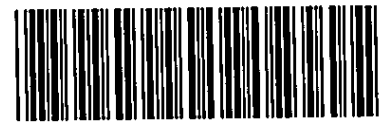


Registered no: 837205

Publishing Technology Plc (formerly Ingenta Plc)  
Annual report  
for the year ended 31 December 2006

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# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Annual report for the year ended 31 December 2006**

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# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Directors and Advisors**

### **Executive Director**

Simon Dessain, Chief Operating Officer (formerly Chief Executive)

### **Directors appointed on 27 February 2007**

George Lossius, Chief Executive Officer

Alan Moug, Chief Financial Officer

### **Non-Executive Directors**

Martyn Rose, Chairman

Mark Rowse

Ward Shaw

### **Company Secretary**

Alan Moug

### **Registered Office**

Unipart House

Garsington Road

Oxford

OX4 2GQ

Registered number 837205

### **Auditor**

Grant Thornton UK LLP

Registered Auditors

1 Westminster Way

Oxford

OX2 0PZ

### **Bankers**

The Royal Bank of Scotland Plc

48 Haymarket

London

SW1Y 4SE

### **Registrars**

Capita IRG Plc

The Registry

PO Box 25

34 Beckenham Road

Beckenham

Kent

BR3 4BR

### **Nominated Advisor**

Collins Stewart Limited

9<sup>th</sup> Floor

88 Wood Street

London

EC2V 7QR

### **Solicitors**

Stringer Saul LLP

17 Hanover Square

London W1S 1HU

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **2006 – Highlights**

Ingenta Plc is a provider of technology and marketing services to the publishing and information industries, undertaking online delivery of professional, scholarly and research content and associated services to maximize its use in corporate, academic, and governmental institutions and their libraries

Ingenta Plc acquired VISTA International Limited on 27 February 2007. This is more fully described in the circular dated 2 February 2007 sent to shareholders. At the Extraordinary General Meeting on 27 February 2007 the enlarged Company changed its name to Publishing Technology Plc (ticker PTO) on the AIM market of the London Stock Exchange. Further details of the acquisition are shown in Note 32.

This Annual Report and Accounts covers 12 months of Ingenta Plc's trading to 31 December 2006 prior to the acquisition detailed above.

### **Highlights**

- Executive focus on acquisition activities – announced and completed post year end
- IngentaConnect and PCG operations performed strongly with growth in new client acquisitions and revenues
- ICD benefited from investment of £0.5m and delivered major new software product
- IngentaConnect added 40 new publishers
- Number of Electronic Publications via IngentaConnect.com was 10,000 (2005 9,500)
- Sales in the year of £6.1m (2005 £6.6m)
- Overheads before exceptional items of £5.5m (2005 £5.6m)
- Gross profit £4.5m (2005 £4.9m) - margin steady at 74% (2005 75%)
- Loss of £1.0m (2005 loss £0.3m) after exceptional write-downs and reorganisation provisions of £0.2m (2005 0.1m)

## **Business Overview**

Ingenta provides technology and associated marketing services to publishers from whom it receives fees. The provision of Ingenta's software and services enable publishers to make their content available online under a variety of business models including subscription and pay per view. Ingenta also provides marketing services to help publishers maximise distribution of their content.

Ingenta charges recurring fees, in many cases under multi-year agreements, for use of its market-leading technology and services. These are in the areas of content preparation, content enhancement, website creation, marketing services, online distribution and access management of subscription controlled content.

## **Publishing Technology Plc (formerly Ingenta Plc)**

The services provided by Ingenta not only enable publishers to securely disseminate their content online but also to make incremental revenues from their content. In 2006 the Group worked with over 40 new publishers in addition to over 270 with whom it has existing relationships.

Ingenta's technical skills, its market leadership and its broad understanding of the issues faced by publishers attempting to distribute content and gain new online revenues are key business advantages for the Group.

Ingenta's three principal activities are as follows:

### **1) IngentaConnect (*www.ingentaconnect.com*)**

2006 saw IngentaConnect add another 40 new publishers to its customer base. IngentaConnect provides online access to over 10,000 titles to those wishing to conduct academic or scientific research. IngentaConnect regularly achieves over 20 million user sessions a month. IngentaConnect enables publishers to reach an audience beyond their traditional subscriber bases, for instance it allows free access to paid-up subscribers of a publication, with other non-subscription users able to purchase individual articles on a pay per view basis.

Institutions also engage Ingenta to create online student course packs through the Group's Heron service, which launched a new course pack management system as a further service to its educational institution clients. Ingenta also operates a small number of premium services of direct benefit to institutions and users of IngentaConnect, for which there is an annual charge.

### **2) Information Commerce Division (ICD)**

Publishers have a range of complex needs to maximise the value of the content they create in online environments. This may include increasing awareness and readership, capturing data about customers, revenue goals or cost targets for online delivery. All these aims require publishers to have flexible tools to re-bundle, re-brand and market their content online and also to create branded websites through which users can purchase and access this content.

Ingenta provides software and services to meet these needs, the core of which is a software package called Information Commerce Services (ICS), which is offered to publishers for use by them. Additionally the Group designs, develops, maintains and runs publication websites on behalf of publishers.

### **3) Publishers Communication Group (PCG)**

Ingenta's PCG provides a range of specialised marketing and business development services to meet the needs of professional and scholarly publishers. These include services in the areas of market intelligence for planning and marketing new products, promotions to expand awareness, and local market representation services. In addition PCG has recently introduced market segmentation and publisher consulting services.

PCG provides services to over 50 North American and European publishers with programmes delivered in over 40 countries in eight languages on their behalf.

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Chairman's Statement**

### *Finance and Operations*

Turnover in the year was £6.1m (2005 £6.6m) and the gross margin was 74% (2005 75%)

The loss before tax in the year was £1.3m (2005 loss £0.6m), inclusive of £1.1m (2005 £1.2m) invested in Research and Development, all of which was expensed through the profit and loss account as incurred. With the benefit of a Research and Development tax credit of £0.3m for the year (2005 £0.3m) this has resulted in a net loss for the financial year of £1.0m (2005 loss £0.3m)

The Group's net cash balance at 31 December 2006 was a deficit of £0.1m (2005 surplus £0.3m)

The Group's leading academic and research publications hosting platform, IngentaConnect ([www.ingentaconnect.com](http://www.ingentaconnect.com)) performed strongly and 2006 saw the release of new services for both publisher clients and end users. In addition, Ingenta's Information Commerce Division (ICD) unit completed further software deliveries. Finally the Group's Publisher Communication Group (PCG) worked with six new publishers, again demonstrating the value of the high quality services offered.

Ingenta's understanding of the issues faced by publishers trying to reach global audiences for their content and to derive new revenues from online delivery of content, remain key business advantages for the Group.

### *Staff*

During the year the number of people employed by Ingenta declined further, from 86 at the start of the year to 82 full time equivalent employees at the year end.

The contributions made by staff across the Group enabled Ingenta to achieve a reputation for delivering high quality services. The Board wishes to thank them for their hard work, enthusiasm and commitment.

### *Current Trading and Prospects*

2006 saw the Group deliver operational improvements within two divisions - IngentaConnect and PCG, which are expected to continue into 2007. As indicated in the announcement of the interim results the ICD group has for some time needed additional sales distribution to achieve its potential, and corporate activity has been explored to effect this.

Shareholders will be aware that this was through the announcement on 2 February 2007 of the acquisition of VISTA International Limited, and the renaming of the Company as Publishing Technology Plc. This move is designed to enable all three of Ingenta's business units to deliver growth in 2007 and particularly to enable expanded sales of the ICD offerings.

