Publishing software and services
Publishing Technology Inc	USA	Ordinary shares	100%	Publishing software and services
Publishing Technology do Brasil LTDA	Brazil	Ordinary shares	100%	Publishing software and services
Publishing Technology Australia Pty Ltd	Australia	Ordinary Shares	100%	Publishing software and services
Vista Computer Services Limited	England	Ordinary shares	100%	Dormant
Vista Computer Services LLC	USA	Ordinary shares	100%	Dormant
Vista Holdings Limited	England	Ordinary shares	100%	Dormant
Vista International Limited	England	Ordinary shares	100%	Holding Company
Vista North America Holdings Limited	England	Ordinary shares	100%	Non Trading Holding Company
Uncover Inc	USA	Ordinary shares	100%	Dormant
Beijing Ingenta Digital Publishing Technology Limited	China	Ordinary shares	49%	Publishing software and services

4. Debtors

	2013 £'000	2012 £'000
Amounts owed by subsidiary undertakings	2,680	2,828

5. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Other creditors:		
Bank overdraft	641	1,148
Short term loans (note 9)	649	-
Accruals	120	113
	1,410	1,261

6. Creditors: amounts falling due after one year

	2013 £'000	2012 £'000
Debt:		
Loan notes (note 9)	1,500	1,500

7. Share Capital

	2013 £'000	2012 £'000
Authorised:		
12,000,000 ordinary shares of 10p each	1,200	1,200
Issued and fully paid:		
8,413,610 ordinary shares of 10p each	841	841

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

8. Equity and Reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2012	841	2,346	3,187
Retained loss for the year	-	(147)	(147)
At 31 December 2013	841	2,199	3,040

9. Borrowings

	2013 £'000	2012 £'000
Bank overdraft	641	1,148
Short term loans	649	-
Loan notes	1,500	1,500
	2,790	2,648
On demand or within one year	1,290	1,148
In more than one year	1,500	1,500
	2,790	2,648

Interest rates:	Year ended 31 Dec 13 %	Year ended 31 Dec 12 %
Bank overdrafts	3.5% - 4% above base	3.25% - 4% above base
Short term loans	12%	12%
Loan notes	8%	8%
Loan notes – default interest	4%	4%

Bank overdrafts are repayable on demand. Overdrafts of £641K (2012: £1,148K) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 3.75% (2012: 3.75%) per annum.

The Company borrowed £580K from Directors in October 2013 which was repaid with interest in January 2014 ("short term loans"). All Short Term Loans had an interest rate of 12% per annum.

All conversion windows in relation to the loan notes have now closed. Management have therefore accounted for the loan notes entirely as financial liabilities.

Loan note

The base interest rate on the loan note issued by Publishing Technology plc is 8%. If the Company does not pay any sum payable under this Instrument within 14 days of its due date, the balance for the time being outstanding is subject to default interest. Default interest is set at 4% above the base interest rate.

Interest is accrued and paid half yearly in arrears on 30 June and 31 December.

The Company did not redeem any of the loan notes during 2013. The Company is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. The Company will continue to pay interest at 12% on the £1.5m until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2015.

10. Related party transactions

The note holder of the £1.5m loan notes is a trust in which M C Rose, the Non Executive Chairman of the Company, is a trustee. Interest of £180K (2012: £180K) was accrued in the year to 31 December 2013, of which £90K (2012: £90K) was outstanding as at 31 December 2013 and paid in January 2014. Related party transactions are detailed in note 25 to the consolidated accounts.

The Company borrowed £580K from Directors in October 2013 which was repaid with interest in January 2014 ("short term loans"). All Short Term Loans had an interest rate of 12% per annum.

The Company has taken advantage of exemptions under FRS8, not to disclose transactions with other wholly owned members of the Group.