Publishing Technology plc interim results

Publishing Technology plc (AIM: PTO), (“Publishing Technology”, the “Company” or the “Group”) the leading provider of world-class software and services to the global publishing industry, today announces its unaudited interim results for the six months to 30 June 2015.

The first half saw more than 80% of the Group’s revenue base continue to grow year on year and the Board expects this to continue in the second half. The investment in advance and pub2web has been maintained and will also continue throughout 2015 as pub2web is productised and the Order to Cash (OtC) module of advance is completed.

As indicated in the Company’s trading update on 17 June 2015, the Board believes the business is on track to meet market expectation for the year.

Financial Key Points

- Group revenues £7.59m (2014: £7.61m)
- Gross profit £2.17m (2014: £2.18m)
- EBITDA loss similar to prior year at £320K (2014: loss £283K)
- Loss before tax (after exceptional restructuring and financing costs of £0.6m) £1.15m (2014: loss before tax £0.69m)
- Loss per share 6.76p (2014: loss per share 8.55p)
- Cash outflow from operations £1.8m (2014: cash inflow £0.2m)

Operational Key Points

- At the end of a decade long heavy investment phase
- Raised £9.5m to pay down all debt and provide working capital
- Onerous contract now in user acceptance testing
- Vista, Ingentaconnect and PCG remain core and profitable
- British Library metadata loaded on ingentaconnect increasing content by 40%
- Restructuring in second quarter which will benefit the second half
- Healthy sales pipeline

Michael Cairns, Chief Executive of Publishing Technology plc, commented:

‘As we near the end of a decade long development phase for advance and pub2web, I’m pleased that the Group successfully raised £9.5m through the issue of new equity to pay down all debt built up as a result of the investment and provide £2.7m of working capital to ensure our new platform and VAR strategy can be brought to fruition.

This has fundamentally changed the future of the business and the way in which we are able to operate. Having a positive cash balance allows us to move forward unencumbered by high debt and its associated management and interest costs. It also allows the Group to invest in all parts of the business to exploit opportunities including for core products such as ingentaconnect and Vista. Our goal now is to make solid returns from the investments made over the last 10 years.

To this end, the change in the balance sheet must be backed up by a change in the cost base of the business, therefore in the first half we carried out a restructuring exercise in which we took out approximately 10% of the staff costs of the business to align costs with revenues. The results of this exercise will become apparent in the second half.

The first half also saw the Group complete our management team with the hire of our Global Projects Director, Scott Winner, who together with our new CTO, David Montgomery, has already had a positive
impact. The onerous contract described in the 2014 accounts has been put on a much former footing with the first phase in user acceptance testing and a more positive outlook for future phases.

The pipeline for advance in particular is stronger than ever and I am confident that we can ‘cross the chasm’ from ‘early adopters’ to the more profitable ‘early majority’ and achieve the returns our new products can bring.’

For further information please contact:

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Michael Cairns / Alan Moug

Cenkos Securities plc  Tel: 0207 397 8900
Nicholas Wells / Elizabeth Bowman
Chief executive’s statement

Our strategy is as follows:

- Maintain revenues and profits for Vista which still constitutes almost half of the Group’s turnover.
- Grow the content on ingentaconnect and attract more publishers to the platform, using the natural gearing of this business to increase profitability.
- Maintain revenues in PCG while expanding the services being offered to scale the division.
- ‘Productise’ pub2web and advance by ensuring they are platforms onto which Value Added Resellers (VARs) can add additional functionality.
- Create a VAR program to extend the products and reach a wider audience for them.
- Ensure costs are aligned to revenues and pub2web and advance cross the chasm from ‘early adopters’ and achieve a solid return on investment.

To achieve these objectives we have restructured the business, taking out approximately 10% of staffing costs and amending the management structure from product silos to skill based divisions. These changes were detailed in the 2014 Annual Report and accounts.

In the first half of 2015 we initiated a restructuring exercise which we expect will take out approximately £1m of costs on an annualised basis. The costs savings result from the reorganisation to skill based divisions, the reduced resource requirement on the onerous contract and the ongoing reduction in development costs now that the heavy investment phase is coming to an end. The costs of the restructuring have ben accrued in the first half of 2015.