The circular highlighted the following strengths of the combination of Ingenta and Vista to create Publishing Technology

- Providing opportunities to increase sales through cross-selling, particularly through Vista's ability to sell ICD's products into its existing market place,
- Strengthening the management team of Ingenta by integration of the Vista management team,
- Creating critical mass both in terms of the range of products and services as well as the scale of the combined businesses, and
- Obtaining cost savings from synergies and from reduction of duplicated functions and duplicated activities

## Publishing Technology Plc (formerly Ingenta Plc)

The potential for our renamed and substantially expanded Company, Publishing Technology Plc is considerable and gives us confidence in the future

*Martyn Rose* 20-4

Martyn Rose  
Chairman  
2 April 2007

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Chief Executive's Review**

Ingenta provides services for publishers of high value content, including market leading services in the areas of content preparation and enhancement, website creation, marketing services, online distribution and access management for subscriber controlled content. Access management in particular requires sophisticated and complex technical solutions for which Ingenta is a market leader. The use of such technology is a prerequisite for publishers wishing to exploit new and evolving e-commerce opportunities and thus derive incremental revenues from their digital content.

Ingenta continues to generate over 90% of its revenues from providing technology and marketing services to publishers, with the remaining revenues coming from institutions and end users of the Group's services. The majority of the Group's publisher revenues consist of recurring annual fees and long-term contracts derived through the following three principal activities:

### **IngentaConnect (*www.ingentaconnect.com*)**

2006 saw IngentaConnect cement further its position as a leader in its sector, with over 10,000 research and professional publication titles. During the year, the site regularly saw over 20 million monthly user sessions from around 20,000 institutions spread across 160 countries and at an availability level in excess of 99.99%. In addition over 20,000 further titles are available for searching and delivery through fax pay per view.

IngentaConnect provides online access to the publications from over 265 publishers for those conducting academic or scientific research worldwide. During the year the Group saw 40 new publishers contract with Ingenta. With over 60 linking partners and a large number of search and discovery services pointing users towards IngentaConnect, publishers gain access to a far wider audience for their content, beyond their traditional individual subscriber bases.

Engineering activities for IngentaConnect delivered a rolling programme of new services for publishers including a market leading new facility for searchers on Google Scholar with IngentaConnect subscriptions and also a major release in September 2006 which contained certain Web 2.0 functionality. *byDesign*, is a service through which publishers can add the extensive functionality of IngentaConnect to their own websites, and 2006 saw the launch of the option for publishers to have an entire publication website delivered on their own dedicated server allowing significant expansion in the level of customisation. Both these services allow paid-up subscribers of a publication to download articles for free, or non-subscribers to purchase individual articles online on a pay per view basis.

In addition, Ingenta's Heron service creates online student course packs and during the period launched a new product Pack Tracker which provides institutions administrative and operational management of course pack creation across an entire institution. Through the Heron website, institutions can request digitisation, copyright clearance and course pack distribution services. Article pay per view through IngentaConnect and Heron together generate royalty revenues of over £1m per annum for Ingenta's publishers.

Ingenta also now provides a small number of chargeable premium services, which are of direct benefit to users of IngentaConnect. There are three products in this area, including IngentaConnect Premium, an enhanced package of user services available for a small additional fee and IngentaConnect Complete and IngentaConnect InTouch, services designed for libraries. Revenues from the IngentaConnect operation comprise set up and annual fees, as well as revenue sharing, and they contributed 65% (2005: 58%) of Group turnover during the year.

### **Information Commerce Division (ICD)**

As with our IngentaConnect operation, the core of our proposition is a set of features enabling publishers to define which kinds of user can access what content and under what licence terms. When combined with Ingenta's ability to tailor and deliver branded web pages containing the client's content, or facilities enabling the client to upload and update content within a website, these features are a key part of Ingenta's competitive advantage and are part of a product family, generally referred to as ICS. ICS also delivers both a faster time to market and an improved return on investment for publishers.

## **Publishing Technology Plc (formerly Ingenta Plc)**

Ingenta's ICD Group designs, builds, maintains and operates websites and provides ICS as a standalone software product

Ingenta's revenues from ICD are generated from initial and ongoing fees from the sale of software and also from the integration into, and management of, publication websites. Revenues from the ICS unit contributed 15% (2005 28%) of Group turnover for the year

### **Publishers Communication Group (PCG)**

PCG provides specialised marketing and business development services to meet the needs of professional and scholarly publishers

During the year, PCG also launched new Sales Representation services. These enable a publisher in North America or Europe to benefit from the services of their own staff in additional geographies without the burden of opening an office, hiring or day to day management of staff. In 2006 this activity enabled PCG to enter into agreements with the American Society of Microbiology, CSIRO and CABI to provide resources in both North America and Europe

In 2006, PCG grew its revenues by 25% (2005 21% reduction). Ingenta's revenues in this area are largely fee based and represented 20% (2005 14%) of Group turnover during the year

### **Outlook**

The performance of both IngentaConnect and PCG in 2006 provides confidence they can contribute to Publishing Technology in 2007. The strength of their products and the encouraging financial progress in 2006 place them in a strong position to add to forecast business growth going forward. These may include expansion of our established services into additional publisher markets and acquisitions of similar businesses to increase the Group's scale

The combination of our ICD activities into VISTA operations is already taking place and cross selling activities are underway. These activities enable us to plan a return on the investments made to date in these ICD products and services

As outlined in the circular of 2 February 2007, the Board is confident that there will be considerable opportunities for the Publishing Technology Group to increase revenues across its core business streams

It is also expected that Publishing Technology will considerably improve its Group financial performance in the current financial year from already identified cost synergies. We plan that the savings will come from a reduction of the central Group functions including human resources, finance, IT support and product development and, to a lesser extent, from synergies and savings in the service delivery teams



**Simon Dessain**  
Chief Operating Officer (formerly Chief Executive)  
2 April 2007

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Financial Review for the year ended 31 December 2006**

### **Operating results**

Turnover for the year ended 31 December 2006 was £6.1m (2005 £6.6m)

Gross profit for the period was £4.5m (2005 £4.9m) and the gross margin was 74% (2005 75%)

Total operating costs in the year were £5.7m (2005 £5.6m). This resulted in a loss before tax of £1.3m (2005 loss £0.6m). With the benefit of a tax credit of £0.3m (2005 £0.3m) the loss for the financial period was £1.0m (2005 loss £0.3m).

### **Taxation**

A tax credit of £0.3m (2005 £0.3m) was included in the results for 2006 relating to amounts received and receivable under the Research and Development tax credit scheme. The claim has been prepared on the same basis as in prior years but is subject to HM Revenue and Customs approval.

The Group has unutilised tax losses at 31 December 2006 in the UK and the USA of £11.9m (2005 £11.5m) and \$14.6m (2005 \$14.5m) respectively.

### **Shareholders' returns and dividends**

The Directors do not recommend the payment of a dividend (2005 £nil).

### **Balance sheet and cash**

Shareholders' deficit totalled £2.5m at the year end (2005 deficit £1.6m).

Cash outflow from operating activities was reduced over the year to £0.5m (2005 outflow £1.0m).

At the year end, net bank overdraft was £0.1m (2005 £0.3m net cash). Cash absorbed by operations or for capital expenditure during the year amounted to £0.7m (2005 £1.1m). A tax credit of £0.3m (2005 £0.5m) in respect of Research and Development expenditure was received in the year.

### **Treasury**

The Group's policy with regard to cash balances is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise interest earned while maintaining sufficient funds to meet day-to-day requirements.

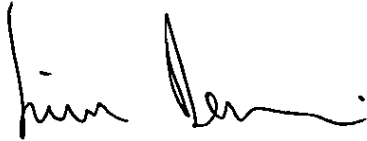
The Group operates in a business which has marked seasonality in cash flows. This is expected to continue and has been taken into account in assessing the working capital requirements.

