4 March 2013

Publishing Technology plc announces Preliminary Results for 2012

Publishing Technology plc (AIM: PTO.L) ("Publishing Technology", the "Group", or the "Company"), the AIM quoted, leading provider of content systems, audience development and content delivery software and services to international publishers, information providers and academic institutions, is pleased to announce its audited results for the year ended 31 December 2012.

Financial highlights:

- Gross revenues up 9% to £16.3m (2011: £14.9m)
- EBITDA up 117% to £1.1m (2011: £0.5m)
- Gross profit up 2% to £5.9m (2011: £5.8m)
- Profit struck after Research & Development spend of £3.3m (2011: £2.5m)
- Pre-tax profit before exceptional restructuring costs* of £0.6m (2011: £0.1m)
- Pre-tax profit of £0.3m (2011: loss of £0.2m)
- Earnings per share of 6.16p (2011: 0.84p)
- £0.5m of net cash from operating activities (2011: £nil m)

* Exceptional restructuring costs of £0.3m were incurred as a result of two senior executives leaving the Group at the beginning of the year

Operational highlights:

- Global deal with HarperCollins, a subsidiary of NewsCorp, to implement ***advance*** Product Manager, unifying editorial, marketing and business data around the world.
- Implementation of the world's largest permissions and royalty system complete at McGraw Hill.
- Order to Cash, the final module in the ***advance*** suite of products, is being installed at two major global publishers.
- One major implementation of ***pub2web*** went live in December 2012 and two more are due to go live early in 2013.
- 15 new publishers on ***ingentaconnect***.
- Launch of Full Service Representation service selling the Churchill Archive and Drama Online for Bloomsbury Publishing.
- China: business licence received and launch of Chinese National Publishing Import Export Corporation (CNPIEC) partnership which includes the largest digital e-books gateway for Chinese researchers.

George Lossius, Chief Executive of Publishing Technology, commented:

"The company performed well this year, making inroads into new markets, signing high profile deals with some of the world's largest publishers and solidifying our position as the market leading content solutions provider in both trade and academic publishing. We've worked hard to build up our market position and brand, grow and improve our products and services and seek out new opportunities and partnerships across the globe. As the digitisation of publishing reaches critical mass, we are in a good position to build on our momentum."

For further information please contact:

Publishing Technology plc
George Lossius / Alan Moug Tel: 01865 397 800

Westhouse Securities Limited
Tom Griffiths Tel: 020 7601 6100

Chief Executive's review

The publishing industry is changing and 2012 may well be seen as the beginning of a new era.

Publishers should be braced for change by investing in strong and efficient systems which will become an ever-more necessary foundation for secure and successful trading in an unpredictable globalised market place.

There are a number of ways I see the industry changing in 2013 and beyond which I have shared in our Annual Report and on our blog: www.publishingtechnology.com/blog/

Current trading

A changing environment is a good source of growth and revenue for Publishing Technology, our challenge is to be in the right position, with the right people, the right products and the right attitude to satisfy the obvious needs as change takes place.

We have made excellent progress during 2012 towards this goal across the Group. In PCG, the new full service representation (FSR) contracts began with the Churchill Archive in July and it has outsold expectations. The beginning of 2013 sees the introduction of Bloomsbury's second title Drama Online.

ingentaconnect continued to sell to new publishers and maintained high renewal rates over year end.

For ***pub2web,*** 2012 was a year of implementing the deals won at the end of 2011. One of these, the Institution of Engineering and Technology (IET) went live at the end of 2012 with the other sites due to go live early in 2013. The recurring revenue stream from these implementations will elevate ***pub2web*** from the investment phase of its life cycle to the returns phase.

advance also had a good year with the go live of what we believe to be the largest royalties system anywhere at McGraw Hill and the ironing out of the implementation teething issues which dogged us in 2011 and which are now behind us.

Towards the end of 2012 we announced a major international deal with HarperCollins to create their Global Product Manager system which will help transform ***advance*** in the same way as ***pub2web*** is transforming, moving from investment to positive contribution.

Vista had a strong year, beating targets and challenging the theory that it was declining. It is clear Vista has a number of years of profitability ahead and it remains a major revenue and profit generator for the Group while we continue to invest in development and market creation for ***advance*** and ***pub2web***.

Getting the message across

In 2012 we refined our communications strategy, image and positioning in the various global publisher and library markets we serve by working with a global market positioning company to ensure our message was consistent and understandable across various media.

As a result, our website was re-designed and the description of our business and products refined to make it easier for customers, investors and staff to understand what we do.

Outlook for Publishing Technology

Our strategy remains clear, we will aim to maintain the profitability of our mature products and services and build the profitability of our new products and services.

pub2web is set for a transformational year in 2013 with several large sites going live and beginning to generate recurring revenue.

advance will have a significant presence after the go-live of McGraw Hill and the other two major implementations currently in progress and with the HarperCollins deal now on-going, the future for ***advance*** looks to be secure.