I believe our costs in the second half and beyond will be better aligned with revenues and therefore start to deliver the overdue return on investment for pub2web and advance.

Vista remains strong with high customer retention and satisfaction rates. I am confident Vista will exceed its targets for 2015. Similarly PCG is on track for 2015, and although we will see some revenue reduction as a result of the Bloomsbury titles being taken back in-house, BioOne and Content Sales remain strong.

Ingentaconnect has added a further 11 publishers to the platform in the first half of 2015 to add to the 30 that were added last year. In addition, I’m pleased to report that the British Library content has now been added to the site which increases the content by around 40% which is expected to drive up traffic and pay per view revenue. Further to the successful launch of the rebranded site last September, we also launched ingentaconnect on a new responsive design platform in March 2015 allowing it to be viewed on any device without compromising the quality of the user experience.

The pub2web division has been working hard in the first half to ‘productise’ the platform. No new sales have been made in the period, partly due to resource constraints as we have successfully upgraded 90% of clients to the latest version of the platform reducing upgrade times from 6 months to 6 weeks and in the process reducing the costs of maintaining a number of differing sites. With all clients soon to be on the latest version of the product, we are now engaged in the final phase of creating a true Web CMS (content management system) which will be deliverable across multiple industry sectors and can be implemented outwith the Group by VARs. Creating a Web CMS platform means the IP is protected within the platform but VARs can extend the functionality by bolting on ‘apps’ through a new API (application programming interface) layer. This increases the value of the base platform and creates an ecosystem around which functionality and services can grow. We are now actively working on delivering our VAR strategy, which we expect to bear fruit in the medium term.

The pipeline for pub2web is not as robust as I would wish, partly as a result in the hiatus created by the upgrade work which has been ongoing throughout 2014 and early 2015. Now that we are approaching a standard Web CMS platform, we are devoting considerable effort to building the pipeline.

advance has been below our estimation in the first half.. The onerous contract in the US, while it has taken longer than anticipated, is now in user acceptance testing. This is a positive step and bodes well for the future with further phases now actively being worked on. The resource usage in the first 6 months on this contract has been higher than anticipated and this has continued to have an opportunity
costs impact as resource has not been available for other revenue generating work. This has meant both new sales and ongoing contracts have suffered some delays and suppressed advance revenue in the first half which is the main contributor to the loss sustained, but the Board believes this will significantly improve in the second half.

Scott Winner came on board in March in the position of Global Projects Director and working with David Montgomery (CTO), they have made a solid improvement to the position of the onerous contract described in the 2014 Annual Report. In addition, in the last month or so, Scott has been able to become involved in all other contracts and particularly where there have been delays is ensuring we get back on track as quickly as possible.

The Project Management Office function has also been moving forward with a new finance hire dedicated to project accounting across all divisions already providing better project based data.

The pipeline for advance is particularly strong with a number of large opportunities we have reason to be confident we can win and deliver. We have been actively working to build a flexible offshore capability to help us deliver advance solutions and avoid delays associated with limited resource.

The successful equity fund raising has changed the momentum of the business. We are now able to be more forward looking rather than spending considerable management time on short term cash management and funding. However I have been very clear that the change in the balance sheet has to be backed up by a change in the cost base of the business. We did not raise funds to cover any inefficiencies, therefore in the first half we carried out a restructuring exercise in which we took out approximately 10% of the staff costs of the business to align costs with revenues. The results of this exercise are expected to become apparent in the second half.

Scott has also been quick to become involved in all large contracts and made positive strides towards a more transparent reporting regime through the project management office which has been strengthened by a new finance hire.

Financial review

Turnover in the first half was unchanged compared to the first half in 2014. This is mainly due to $500K less revenue recognised on the onerous contract in the first half of 2015 compared to the first half of 2014. This combined with lower revenue on other implementations (due to resource constraints caused by the high usage on the onerous contract) has resulted in advance revenue overall being £500K lower than the same period in 2014.