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **International Financial Reporting Standards**

The London Stock Exchange has announced that AIM listed Groups will have to publish financial information under International Financial Reporting Standards ("IFRS") for accounting periods commencing on or after 1 January 2007. Publishing Technology Plc expects to report under IFRS for the financial year ending 31 December 2007, including the interim results for the half year to 30 June 2007.

The process of evaluating the impact of the changes that will result, both in terms of the effect on the Group's results and its financial position, is underway.



Simon Dessain  
Chief Operating Officer (formerly Chief Executive)  
2 April 2007

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Directors' Report for the year ended 31 December 2006**

The Directors present their report and the audited financial statements for the year ended 31 December 2006

### **Principal activity**

The Group's principal activities are the provision of internet-based electronic hosting and delivery services and marketing services for publishers of research material and others, and the delivery of internet-based search and access services for libraries and individual users of that material

### **Review of business and future developments**

A review of the business, its results, key performance indicators and future direction is included in the Chairman's Statement, the Chief Executive's Review and the Financial Review and Corporate Governance

### **Results and dividends**

The trading results for the year and the Group's financial position at the end of the year are shown in the attached Financial Statements

The Directors do not recommend the payment of a dividend (2005 £nil)

### **Directors**

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

#### **Executive directors**

S J F Dessain, Chief Operating Officer

G Lossius, Chief Executive Officer – Appointed 27 February 2007

A Moug, Chief Financial Officer – Appointed 27 February 2007

#### **Non-Executive Directors**

M C Rose, Chairman

M A Rowse

W E Shaw

The interests of Directors in the shares of the Company at 31 December 2006 are disclosed in the Directors' Remuneration report

### **Corporate Governance**

Details of Corporate Governance for the year to 31 December 2006 are disclosed in the Corporate Governance Report

### **Research and development activities**

The Group carries out research and development activities in connection with web delivery, access control and linking technologies. All costs relating to these activities are written off to the profit and loss account as incurred. The charge to the profit and loss account was £1.0m (2005 £1.2m)

# Publishing Technology Plc (formerly Ingenta Plc)

## Substantial shareholdings

At 23 March 2007 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

	Number of ordinary 1p shares	Percentage of issued ordinary share capital
Martyn Rose	91,965,293	15.4%
Cazenove Fund Management Limited	53,451,835	9.0%
Almandine LLC	39,660,493	6.7%
Alan Moug	36,414,628	6.1%
Spread Trustee Company Limited	36,339,808	6.1%
Brian Gibson	36,164,628	6.1%
George Lossius	36,164,628	6.1%
JM Finn-Private Clients	33,265,000	5.6%
Colin Bottle	29,510,460	4.9%
Mark Rowse	26,558,558	4.5%

## Charitable and political contributions

The Group made no political or charitable contributions during the year (2005 £nil)

## 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 2006 the Group, on average, paid its trade creditors within 130 days of receipt of a valid invoice (2005 73 days)

## Financial risk management

Details of the Group's financial risks are given in the note 19

## Employment policy

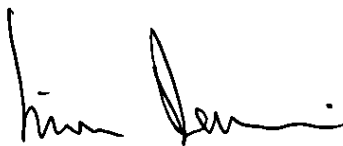
Group employees are regularly consulted by management and kept informed of matters affecting them and the overall development of the Group. The Group's policy is to give disabled people full and fair consideration for job vacancies, having due regard for their abilities and the safety of the individual. 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.

## Post balance sheet events

On 27 February 2007 the Company held an Extraordinary General Meeting at which all resolutions were passed to effect the acquisition of VISTA International Limited and to change Ingenta Plc's name to Publishing Technology Plc. This is more fully described in the Circular to shareholders in respect of the above dated 2 February 2007, a copy of which is available on request from the Company's registered office.

Grant Thornton UK LLP offer themselves for re-appointment as auditor in accordance with section 385 of the Companies Act 1985.

On behalf of the board



Director  
2 April 2007

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Corporate Governance**

Publishing Technology Plc is an AIM Listed company and while the AIM rules do not require the Group to comply with the combined code on Corporate Governance ("The Code"), the Group agrees with the principles of The Code and adopts wherever size and resources permit

### **Board of Directors**

Board meetings are scheduled to take place at least quarterly, with additional meetings to review and approve significant transactions. The Board is provided with extensive Board papers, usually the week before each Board meeting of which there were six in the year

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 Company will reimburse the cost of the advice. The appointment and removal of the Company Secretary is a decision for the Board as a whole. Following the Company's EGM on 27 February 2007 Alan Moug, Chief Financial Officer of Publishing Technology Plc assumed the role of Company Secretary

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 Company 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 and two other non-executive Directors

### **Remuneration Committee**

The Remuneration Committee is composed of two Non-Executive Directors M C Rose (Chairman) and W E Shaw. 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 W E Shaw. 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 external auditors are independent via the segregation of audit related work from other accounting functions and measures applicable fees with similar auditors

### **Relations with shareholders**

The Company gives high priority to its communication with shareholders by means of an active investor relations programme. This is achieved through correspondence and extensive corporate information. In addition, the Company visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports from the Company'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 20 business days before the meeting

### **Internal controls**

The Board of Directors acknowledges their responsibility for the Group's system of internal control, including suitable monitoring procedures. There are inherent limitations in any system of 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

## **Publishing Technology Plc (formerly Ingenta Plc)**

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 subsidiary companies 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, at least quarterly, 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. A number of key risks including treasury management, capital expenditure, insurance, health and safety and regulatory compliance come under the direct control of the Directors. Risk assessment includes review of potential mitigations and these are detailed in a risk assessment document. The accounting policies cover several key risks and these are included in the Notes.

### **Going concern**

The Board reviews trading forecasts and cash flows and examines these against available funding. The Board recognises the Group has suffered a loss for the year of £1.0m and has a net balance sheet deficit of £2.5m. These forecasts and cash flows are for the enlarged Group, including the acquisition of VISTA International Limited which was completed on 27 February 2007 and include cost savings expected to be made through synergies arising from combining the two Groups. On completion of the acquisition of VISTA, the Group's overdraft facility was increased to £1.1m by RBS the Group's bankers and the Group successfully raised £1.5m (gross) through the placing of additional shares on 27 February 2007. As a result, the Board has a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future and thus continues to adopt the going concern basis in the preparation of these financial statements.

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

United Kingdom Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare Financial Statements in accordance with United Kingdom Accounting Standards (United Kingdom generally accepted accounting practice). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

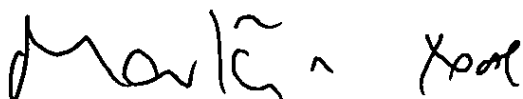
## **Publishing Technology Plc (formerly Ingenta Plc)**

In so far as the directors are aware

- there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is 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

A handwritten signature in black ink, appearing to read 'Martyn Rose', followed by a small flourish and the word 'Xpoc'.

**Martyn Rose**  
Chairman of the Audit Committee  
2 April 2007

# Publishing Technology Plc (formerly Ingenta Plc)

## Directors' Remuneration Report for the year ended 31 December 2006

### Information not subject to audit

The Remuneration Committee comprises M C Rose and W E Shaw 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 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,
- the need to ensure executive 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 fees awarded 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 one executive Director.