Overall the industry continues to evolve and Publishing Technology is well positioned to continue to take a lead in the future of publishing.

G M Lossius
Chief Executive Officer
4 March 2013
Publishing Technology plc

Chairman's statement

I am pleased to report the Group increased profits in 2012. It is also gratifying to see movement in the share price in response to a number of factors which are converging to enhance shareholder value:

- the new product traction;
- the anticipated reduction in Research and Development spend;
- the expected debt reduction;
- increasing recurring revenue; and
- continuing profitability.

Our strategy is beginning to pay off with both ***advance*** and ***pub2web*** being sold and implemented to produce recurring revenue at an increasing rate.

The sale of ***advance*** to HarperCollins is significant because of its size and the stability it gives to the ***advance*** revenues, but also because of its influence on the industry.

Re-engineering products over a number of years can be a difficult journey, so it is encouraging to see the results making a difference to the business in these transitional years.

The investment in Research and Development is possible because of the solidity and profitability of the Vista and ***ingentaconnect*** business units. They have funded the redevelopment spend over the last five years.

During this time ***ingentaconnect*** has expanded its publisher base and Vista in particular has proven far more resilient to change than we anticipated. It is clear Vista ***author2reader*** has a long and profitable future.

Progress has not been confined to the product side of the business, PCG has also been evolving.

The efficiency of the telemarketing and content sales divisions has improved, the global representation deal with BioOne has been renewed and the new FSR sales of the Churchill Archive have exceeded expectations.

In 2013 the FSR division will launch Drama Online and record the first full year of the Churchill Archive sales including renewals.

Internationally, the joint venture in China bedded down and was able to fund itself after only a few months as a result of the deal with CNPIEC (Chinese National Publishing Import Export Corporation).

Finance and operations

Profitability in the year is substantially up on the prior year and is a fair reflection of the business trajectory.

Sales have been encouraging, recurring revenue is increasing, implementations are more efficient and the split of the business into more manageable units has allowed more control and better decision making.

Our underlying debt position has reduced since the end of 2011 having repaid the short term loans and maintained the same level of net bank borrowings.

Staff and positioning

The new structure of the business from the beginning of 2012 has worked well, with staff settling into their new roles quickly and efficiently.

In April 2012, we began a process to improve our communication to customers, investors and staff. This resulted in the **Content Forward** methodology which simplifies how we describe ourselves and our products and also led to a re-design of our website, show stands and collateral. I believe this work is vital to ensure the market understands what Publishing Technology does and can do.

In November, George Lossius was named as one of The Bookseller's 100 most influential people in the book trade and was asked to join the board of the London Book Fair.

This activity, together with the work of our staff in promoting Publishing Technology in an array of industry forums, organisations, trade shows, blogs and opinion pieces give the Group gravitas and position us at the heart of the publishing industry.

Outlook

2013 should prove to be a pivotal year for Publishing Technology, underpinning and rewarding those long term shareholders, providing commercial confidence and validation for the future.

M C Rose
Chairman
4 March 2013
Publishing Technology plc

Financial review

For the year ended 31 December 2012

Overview

Increased sales of ***advance*** and ***pub2web*** have made a marked difference to revenue in 2012. The increase is mainly the result of increased licences and implementation revenue as there have been a number of large pub2web and ***advance*** implementations taking place. These herald a recurring revenue increase when the current projects go live.

The product mix is beginning to change as ***pub2web*** and ***advance*** revenues increased by 65% and 60% respectively from 2011 to 2012.

Research and Development costs have remained high in 2012 as Order to Cash (OtC), the final module of the advance product suite, is nearing completion and development of pub2web continued. This will begin to decline in 2013.

Operating results

Gross revenue was 9% higher than the prior year at £16.3m (2011: £14.9m) mainly due to the continued movement from mature products to newer technology. However, the Vista ***author2reader*** product held up well with only a 4% decline in overall revenue from the prior year because 2011 included significant implementation revenue for the SAGE project. Maintenance and managed services revenues both increased and Vista as a whole maintained margin after staff costs above 50%.

The year also saw the first revenue from the new FSR division which had a successful start selling the Churchill Archive on behalf of Bloomsbury.

The changing revenue mix has as expected improved profitability despite the continued high costs of research and development. As a result the Group made a net profit for the year of £518K (2011: £71K) after restructuring costs of £317K (2011: £96K).

Gross profit for the year was £5.9m (2011: £5.8m) which has held steady at this low level during the implementation phase ahead of the recurring revenues after the first round of go-lives expected in 2013.

Sales, marketing and administrative expenses in the year were £5.3m (2011: £5.6m). The reduction was partly due to restructuring at the beginning of 2012 when two executives left the Group.