All other revenue streams are up on last year. pub2web and PCG improved by 15% and 13% respectively while Vista improved by 5% despite a reduction in Cengage managed services revenue as the Sage implementation started a new phase and significant new work was undertaken in the first half for Sterling publishers in the US.

Cost of sales was also similar to last year at £5.1m leaving Gross Profit percentage unchanged at 30%. Sales and marketing expenses are also within 2% of the 6 months to 30 June 2014. Administrative expenses are £347K more than the same period last year which is primarily the result of accruing £300K restructuring costs associated with the reduction in staffing costs.

EBITDA loss of £320K is before restructuring costs, depreciation, interest and foreign exchange loss. The Board believe the Group is on track to meet market expectations despite the first half being similar to 2014 now that the onerous contract is on a firmer footing and a cost reduction exercise has been carried out.

Finance costs of £290K in the 6 months to 30 June 2015 are higher than the same period in 2014 as a result of the higher debt caused by the losses in 2014 and additional fees for guarantees and directors loans which carried a coupon of 12%. Interest and charges are expected to reduce by around £400K per annum as a result of the raising completed in June which paid down all historic debt.

The balance sheet has been transformed by the capital raising with liabilities down £3.2m and assets up £1.8m compared to 30 June 2014. Trade and Other Receivables are £0.8m lower than the same point
last year as accrued income is £0.85m lower after all of the onerous contract accrued income was written back in the year to 31 December 2014. The balance sheet as at 30 June 2015 includes a tax credit of £450K receivable from HMRC which is later than normal as a result of the annual report and accounts being delayed. This is expected to be received in July 2015. Trade and Other Payables are higher than same period last year as a result of the accruals against the onerous contract not having fully wound out in the current year and an additional accrual against restructuring costs charged in the first half of 2015.

Cash flow excluding the £9.1m after costs from the raising was impacted by a £2m cash outflow from trade and other payables. £0.9m of this is as a result of the reduction in payroll tax due and lower deferred income at half year end compared to 31 December. The remainder is mainly due to timing differences on BioOne invoicing which is higher over year end and will increase again towards the end of 2015.

As a result of the loss in the first half, the Board does not propose the payment of an interim dividend (2015: £nil).

I believe the work we have done to solidify the pub2web platform base, the ongoing work to create a true Web CMS platform for pub2web, the excellent achievements by David Montgomery and Scott Winer to turn around the onerous contract and build the Project Management Office structure, the restructuring which to reduce our cost base, the work to build the pipeline for advance and the continuation of the final phase of advance development are all moving the Group forward at a faster rate that we could have anticipated. The decision to raise funds was the right one, borne out by its speed and success. The change in the balance sheet and the positives steps we have taken in the core business all leads me to have confidence in the second half and particularly in our potential for 2016.

M P Cairns
Chief Executive Officer
## Condensed Consolidated Interim Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited £’000</th>
<th>Unaudited £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2015</td>
<td>30 June 2014</td>
</tr>
<tr>
<td>Group revenue</td>
<td>7,587</td>
<td>7,609</td>
</tr>
<tr>
<td>Less: revenue from equity accounted investment</td>
<td>3</td>
<td>300</td>
</tr>
<tr>
<td>Group revenue excluding equity accounted investment</td>
<td>7,287</td>
<td>7,354</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(5,118)</td>
<td>(5,177)</td>
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<tr>
<td>Gross profit</td>
<td>2,169</td>
<td>2,177</td>
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<tr>
<td>Sales and marketing expenses</td>
<td>(835)</td>
<td>(854)</td>
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<tr>
<td>Administrative expenses</td>
<td>(2,214)</td>
<td>(1,865)</td>
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<td>Loss from operations</td>
<td>(881)</td>
<td>(542)</td>
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<tr>
<td>Share of profit from equity accounted investment</td>
<td>3</td>
<td>20</td>
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<tr>
<td>Loss from operations including equity accounted investment</td>
<td>(861)</td>
<td>(522)</td>
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### Analysis of loss from operations