The interests of the Directors at 31 December 2006 in the shares of the Company were as follows

	Number of deferred ordinary shares of 4p each 31 December 2006	Number of ordinary shares of 1p each 31 December 2006	Number of deferred ordinary shares of 4p each 31 December 2005	Number of ordinary shares of 1p each 31 December 2005
S J F Dessain	711,355	1,086,355	711,355	1,086,355
M C Rose	6,624,028	1,799,593	6,624,028	7,374,028
M A Rowse	13,308,558	14,058,558	13,308,558	14,058,558
W E Shaw <sup>1</sup>	2,183,978	747,363	2,183,978	2,808,978

<sup>1</sup> W E Shaw's interests are by reason of his controlling shareholding in 966 Corporation Inc

In addition GM Lossius and AB Moug held 36,164,628 and 36,414,628 ordinary shares of 1p each respectively on 27 February 2007, the date they were appointed as Directors

The interests of the other Directors at 27 February 2007 following the acquisition of VISTA International Limited were for S J F Dessain 2,086,335, M C Rose 91,965,293, M A Rowse 26,558,558 and W E Shaw 6,308,978

# Publishing Technology Plc (formerly Ingenta Plc)

## Directors' remuneration

	Salary and fees £'000	Benefits £'000	Sums paid to a third party for Director's services £'000	Pension contributions £'000	2006 Total £'000	2005 Total £'000
<b>Executive</b>						
S J F Dessain	111	8	-	21	140	139
<b>Non-Executive</b>						
M C Rose	-	-	64	-	64	58
M A Rowse	-	-	28	-	28	68
W E Shaw	-	-	12	-	12	11
	<u>111</u>	<u>8</u>	<u>104</u>	<u>21</u>	<u>244</u>	<u>276</u>

The Directors did not receive, nor are they due, a bonus payment for the year ended 31 December 2006 (2005 £nil)

## Directors' interests

Under the terms of an HM Revenue & Customs approved option scheme and an executive option scheme, the Directors at 31 December 2006 had an interest in options over ordinary shares of 1p each of the Company, as follows

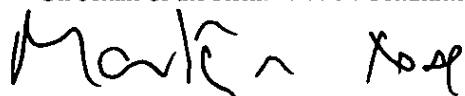
	1 January 2006	Number of options granted in the period	Lapsed in the period	Exercised in the period	31 December 2006	Exercise price (p)	Date from which exercisable	Expiry date
S J F Dessain	375,000	-	-	-	375,000	8 75	11 December 2002	11 December 2007
S J F Dessain	300,000	-	-	-	300,000	9 50	23 January 2004	23 January 2014
S J F Dessain	1,500,000	-	-	-	1,500,000	5 00	26 January 2005	26 January 2015

## Gains made by Directors on share options

No share options were exercised during 2006 (2005 £nil)

The market price of the Company's shares at the end of the financial period was 1 25p and the range of market prices during the year was between 0 75p and 2 3p

On behalf of the Remuneration Committee



**Martyn Rose**  
Chairman  
2 April 2007

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PUBLISHING TECHNOLOGY PLC**

We have audited the Group and parent Company financial statements (the "financial statements") of Publishing Technology Plc (formerly Ingenta Plc) for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the Company balance sheet, the consolidated cash flow statement, and notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditor**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the 2006 Highlights, the Business Overview, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Directors' Report, the Corporate Governance Statement, and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

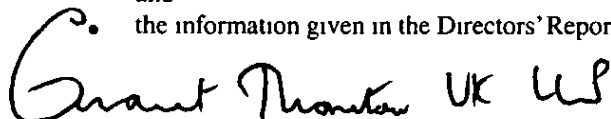
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Publishing Technology Plc (formerly Ingenta Plc)

## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 December 2006 and of the Group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
OXFORD  
2 April 2007

## Publishing Technology Plc (formerly Ingenta Plc)

### Consolidated Profit and Loss Account for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Turnover</b>	2	<b>6,067</b>	6,598
<b>Cost of sales</b>		<b>(1,601)</b>	(1,657)
<b>Gross profit</b>		<b>4,466</b>	4,941
Administrative expenses	3	(5,743)	(5,557)
<b>Operating loss</b>	8	<b>(1,277)</b>	(616)
Interest receivable and similar income	6	-	5
Interest payable and similar charges	7	(27)	(4)
<b>Loss on ordinary activities before taxation</b>	2	<b>(1,304)</b>	(615)
<b>Tax on loss on ordinary activities</b>	10	<b>283</b>	304
<b>Loss for the financial period</b>	23	<b>(1,021)</b>	(311)
<b>Loss per share</b>			
- basic and diluted	12	<b>(0.5)p</b>	(0.2)p

All activities are classified as continuing

The accompanying notes form part of these financial statements

## **Publishing Technology Plc (formerly Ingenta Plc)**

### **Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 December 2006**

	Notes	2006 £'000	2005 £'000
Loss for the financial year		(1,021)	(311)
Currency translation differences on foreign currency net investments	23	104	(128)
<b>Total recognised losses for the year</b>		<b>(917)</b>	<b>(439)</b>

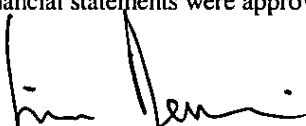
The accompanying notes form part of these financial statements

# Publishing Technology Plc (formerly Ingenta Plc)

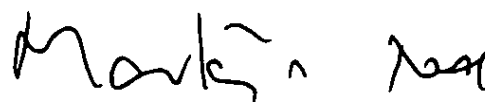
## Consolidated Balance Sheet

	Notes	31 December 2006		31 December 2005	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	13		209		210
Investments	14		103		221
			<b>312</b>		<b>431</b>
<b>Current assets</b>					
Stock and work in progress	15	7		7	
Debtors	16	1,839		2,321	
Cash at bank and in hand		<u>542</u>		<u>567</u>	
			<b>2,388</b>		<b>2,895</b>
<b>Creditors - amounts falling due within one year</b>					
Deferred income		(1,559)		(1,904)	
Other creditors	17	<u>(3,501)</u>		<u>(2,915)</u>	
			<b>(5,060)</b>		<b>(4,819)</b>
<b>Net current liabilities</b>					
			<b>(2,672)</b>		<b>(1,924)</b>
<b>Total assets less current liabilities</b>					
			<b>(2,360)</b>		<b>(1,493)</b>
<b>Creditors - amounts falling due after more than one year</b>					
	18		(1)		(4)
<b>Provisions for liabilities and charges</b>					
	20		(160)		(124)
<b>Net liabilities</b>					
			<b>(2,521)</b>		<b>(1,621)</b>
<b>Capital and reserves</b>					
Called up share capital	21		7,510		7,510
Share premium account	23		20,955		20,955
Merger reserve	23		11,056		11,056
Reverse acquisition reserve	23		12,679		12,679
Share options reserve	23		17		-
Profit and loss account deficit	23		(54,738)		(53,821)
<b>Shareholders' deficit</b>					
	24		<b>(2,521)</b>		<b>(1,621)</b>

The financial statements were approved by the board of Directors on 2 April 2007 and were signed on its behalf by



**Simon Dessain**  
Director



**Martyn Rose**  
Chairman

The accompanying notes form part of these financial statements

# Publishing Technology Plc (formerly Ingenta Plc)

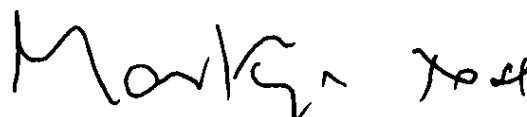
## Company Balance Sheet

	Note	31 December 2006 £'000	31 December 2005 £'000
<b>Fixed assets</b>			
Investments	14	-	-
<b>Current assets</b>			
Debtors	16	668	110
Cash at bank and in hand		-	8
		668	118
<b>Creditors - amounts falling due within one year</b>			
Deferred income		-	(292)
Other creditors	17	(1,551)	(869)
		(1,551)	(1,161)
<b>Net current liabilities</b>		(883)	(1,043)
<b>Total assets less current liabilities</b>		(883)	(1,043)
<b>Net liabilities</b>		(883)	(1,043)
<b>Capital and reserves</b>			
Called up share capital	21	7,510	7,510
Share premium account	23	20,955	20,955
Profit and loss account deficit	23	(29,348)	(29,508)
<b>Shareholders' deficit</b>		(883)	(1,043)