Taxation

A tax credit of £235K (2011: £300K) is included in the results for 2012 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 2012 in the UK and the USA of £14.6m (2011: £14.4m) and $12.4m (2011: $12.7m) respectively. The tax losses in the USA are restricted from April 2008 due to change of control rules being triggered by the issue of new shares in the parent company. The Group may use a maximum of $491K per annum of the brought forward losses for a maximum of 20 years from April 2008. The Board believes that the US legal entities have the potential to make use of $6.8m (2011: $7.3m) of the unutilised losses carried forward.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2011: £nil).

Financial position and cash

Shareholders' deficit totalled £1.3m as at 31 December 2012 (2011: deficit £1.8m).

Cash inflow from operations was £0.5m (2011: £0.0m). At the year end, net bank overdraft was £0.5m (2011: £0.4m), roughly the same as 2011 as positive cash flow was used to reduce creditors.

Cash absorbed by operations for capital expenditure during the year amounted to £75K (2011: £41K). A tax credit of £312K (2011: £315K) in respect of Research and Development expenditure was received in the year which related to the year ended 31 December 2011.

Going concern and future funding

The accounts are prepared on a 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.

The Group had net current liabilities of £3.8m (2011: £4.3m) as at 31 December 2012, of which £4.1m (2011: £3.7m) relates to deferred income which will be recognised as revenue in the year ending 31 December 2013. This equates to roughly a quarter of revenue being pre-sold. In addition, deferred income has increased by an average of 17% per annum in each of the last four years as recurring revenues have increased.

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.

This facility is due for renewal in June 2013. 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 2014.

The major risks for future trading are the risk of completing the development of new products, the risk of implementing these products efficiently, and the risk of being able to sell these products which could be affected by the macro economic conditions which affects capital spending decisions and academic institution budgets.

The Company did not redeem any of the loan notes during 2012. The loan notes are accruing interest at 12% per annum 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 2014.

Treasury

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

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

A B Moug C.A.
Chief Financial Officer
4 March 2013
Publishing Technology plc

Group Statement of Comprehensive Income
For the year ended 31 December 2012

	note	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Gross revenue		16,284	14,879
Less revenue from joint venture	3	(148)	-
Group revenue		16,136	14,879
Cost of sales		(10,270)	(9,112)
Gross profit		5,866	5,767
Sales and marketing expenses		(1,510)	(1,812)
Administrative expenses		(3,760)	(3,804)
Profit from operations	2	596	151
Analysis of profit from operations:			
Profit before finance costs, tax, depreciation, restructuring costs and foreign exchange gains and losses (EBITDA)		1,100	506
Depreciation		(174)	(187)
Foreign exchange loss		(13)	(72)
Restructuring costs		(317)	(96)
Profit from operations		596	151
Share of loss from joint venture	3	(28)	-
Finance costs		(285)	(334)
Profit / (loss) before income tax		283	(183)
Income tax	4	235	254
Profit for the year attributable to equity holders of the parent		518	71
Other comprehensive expense:			
Exchange differences on translation of foreign operations		(31)	(30)
Total comprehensive income for the year attributable to equity holders of the parent		487	41
Basic and diluted earnings per share (pence)	5	6.16	0.84

All activities are classified as continuing.

Group Statement of Financial Position
As at 31 December 2012

	note	31 Dec 12 £'000	31 Dec 11 £'000	31 Dec 10 £'000
Non-current assets				
Goodwill and other intangible assets		3,737	3,737	3,737
Property, plant and equipment		343	315	357
Investments accounted for using the equity method		24	-	-
		4,104	4,052	4,094
Current assets				
Trade and other receivables		4,762	3,648	3,128
Research and Development tax credit receivable	4	235	300	317
Cash and cash equivalents		1,774	1,056	1,751
		6,771	5,004	5,196
Total assets		10,875	9,056	9,290
Equity				
Share capital		841	841	841
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(841)	(810)	(780)
Retained earnings		(7,089)	(7,607)	(7,678)
Investment in own shares		(7)	(7)	(6)
Total equity		(1,269)	(1,756)	(1,796)
Non-current liabilities				
Borrowings		1,500	1,500	1,500
Finance leases		87	56	-
		1,587	1,556	1,500
Current liabilities				
Trade and other payables		8,238	7,272	6,963
Borrowings		2,319	1,964	2,623
Provisions		-	20	-
		10,557	9,256	9,586
Total liabilities		12,144	10,812	11,086
Total equity and liabilities		10,875	9,056	9,290

Group Statement of Changes in Equity
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 2011