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<thead>
<tr>
<th>Description</th>
<th>Unaudited £’000</th>
<th>Unaudited £’000</th>
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<tr>
<td>EBITDA</td>
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<td>(283)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(124)</td>
<td>(110)</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>(117)</td>
<td>(60)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(300)</td>
<td>(69)</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(861)</td>
<td>(522)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Unaudited £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance costs</td>
<td>(290)</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(1,151)</td>
</tr>
<tr>
<td>Tax</td>
<td>49</td>
</tr>
<tr>
<td>Retained loss for the period</td>
<td>(1,102)</td>
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</table>

Other comprehensive expenses which will be reclassified subsequently to profit or loss:

<table>
<thead>
<tr>
<th>Description</th>
<th>Unaudited £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange differences on translating foreign operations</td>
<td>(1)</td>
</tr>
<tr>
<td>Total comprehensive expense for the period</td>
<td>(1,103)</td>
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</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Unaudited £’000</th>
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</thead>
<tbody>
<tr>
<td>Loss attributable to owners of the parent</td>
<td>(1,102)</td>
</tr>
<tr>
<td>Total comprehensive expense attributable to owners of the parent</td>
<td>(1,103)</td>
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</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Unaudited £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted loss per share – pence</td>
<td>4</td>
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## Condensed Consolidated Interim Statement of Financial Position

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited 30 June 2015 £'000</th>
<th>Unaudited 30 June 2014 £'000</th>
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<tr>
<td></td>
<td>Unaudited 30 June 2015 £'000</td>
<td>Unaudited 30 June 2014 £'000</td>
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<tr>
<td>Non current assets</td>
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<tr>
<td>Goodwill</td>
<td>3,737</td>
<td>3,737</td>
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<tr>
<td>Property, plant &amp; equipment</td>
<td>333</td>
<td>328</td>
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<tr>
<td>Investments accounted for using the equity method</td>
<td>3</td>
<td>318</td>
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<tr>
<td></td>
<td></td>
<td>4,388</td>
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<tr>
<td>Current assets</td>
<td></td>
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<tr>
<td>Trade and other receivables</td>
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<td>3,750</td>
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<td>Cash and cash equivalents</td>
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<td>2,606</td>
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<tr>
<td></td>
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<td>6,356</td>
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<tr>
<td>Total assets</td>
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<tr>
<td>Equity</td>
<td></td>
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<tr>
<td>Share capital</td>
<td>1,632</td>
<td>841</td>
</tr>
<tr>
<td>Share Premium</td>
<td>8,291</td>
<td>-</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>11,055</td>
<td>11,055</td>
</tr>
<tr>
<td>Reverse Acquisition reserve</td>
<td>(5,228)</td>
<td>(5,228)</td>
</tr>
<tr>
<td>Translation reserve</td>
<td>(905)</td>
<td>(933)</td>
</tr>
<tr>
<td>Investment in own shares</td>
<td>(6)</td>
<td>(7)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(10,909)</td>
<td>(6,893)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,930</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
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<tr>
<td>Trade and other payables</td>
<td>8</td>
<td>6,814</td>
</tr>
<tr>
<td>Borrowings</td>
<td>6</td>
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<tr>
<td></td>
<td></td>
<td>6,814</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>6,814</td>
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<tr>
<td>Total equity and liabilities</td>
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## Unaudited condensed consolidated interim statement of changes in equity