The financial statements were approved by the board of Directors on 2 April 2007 and were signed on its behalf by



Simon Dessain  
Director



Martyn Rose  
Chairman

The accompanying notes form part of these financial statements

## Publishing Technology Plc (formerly Ingenta Plc)

### Consolidated Cash Flow Statement for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Net cash outflow from operating activities</b>	25	(539)	(998)
<b>Returns on investments and servicing of finance</b>			
Interest received		-	5
Interest paid on bank overdraft		(26)	(4)
Interest paid on finance leases		(1)	-
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		(27)	1
<b>Taxation</b>		288	489
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(115)	(54)
<b>Net cash outflow from capital expenditure and financial investment</b>		(115)	(54)
<b>Acquisitions</b>			
Deferred consideration		(9)	(7)
<b>Net cash outflow from acquisitions</b>		(9)	(7)
<b>Management of liquid resources</b>			
Sale of short term deposits		-	680
<b>Net cash inflow from management of liquid resources</b>		-	680
<b>Cash (outflow)/inflow before financing</b>		(402)	111
<b>Financing</b>			
Repayment of principal under finance leases		(3)	(1)
<b>Cash outflow from financing</b>		(3)	(1)
<b>(Decrease)/increase in cash in the period</b>	26	(405)	110

The accompanying notes form part of these financial statements

# **Publishing Technology Plc (formerly Ingenta Plc)**

## **Notes to the Financial Statements for the year ended 31 December 2006**

### **1 Principal accounting policies**

These financial statements have been prepared under the historical cost convention and are in accordance with the Companies Act 1985 and applicable accounting standards, except as noted below in respect of the true and fair override involved in adopting reverse acquisition accounting

The Group's principle accounting policies have remained unchanged from the previous year, apart from the adoption of FRS 20 'Share-Based Payments' Previously the Group accounted for awards under employee share schemes under UITF Abstract 17, whereby the value of the award was based on its intrinsic value at grant date However, FRS 20 requires the fair value of equity-settled Share-Based Payments to be determined at the date of grant and is recognised on a straight line basis over the vesting period based on the Group's estimated number of options that will eventually vest The adoption of FRS 20 has resulted in a charge to the profit and loss account of £17,000 The comparative figure and reserves have not been restated as the effect is immaterial

#### **Going concern**

The financial statements have been prepared on the going concern basis The Board reviews trading forecasts and cash flows and examines these against available funding The Board recognise the Group has suffered a loss for the year of £1.0m and has a net balance sheet deficit of £2.5m These forecasts and cash flows are for the enlarged Group, including the acquisition of VISTA International Limited which was completed on 27 February 2007 and include cost savings expected to be made through synergies arising from combining the two Groups On completion of the acquisition of VISTA, the Group's overdraft facility was increased to £1.1m by RBS the Group's bankers and the Group successfully raised £1.5m (gross) through the placing of additional shares on 27 February 2007 As a result, the Board has a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future and thus continues to adopt the going concern basis in the preparation of these financial statements

#### **Basis of consolidation**

The consolidated accounts comprise the accounts of Ingenta Plc, the Company, and all its subsidiary undertakings made up to 31 December 2006 The results of subsidiaries acquired are included in the Consolidated Profit and Loss account from the date control passes Intra-Group balances are eliminated fully on consolidation

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date All changes to these assets and liabilities and resulting gains and losses that arise after the Group has gained control of the subsidiary, are charged to the post acquisition profit and loss account

With effect from 25 May 2000 the Company, then named Delyn Group Plc, became the legal parent of Ingenta UK Limited and its subsidiary undertakings in a predominantly share-for-share transaction However, certain shareholders elected to receive a total cash alternative of £3,711,305 instead of shares in Delyn Group Plc Because of the relative values of the companies, the former Ingenta UK Limited shareholders became the majority shareholders of the enlarged Group The substance of the combination was that Ingenta UK Limited acquired Delyn Group Plc via a reverse acquisition Subsequent to the combination, Delyn Group Plc changed its name to Ingenta Plc

## **Publishing Technology Plc (formerly Ingenta Plc)**

Under the specific requirements of the Companies Act 1985 (the 'Act') and FRS 6 – 'Acquisitions and Mergers', it was necessary for the Company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results of the Group were those of Delyn Group Plc and its previously existing subsidiaries with the assets and liabilities of Ingenta UK Limited brought in at fair value from the date of acquisition. This approach portrayed the combination as an acquisition of Ingenta UK Limited by Delyn Group Plc. In the opinion of the Directors, this treatment failed to give a true and fair view of the substance of the combination and hence present a distorted picture of the Group, its results and financial position. The substance of the combination was that Ingenta UK Limited acquired Delyn Group Plc. Accordingly, the Directors departed from the requirements of the Act and UK GAAP and adopted reverse acquisition accounting in order to present accounts, which give a true and fair view.

At the time of first reporting this business combination, in invoking the true and fair override, the Directors note that reverse acquisition accounting as described above was endorsed by the International Accounting Standards Board and that the Urgent Issues Task Force of the UK's Accounting Standards Board had concluded that there were instances where it was right and proper to invoke the override in such a way. The effects on the consolidated financial statements as a result of adopting reverse acquisition accounting are widespread. For example, goodwill arising on consolidation under the standard method of acquisition accounting would be the difference between the fair value of consideration given to acquire the Ingenta UK Limited Group and the aggregate of the fair values of identifiable assets and liabilities acquired.

### **Tangible fixed assets**

Fixed assets are recorded at cost.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value on a straight-line basis over the expected useful economic lives of the assets. The principal rates used for this purpose are:

Leasehold improvements	10%
Computer equipment	33%
Fixtures, fittings and equipment	20%
Motor vehicles	25%

### **Stock and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value.

### **Fixed asset investments**

Fixed asset investments are carried at cost less any provision made for impairment.

### **Finance and operating leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Where fixed assets are financed by leasing agreements which transfer to the Group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding using the sum of digits method. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful economic lives of equivalent owned assets.

### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. All such foreign exchange differences are taken to the profit and loss account in the year in which they arise.

## **Publishing Technology Plc (formerly Ingenta Plc)**

Assets and liabilities of subsidiaries in foreign currencies are translated at rates of exchange ruling at the balance sheet date and the results of foreign subsidiaries are translated at the rates ruling at the date of the transaction. The exchange differences arising on the retranslation of opening net investment in subsidiary companies, and from the retranslation of the results of those companies at average rate, are taken to reserves and are reported in the consolidated statement of total recognised gains and losses.

### **Turnover**

Turnover, which excludes value added tax, sales between Group companies and trade discounts, is recognised as follows:

**Website and software design, development and implementation services**

Revenue received from these activities are recognised in accordance with FRS 5 'Reporting the Substance of Transactions' when performance of the contract gives rise to the right to consideration. Revenue relating to either royalty agreements or revenue sharing arrangements is recognised over the term of the contract and in line with performance of the contractual obligation.

**Content processing, hosting and marketing services**

Revenues from the processing of e-journal content are recognised in accordance with the period to which they relate. Revenue from other services is recognised upon the work being completed. Ongoing service fees are recognised over the life of the relevant agreements. Revenue collected or billed in advance of such services being performed is recorded as deferred income and recognised over the contract period. User services income (including deposit account charges) is recognised over the period to which the services relate with revenue collected or billed in advance of such services being performed, recorded as deferred income.

**Document sales**

Revenues from documents delivered under pay-per-view access and clearance and digitisation services are recognised on despatch/delivery of the documents.

**Multi-element arrangements**

The Group has certain products that are sold as multi-element arrangements. Revenue is recognised when each element is delivered to the customer based upon the fair value of each product element.

### **Long-term contracts**

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in work in progress as long term contract balances.