	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 2011	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)
Investment in own shares in the year	-	-	-	-	-	(1)	(1)
Transactions with owners	-	-	-	-	-	(1)	(1)
Profit for the year	-	-	-	-	71	-	71
Other comprehensive expense: Exchange differences on translating foreign operations	-	-	-	(30)	-	-	(30)
Total comprehensive (expense) / income for the year	-	-	-	(30)	71	-	41
Balance at 31 December 2011	841	11,055	(5,228)	(810)	(7,607)	(7)	(1,756)

Group Statement of Cash Flows
For the Year ended 31 December 2012

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Profit / (loss) before taxation	283	(183)
Adjustments for		
Share of loss from joint venture	28	-
Depreciation	174	187
Interest expense	285	334
Unrealised foreign exchange differences	(31)	(30)
Increase in trade and other receivables	(1,114)	(535)
Increase in trade and other payables	905	163
(Decrease) / increase in provisions	(20)	20
Cash from operations	510	(44)
Interest paid	(273)	(242)
Research and Development tax credit received	312	315
Tax paid	(12)	(7)
Net cash from operating activities	537	22
Cash flows from investing activities		
Purchase of property, plant and equipment	(75)	(41)
Joint venture investment	(52)	-
Net cash used in investing activities	(127)	(41)
Cash flows from financing activities		
Cost of investment in own shares	-	(1)
(Repayment of) / proceeds from short term borrowings	(497)	497
Payment of finance lease liabilities	(53)	(11)
Net cash (used in) / from financing activities	(550)	485
Net (decrease) / increase in cash and cash equivalents	(140)	466
Cash and cash equivalents at the beginning of the year	(411)	(872)
Exchange differences on cash and cash equivalents	6	(5)
Cash and cash equivalents at the end of the year	(545)	(411)

1. Basis of preparation

The principal accounting policies of the Group are set out in the Group's 2011 annual report and financial statements. These remain unchanged for the year ended 31 December 2012 except for the following addition to the policy related to available for sale financial assets: "The equity investment in Beijing Ingenta Digital Publishing Technology Limited is measured at cost less any impairment charges" and the following addition to the policy related to the basis of consolidation: "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".

2. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Research and Development costs	3,309	2,489
Net foreign exchange losses	13	72
Depreciation of property, plant and equipment		
- owned assets	115	169
- assets under finance leases	59	18
Operating lease rentals:		
- land and buildings	244	316
- other	111	142
Auditor's remuneration	76	72

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 12 £'000	As at 31 Dec 11 £'000
Assets	100	-
Liabilities	(58)	-

	Year ended 31 Dec 12	Year ended 31 Dec 11
Revenues	302	-
Loss	(57)	-
Revenue attributable to the Group	148	-
Loss attributable to the Group	(28)	-

Changes in equity accounted investments

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Cost of 49% investment in BIDPT	52	-
Loss attributable to the Group	(28)	-
Investment book value	24	-

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

4. Tax

	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Analysis of credit in the year		
Current tax:		
Current Research and Development tax credit - UK	235	300
Current year State tax – US	-	(29)
Adjustment to prior year charge - UK	12	(2)
Adjustment to prior year charge - US	(12)	(15)
Taxation	235	254

The Group has unutilised tax losses at 31 December 2012 in the UK and the USA of £14.6m (2011: £14.4m) and $12.4m (2011: $12.7m) 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 $6.8m (2011: $7.3m) of the total unutilised losses at 31 December 2012.

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

The differences are explained below:

Reconciliation of tax expense	Year ended 31 Dec 12 £'000	Year ended 31 Dec 11 £'000
Profit / (loss) on ordinary activities before tax	283	(183)
Tax at the UK corporation tax rate of 24.5% (2011: 26.49%)	69	(48)
Expenses not deductible for tax purposes	3	13
Additional deduction for Research and Development expenditure	(578)	(453)
Surrender of losses Research and Development tax credit refund	286	341
Unrelieved UK losses carried forward	39	44
Utilisation of US losses	(41)	(163)
Effect of foreign tax rates	3	20
Difference in timing of allowances	(50)	(87)
Adjustment to tax charge in respect of prior years	(12)	15
Unrelieved Brazilian losses carried forward	45	62
Unrelieved Australian losses carried forward	1	2
Total taxation	(235)	(254)

United Kingdom Corporation tax is calculated at 24.5% (2011: 26.49%) 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.

5. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The loan note is no longer convertible and 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 the loan or options granted and the basic and diluted earnings per share figures are the same.

	Year ended 31 Dec 2012 £'000	Year ended 31 Dec 2011 £'000
Attributable profit	518	71
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and diluted) arising from both total and continuing operations	6.16p	0.84p

Only 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.

6. Publication of non-statutory accounts

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

The Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity, Group Statement of Cash Flows and associated notes have been extracted from the Group's 2012 statutory financial statements upon which the auditor's opinion is unqualified and which do not include any statement under section 498 of the Companies Act 2006.

Those financial statements will be delivered to the Registrar of Companies following the release of this announcement.

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