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium</th>
<th>Merger reserve</th>
<th>Reverse acquisition reserve</th>
<th>Translation reserve</th>
<th>Investment in own shares</th>
<th>Retained Earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2015</strong></td>
<td>841</td>
<td>-</td>
<td>11,055</td>
<td>(5,228)</td>
<td>(904)</td>
<td>(6)</td>
<td>(9,807)</td>
</tr>
<tr>
<td><strong>Loss for the period</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,102)</td>
</tr>
<tr>
<td><strong>Share issue</strong></td>
<td>791</td>
<td>8,291</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,082</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Exchange differences on translation of foreign operations</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income / (expense) for the period</strong></td>
<td>791</td>
<td>8,291</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>-</td>
<td>(1,102)</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2015</strong></td>
<td>1,632</td>
<td>8,291</td>
<td>11,055</td>
<td>(5,228)</td>
<td>(905)</td>
<td>(6)</td>
<td>(10,909)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium</th>
<th>Merger reserve</th>
<th>Reverse acquisition reserve</th>
<th>Translation reserve</th>
<th>Investment in own shares</th>
<th>Retained Earnings</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>£'000</td>
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<td>£'000</td>
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<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2014</strong></td>
<td>841</td>
<td>-</td>
<td>11,055</td>
<td>(5,228)</td>
<td>(898)</td>
<td>(7)</td>
<td>(6,208)</td>
</tr>
<tr>
<td><strong>Loss for the period</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(685)</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exchange differences on translation of foreign operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(35)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive expense for the period</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(35)</td>
<td>-</td>
<td>(685)</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2014</strong></td>
<td>841</td>
<td>-</td>
<td>11,055</td>
<td>(5,228)</td>
<td>(933)</td>
<td>(7)</td>
<td>(6,893)</td>
</tr>
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## Condensed Consolidated Interim Statement of Cash Flows

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited Six months ended 30 June 2015</th>
<th>Unaudited Six months ended 30 June 2014</th>
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</thead>
<tbody>
<tr>
<td>Loss before tax</td>
<td>(1,151)</td>
<td>(685)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of profit from equity accounted investment</td>
<td>3</td>
<td>(20)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>124</td>
<td>110</td>
</tr>
<tr>
<td>Interest expense</td>
<td>291</td>
<td>163</td>
</tr>
<tr>
<td>Unrealised foreign exchange differences</td>
<td>(1)</td>
<td>(35)</td>
</tr>
<tr>
<td>Decrease in trade and other receivables</td>
<td>1,064</td>
<td>1,432</td>
</tr>
<tr>
<td>Decrease in trade and other payables</td>
<td>(2,081)</td>
<td>(763)</td>
</tr>
<tr>
<td><strong>Cash (outflow) / inflow from operations</strong></td>
<td><strong>(1,774)</strong></td>
<td><strong>202</strong></td>
</tr>
<tr>
<td><strong>Tax Paid</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D tax credit received</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash (outflow) / inflow from operating activities</strong></td>
<td><strong>(1,775)</strong></td>
<td><strong>235</strong></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share issue</strong></td>
<td>9,082</td>
<td>-</td>
</tr>
<tr>
<td><strong>Payment of finance leases</strong></td>
<td>(86)</td>
<td>(45)</td>
</tr>
<tr>
<td><strong>Loans received</strong></td>
<td>400</td>
<td>450</td>
</tr>
<tr>
<td><strong>Loans repaid</strong></td>
<td>(2,950)</td>
<td>(649)</td>
</tr>
<tr>
<td><strong>Interest paid</strong></td>
<td>(331)</td>
<td>(162)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>6,115</td>
<td>(406)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Purchase of property, plant and equipment</strong></td>
<td>(6)</td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(6)</td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>4,334</td>
<td>5</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>(1,728)</td>
<td>1,345</td>
</tr>
<tr>
<td><strong>Cash &amp; cash equivalents at end of period</strong></td>
<td>7</td>
<td>2,606</td>
</tr>
</tbody>
</table>
Notes to the Unaudited Interim Report for the six months ended 30 June 2015

1. Nature of operations and general information

Publishing Technology plc (the "Company") and its subsidiaries (together 'the Group') is a provider of technology and supporting services to content providers and publishers. The nature of the Group’s operations and its principal activities are set out in the full annual financial statements.

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 condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 21 July, 2015.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 404 of the Companies Act 2006. The Group’s statutory financial statements for the year ended 31 December 2014, prepared under IFRS as adopted by the European Union, have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain a statement under section 498 (2) or section 498 (3) of the Companies Act 2006.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2015. They have been prepared following the recognition and measurement principles of IFRS as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014.