### **Financial instruments**

The Group's financial instruments comprise cash and liquid resources together with debtors and creditors that arise directly from its operations. Cash for the purpose of the cash flow statement, comprises cash in hand, bank overdrafts and short term deposits repayable on demand.

The Group does not enter into derivative or hedging transactions. It has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. When applicable, the Group places the majority of its cash on short-term deposit. The Group's objective is to minimise the risk of loss by limiting the Group's credit exposure to quality institutions maintaining a very high credit rating. The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. Numerical disclosures relating to these risks are given in note 19.

## **Publishing Technology Plc (formerly Ingenta Plc)**

The Group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements

### **Cost of sales**

Cost of sales consists of document royalty costs and document delivery costs together with staff costs directly relating to the provision of relevant services

### **Pension costs**

The Group makes contributions into individual employees' personal pension plans on a defined contribution basis. The pension charge in the period represents the contributions payable into these plans. The Group provides no other post retirement benefits to its employees

### **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

### **Share based payments**

In accordance with FRS 20, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is recognised on a straight line basis over the vesting period based on the Group's estimate of options that will eventually vest. Further details are set out in note 9

### **Research and development**

Expenditure on research and development is written off to the profit and loss account as incurred

### **Liquid resources**

Cash held on short-term deposit is included within cash

# Publishing Technology Plc (formerly Ingenta Plc)

## 2 Segmental reporting

The Group's turnover and loss on ordinary activities before taxation are derived entirely from its principal activities as set out in the business overview

The analysis of turnover by geographical area and principal business activities, and of loss on ordinary activities before taxation and net assets / (liabilities) by geographical area is set out below. The analysis of loss on ordinary activities before taxation and net assets / (liabilities) by principal business activities is not shown as the Directors believe that such disclosure would be prejudicial to the interests of the business

	Sales by destination	Sales by origin	Sales by destination	Sales by origin
	2006	2006	2005	2005
<b>Turnover</b>	£'000	£'000	£'000	£'000
United Kingdom	2,779	3,490	3,113	4,109
USA	2,380	2,577	2,538	2,489
Rest of World	908	-	947	-
<b>Total</b>	<b>6,067</b>	<b>6,067</b>	<b>6,598</b>	<b>6,598</b>
Ingenta Connect		3,961		3,828
Information Commerce Division		923		1,826
Publishers Communication Group		1,183		944
<b>Total</b>		<b>6,067</b>		<b>6,598</b>

	2006	2005
<b>Loss on ordinary activity before taxation</b>	£'000	£'000
United Kingdom	(1,386)	(697)
USA	82	82
<b>Total</b>	<b>(1,304)</b>	<b>(615)</b>

	2006	2005
<b>Net liabilities</b>	£'000	£'000
United Kingdom	(348)	(745)
USA	(2,173)	(876)
<b>Total</b>	<b>(2,521)</b>	<b>(1,621)</b>

## Publishing Technology Plc (formerly Ingenta Plc)

### 3 Administrative costs

	2006 £'000	2005 £'000
Administrative costs		
Technical services	1,068	1,130
Software development	1,220	1,229
Depreciation of tangible fixed assets	89	252
Sales and marketing expenses	1,716	1,621
Other administration costs	1,384	1,394
	<b>5,477</b>	<b>5,626</b>
Exceptional items		
- reduction in deferred consideration	9	(69)
- impairment of fixed asset investments	97	-
- reorganisation costs	160	-
	<b>5,743</b>	<b>5,557</b>

A provision for reorganisation costs in relation to the closure of the office in Providence, USA has been made at 31 December 2006 (note 20)

A provision for impairment has been made to write down trade investments to their recoverable value at 31 December 2006 (note 14)

### 4 Directors' emoluments

	2006 £'000	2005 £'000
Aggregate emoluments	119	129
Pension contributions to money purchase schemes	21	21
Compensation for loss of office	-	50
Sums paid to a third party for the services of Directors	104	76
	<b>244</b>	<b>276</b>

Retirement benefits are accruing to one executive director (2005 one) under a money purchase pension scheme

Emoluments payable to the highest paid director are as follows

	2006 £'000	2005 £'000
Aggregate emoluments	119	118
Pension contributions to money purchase schemes	21	21
	<b>140</b>	<b>139</b>

The detailed numerical analysis of Directors' remuneration and share options is included in the audited section of the Directors' remuneration report and forms part of these financial statements

# Publishing Technology Plc (formerly Ingenta Plc)

## 5 Employee information

The average monthly number of persons (including executive Directors) employed by the Group during the year was

<b>By activity</b>	<b>2006 Number</b>	<b>2005 Number</b>
Technical services	25	28
Software development	23	31
Sales and marketing	29	26
Administration	8	8
	<b>85</b>	<b>93</b>

	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Staff costs (for the above persons)</b>		
Wages and salaries	2,984	3,347
Social security costs	298	448
Pension costs	300	278
	<b>3,582</b>	<b>4,073</b>

## 6 Interest receivable and similar income

	<b>2006 £'000</b>	<b>2005 £'000</b>
Bank interest receivable	-	5

## 7 Interest payable and similar charges

	<b>2006 £'000</b>	<b>2005 £'000</b>
Interest payable on bank overdraft	26	4
Finance leases	1	-
	<b>27</b>	<b>4</b>

# Publishing Technology Plc (formerly Ingenta Plc)

## 8 Operating loss

	2006 £'000	2005 £'000
Operating loss is stated after charging		
Depreciation charge for the period on tangible fixed assets		
- owned assets	87	251
- leased assets	2	1
Loss on disposal of fixed assets	21	-
Fees payable to the Company's Auditor for the audit of the Company's financial statements	20	20
Fees payable to the Company's Auditor for other services		
- the audit of the Company's subsidiaries pursuant to legislation	42	46
- tax services	11	8
- other services	1	3
Research and development	1,124	1,212
Operating lease charges		
- plant and machinery	2	3
- land and buildings	181	411

## 9 Share based payments

Share options subject to equity-settled share-based payments are set out in note 22. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value as determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Application of the fair value measurement results in a charge to administrative expenses for the year ending 31 December 2006 of £17,000 (2005 nil).

## 10 Tax on loss on ordinary activities

	2006 £'000	2005 £'000
UK corporation tax on the results for the year at 30% (2005 30%)	-	-
Current period research and development tax receivable	245	250
Adjustment in respect of prior year research and development tax credit	38	54
<b>Total current tax</b>	<b>283</b>	<b>304</b>

The Group has unutilised tax losses in the UK and the USA of £11.9m (2005 £11.5m) and \$14.6m (2005 \$14.5m) respectively available to set-off against future trading profits in those regions. These have yet to be agreed with the tax authorities.