These condensed consolidated interim financial statements have been prepared on the going concern basis under the historical cost convention and have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2014.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim financial statements.

A detailed set of accounting policies can be found in the annual accounts available on our website, www.publishingtechnology.com or by writing to the Company Secretary at the registered office as above.
3. Equity accounted investment

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Ltd (BIDPT), a joint venture company registered in the People’s Republic of China.

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 unaudited financial information on BIDPT is as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Assets</td>
<td>1,602</td>
<td>471</td>
</tr>
<tr>
<td>Liabilities</td>
<td>993</td>
<td>51</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Six months ended</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>600</td>
<td>520</td>
</tr>
<tr>
<td>Profit</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Profit attributable to the Group</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Changes in equity accounted investment

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Six months ended</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Book Value as at 1 January</td>
<td>298</td>
<td>278</td>
</tr>
<tr>
<td>Profit attributable to the Group</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Investment Book Value as at 30 June | 318 | 298 |

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

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

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Since all outstanding options have an exercise price in excess of the average market rate in the period there is no dilutive impact from options granted.

<table>
<thead>
<tr>
<th></th>
<th>Six months ended</th>
<th>Six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2015</td>
<td>30 June 2014</td>
</tr>
<tr>
<td>Attributable loss (£’000)</td>
<td>(1,103)</td>
<td>(720)</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares</td>
<td>16,319,609</td>
<td>8,413,610</td>
</tr>
<tr>
<td>Loss per share (basic and dilutive) arising from both total and continuing operations</td>
<td>(6.76)p</td>
<td>(8.55)p</td>
</tr>
</tbody>
</table>

5. Trade and other receivables

Trade and other receivables comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables – gross</td>
<td>2,225</td>
<td>2,479</td>
</tr>
<tr>
<td>Less: provision for impairment of trade receivables</td>
<td>(5)</td>
<td>(26)</td>
</tr>
<tr>
<td>Trade receivables – net</td>
<td>2,220</td>
<td>2,453</td>
</tr>
<tr>
<td>Other receivables</td>
<td>176</td>
<td>330</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>904</td>
<td>1,752</td>
</tr>
<tr>
<td>Research and development tax credit</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,750</td>
<td>4,535</td>
</tr>
</tbody>
</table>
6. Borrowings

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>-</td>
<td>1,340</td>
</tr>
<tr>
<td>Loan note</td>
<td>-</td>
<td>1,500</td>
</tr>
<tr>
<td>Short Term Loans</td>
<td>-</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>3,290</td>
</tr>
<tr>
<td>On demand or within one year</td>
<td>-</td>
<td>3,290</td>
</tr>
<tr>
<td>In second year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>In third to fifth years inclusive</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>3,290</td>
</tr>
<tr>
<td>Amount due for settlement after 12 months</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

7. Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8,116</td>
<td>295</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(5,510)</td>
<td>(1,635)</td>
</tr>
<tr>
<td>Cash and cash equivalents including overdraft</td>
<td>2,606</td>
<td>(1,340)</td>
</tr>
</tbody>
</table>

8. Trade and other payables

Trade payables comprise the following:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2015</th>
<th>30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Trade payables</td>
<td>946</td>
<td>779</td>
</tr>
<tr>
<td>Social security and other taxes</td>
<td>343</td>
<td>403</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,532</td>
<td>1,672</td>
</tr>
<tr>
<td>Accruals</td>
<td>1,092</td>
<td>788</td>
</tr>
<tr>
<td>Deferred income</td>
<td>2,901</td>
<td>3,131</td>
</tr>
<tr>
<td></td>
<td>6,814</td>
<td>6,773</td>
</tr>
</tbody>
</table>
9. Contingencies and commitments

There were no contingencies and commitments at the end of this or the comparative period.

10. Post balance sheet events

There were no material events subsequent to the end of the interim reporting period that have not been reflected in the interim financial statements.

11. Copies of the Interim Financial Statements

A copy of the interim statement is available on the Company's website, www.publishingtechnology.com, and from the Company's registered office, 8100 Alec Issigonis Way, Oxford OX4 2HU.