## Publishing Technology Plc (formerly Ingenta Plc)

The differences between the tax charge and the standard rate of corporation tax are explained below

	2006 £'000	2005 £'000
<b>Loss on ordinary activities before tax</b>	<b>(1,304)</b>	<b>(615)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 30%)	(391)	(185)
Effects of		
Permanent differences	32	3
Deferred tax movement not recognised	52	(178)
Tax losses surrendered for research and development	307	360
Research and development tax credit	245	250
Adjustment in respect of prior year research and development tax credit	38	54
<b>Total current tax</b>	<b>283</b>	<b>304</b>

### 11 Result for the financial year

As permitted by section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's profit for the period was £160,000 (2005 £5,957,000 loss)

### 12 Loss per share

The basic loss per share has been calculated by dividing the loss for the financial period by the weighted average number of ordinary shares of 186,207,420 (2005 186,207,420 ) in issue during the period. The Company had no dilutive ordinary shares in either period which would serve to increase the loss per ordinary share and there is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

## Publishing Technology Plc (formerly Ingenta Plc)

### 13 Tangible fixed assets

Group	Leasehold improvements £'000	Computer equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2006	403	3,031	481	14	3,929
Additions	72	25	18	-	115
Disposals	(104)	(151)	(19)	-	(274)
Exchange adjustments	-	(121)	(30)	-	(151)
<b>At 31 December 2006</b>	<b>371</b>	<b>2,784</b>	<b>450</b>	<b>14</b>	<b>3,619</b>
<b>Depreciation</b>					
At 1 January 2006	321	2,941	443	14	3,719
Charge for the year	20	42	27	-	89
Disposals	(83)	(151)	(19)	-	(253)
Exchange adjustments	-	(117)	(28)	-	(145)
<b>At 31 December 2006</b>	<b>258</b>	<b>2,715</b>	<b>423</b>	<b>14</b>	<b>3,410</b>
<b>Net book value</b>					
<b>At 31 December 2006</b>	<b>113</b>	<b>69</b>	<b>27</b>	<b>-</b>	<b>209</b>
At 31 December 2005	82	90	38	-	210

The net book value of tangible fixed assets includes an amount of £4,000 (2005 £7,000) in respect of assets held under finance leases

The Company did not hold any tangible fixed assets during the year ended 31 December 2006 (2005 nil)

# Publishing Technology Plc (formerly Ingenta Plc)

## 14 Fixed asset investments

Group	Trade Investments £'000
<b>Cost</b>	
At 1 January 2006	221
Exchange adjustments	(21)
<b>At 31 December 2006</b>	<b>200</b>
<b>Net book value</b>	
Provision for impairment	(97)
<b>At 31 December 2006</b>	<b>103</b>
At 31 December 2005	221

A provision for impairment has been made to write down trade investments to their recoverable value

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
<b>Cost</b>			
At 1 January 2006 and 31 December 2006	12,749	14,092	26,841
<b>Provision for impairment</b>			
At 1 January 2006 and 31 December 2006	12,749	14,092	26,841
<b>Net book value at 31 December 2005 and 31 December 2006</b>	-	-	-

### Group

Details of subsidiary undertakings, which have all been consolidated in these financial statements, are as follows

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by the		Nature of business
			Group	Company	
Ingenta UK Limited	England and Wales	Ordinary	-	100%	Online publications service
CatchWord Limited	England and Wales	Ordinary Preference	-	100%	Online publications service
Ingenta Inc	USA	Ordinary	100%	-	Online publications service
UnCover Inc	USA	Ordinary	100%	-	Online publications service
PCG Inc	USA	Ordinary	100%	-	Marketing Consultancy
Ingenta US Holdings Inc	USA	Ordinary	-	100%	Holding Company
BIDS Limited	England and Wales	Ordinary	100%	-	Dormant
Panorama Homes Limited	England and Wales	Ordinary	-	100%	Non-trading

## Publishing Technology Plc (formerly Ingenta Plc)

### 15 Stock and work in progress

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Work in progress	7	7	-	-

### 16 Debtors

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	1,457	1,637	-	-
Amounts owed by Group undertakings	-	-	664	-
Corporation tax	245	250	-	-
Other debtors	75	182	1	27
Prepayments and accrued income	62	252	3	83
	<b>1,839</b>	<b>2,321</b>	<b>668</b>	<b>110</b>

The corporation tax debtor relates to a Research and Development tax credit

### 17 Other creditors - amounts falling due within one year

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank overdraft	634	254	-	-
Trade creditors	1,293	932	94	64
Amounts owed to Group undertakings	-	-	1,375	729
Other taxation and social security	389	319	-	-
Finance leases	2	2	-	-
Other creditors	24	-	-	-
Accruals	364	419	82	76
Customer deposits	795	980	-	-
Deferred consideration for acquisitions	-	9	-	-
	<b>3,501</b>	<b>2,915</b>	<b>1,551</b>	<b>869</b>

The bank overdraft is secured by a fixed and floating charge over the Group's assets, bears interest at 2.25% over the London Inter Bank Offer Rate (LIBOR) and is repayable on demand

At 31 December 2006, the unutilised net bank overdraft facility was £457,000 and is subject to annual review. The Group's bankers recognise the seasonal nature of the Group's cash flows and supported the Group though it was in technical breach of covenant terms attached to the facility

# Publishing Technology Plc (formerly Ingenta Plc)

## 18 Other creditors - amounts falling due after more than one year

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Finance leases	1	4	-	-
	1	4	-	-

An analysis of the maturity of finance lease obligations is given in note 19

## 19 Financial instruments

Details of the Group's objectives with respect to financial instruments are given in note 1 to the financial statements. There have been no significant changes in these objectives from the prior year and before the approval of the financial statements. The numerical disclosures in this note deal with the financial assets and liabilities defined in FRS 25 as financial instruments.

### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

### Short-term debtors and creditors

Except with respect to disclosures regarding currency risk, short-term debtors and creditors have been excluded from the disclosures.

### Credit risk

The Group's credit risk is primarily attributable to its trade debtors. The amounts shown in the balance sheet are net of any allowances for doubtful debts estimated by the directors. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

### Interest rate risk profile of financial liabilities

	Floating rate	Fixed rate	Total	Floating rate	Fixed rate	Total
	2006 £'000	2006 £'000	2006 £'000	2005 £'000	2005 £'000	2005 £'000
Overdraft	634	-	634	254	-	254
US Dollar finance leases	-	3	3	-	6	6
Total	634	3	637	254	6	260

The finance leases had a weighted average annualised rate of interest of 13% (2005 13%)

The overdraft has a weighted average annualised rate of interest of 7.38% (2005 5.71%)

## Publishing Technology Plc (formerly Ingenta Plc)

### Maturity of financial liabilities

The Group has undrawn committed overdraft facility of £457,000 available at 31 December 2006. Subsequent to the year end the Group overdraft facility was increased to £1,100,000.

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term creditors, was as follows:

Group	Overdraft 2006 £'000	Finance leases 2006 £'000	Other financial liabilities 2006 £'000	Total 2006 £'000	Overdraft 2005 £'000	Finance leases 2005 £'000	Other financial liabilities 2005 £'000	Total 2005 £'000
Within one year	634	2	-	636	254	2	9	265
One to two years	-	1	-	1	-	4	-	4
	634	3	-	637	254	6	9	269

### Interest rate risk profile of financial assets

During the year there were no excess cash balances that attracted interest other than for immediate access.

### Currency exposures

The Group has three principal functional currencies, sterling, US dollars and Euros. The table below shows the extent to which the Group operations have net monetary assets in currencies other than sterling. Foreign exchange differences on re-translation of these net assets are charged to the profit and loss account.

Group	US dollars 2006 £'000	Euros 2006 £'000	Total 2006 £'000	US dollars 2005 £'000	Euros 2005 £'000	Total 2005 £'000
Functional currency of Group operation						
Sterling	234	73	307	67	1	68

### Fair value

The Directors consider that the fair values of the financial instruments of Ingenta Plc are not significantly different from their book value.

## Publishing Technology Plc (formerly Ingenta Plc)

### 20 Provision for liabilities and charges

Group	Onerous lease £'000	Reorganisation £'000	Vacant property £'000	Total £'000
Cost				
At 1 January 2006	91	-	33	124
Utilised	(91)	-	(33)	(124)
Provided	63	97	-	160
<b>At 31 December 2006</b>	<b>63</b>	<b>97</b>	<b>-</b>	<b>160</b>

The provisions for the onerous lease and reorganisation cost are in respect of the planned closure of the office in Providence in the forthcoming financial year

#### Deferred taxation

Deferred taxation not recognised is as follows

Group	Amount not recognised	
	2006 £'000	2005 £'000
Tax effect of timing differences		
Excess of depreciation over capital allowances	(334)	(423)
Losses	(3,593)	(3,494)
	<b>(3,927)</b>	<b>(3,917)</b>

Company	Amount not recognised	
	2006 £'000	2005 £'000
Tax effect of timing differences		
Excess of depreciation over capital allowances	(138)	(151)
	<b>(138)</b>	<b>(151)</b>

A deferred tax asset has not been recognised in respect of these losses or accelerated capital allowances due to there being insufficient certainty regarding its recovery

## Publishing Technology Plc (formerly Ingenta Plc)

### 21 Called up share capital

Company	2006 £'000	2005 £'000
Authorised		
335,170,320 ordinary shares of 1p each	3,352	3,352
141,207,420 deferred ordinary shares of 4p each	5,648	5,648
	<b>9,000</b>	<b>9,000</b>
Allotted and called up and paid up		
186,207,420 ordinary shares of 1p each	1,862	1,862
141,207,420 deferred ordinary shares of 4p each	5,648	5,648
	<b>7,510</b>	<b>7,510</b>

#### Share issues

No shares were issued in the year

#### Authorised share capital

The authorised share capital of the Company is £9,000,000 divided into 335,170,320 ordinary shares of 1p each and 141,207,420 deferred shares of 4p each

#### Rights of deferred ordinary shareholders

The deferred shares of 4p each shall not entitle the holder to receive notice or attend or vote at any general meeting of the Company. Upon return of capital (whether on winding up or otherwise) the repayment of the amount paid up on such deferred shares will only be repaid after repayment of the capital paid up on the ordinary shares together with payment of £10,000,000 on each ordinary share.

## Publishing Technology Plc (formerly Ingenta Plc)

### 22 Share options

The Company has an Approved and an Executive option scheme. The Executive option scheme relates to options granted to certain Directors and Senior Management. The Approved option scheme is an HM Revenue & Customs approved scheme available to eligible Directors and employees. The total number of options outstanding over ordinary shares of 1p each that had been granted and had not lapsed at 31 December 2006 were as follows:

Number of shares	Exercise price p	Grant date	Expiry date
52,740	14.00	15 March 1999 <sup>1</sup>	15 March 2009
7,155	14.00	30 July 1999	30 July 2009
17,172	70.00	23 December 1999 <sup>1</sup>	23 December 2009
72,981	70.00	4 January 2000 <sup>1</sup>	4 January 2010
31,429	280.00	1 August 2000 <sup>1</sup>	1 August 2010
1,785	280.00	13 November 2000 <sup>1</sup>	13 November 2010
102,647	111.00	12 October 2001 <sup>1</sup>	12 October 2011
375,000	8.75	11 December 2002 <sup>2</sup>	11 December 2007
530,000	5.25	21 January 2003 <sup>1</sup>	21 January 2013
30,000	11.75	30 June 2003 <sup>1</sup>	30 June 2013
427,495	9.50	21 January 2004	21 January 2014
10,000	5.00	2 August 2004	2 August 2014
10,000	3.25	22 November 2004	22 November 2014
1,500,000	5.00	25 January 2005 <sup>2</sup>	25 January 2015
600,000	2.77	31 May 2005 <sup>2</sup>	31 May 2015
790,000	1.95	4 October 2005	4 October 2015
100,000	2.157	30 March 2006 <sup>1</sup>	30 March 2016
400,000	2.150	30 March 2006 <sup>1</sup>	30 March 2016
800,000	2.16	30 March 2006 <sup>2</sup>	30 March 2016
<b>6,058,404</b>			

<sup>1</sup> The options are exercisable from the first, second and third anniversaries from the date of grant.

<sup>2</sup> These options are subject to conditions relating to the performance as measured by profit related targets.

## Publishing Technology Plc (formerly Ingenta Plc)

### 23 Reserves

Group	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Share options reserve £'000	Profit and loss account £'000
At 1 January 2006	20,955	11,056	12,679	-	(53,821)
Net exchange adjustments	-	-	-	-	104
Share based payment charge	-	-	-	17	-
Loss for the year	-	-	-	-	(1,021)
<b>At 31 December 2006</b>	<b>20,955</b>	<b>11,056</b>	<b>12,679</b>	<b>17</b>	<b>(54,738)</b>

Company	Share premium £'000	Profit and loss account £'000
At 1 January 2006	20,955	(29,508)
Profit for the year	-	160
<b>At 31 December 2006</b>	<b>20,955</b>	<b>(29,348)</b>

### 24 Reconciliation of movements in shareholders' deficit

Group	2006 £'000	2005 £'000
Loss for the year	(1,021)	(311)
Net exchange adjustments	104	(128)
Share based payment	17	-
Net decrease in shareholders' funds	(900)	(439)
Opening shareholders' deficit	(1,621)	(1,182)
Closing shareholders' deficit	(2,521)	(1,621)

## Publishing Technology Plc (formerly Ingenta Plc)

### 25 Cash flow from operating activities

Reconciliation of operating loss to net cash outflow from operating activities

Group	Continuing operations	
	2006 £'000	2005 £'000
Operating loss	(1,277)	(616)
Depreciation charge	89	252
Loss on disposal of fixed asset	21	-
Impairment of fixed asset investments	97	-
Share based payment charge	17	-
Decrease in debtors	477	160
Increase/(decrease) in creditors	2	(455)
Increase/(decrease) in provisions and other reserves	35	(339)
<b>Net cash outflow from continuing operations</b>	<b>(539)</b>	<b>(998)</b>

### 26 Reconciliation of net cash flow to movement in net (debt)/funds

Group	2006	2005
	£'000	£'000
(Decrease)/increase in cash in the year	(405)	110
Cash used to decrease liquid resources	-	(680)
Finance lease repayments	3	1
Change in net debt resulting from cash flows	(402)	(569)
New finance leases	-	(6)
Movement in net debt in the year	(402)	(575)
Net funds at beginning of the year	308	883
Net (debt)/funds at end of the year	(94)	308

### 27 Analysis of net funds/(debt)

Group	At 1 January	Cash flow	At 31 December
	2006		2006
	£'000	£'000	£'000
Cash in hand and at bank	567	(25)	542
Bank overdraft	(254)	(380)	(634)
	313	(405)	(92)
Finance leases	(5)	3	(2)
<b>Total</b>	<b>308</b>	<b>(402)</b>	<b>(94)</b>

# Publishing Technology Plc (formerly Ingenta Plc)

## 28 Financial commitments

### Group

At 31 December 2006, the Group had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings 2006 £'000	Other 2006 £'000	Land and buildings 2005 £'000	Other 2005 £'000
Within one year	40	3	195	3
One to two years	-	-	99	-
Two to five years	201	-	-	-
After five years	149	-	149	-
	<b>390</b>	<b>3</b>	<b>443</b>	<b>3</b>

### Company

At 31 December 2006, the Company had lease agreements in respect of annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings 2006 £'000	Land and buildings 2005 £'000
Within one year	-	159
Within two to five years	152	-
After five years	149	149
	<b>301</b>	<b>308</b>

## 29 Related party transactions

During the year ended 31 December 2006, the Group did not enter into any related party transactions with Directors other than sums paid to third parties for Directors' services as disclosed in the Remuneration Committee Report

## 30 Capital commitments

The Group and Company had no capital commitments at 31 December 2006 (2005 nil)

## 31 Contingent liabilities

The Group and the Company had no contingent liabilities at 31 December 2006 (2005 nil)

## 32 Post balance sheet events

On 27 February 2007 Publishing Technology Plc acquired the entire issued share capital of VISTA International Limited, a specialist supplier of software solutions to the publishing sector. The consideration comprised 260,000,000 1p new Publishing Technology ordinary shares at a subscription price of 1p each and £2m convertible loan notes in exchange for 100% of the issued share capital and outstanding loan notes in VISTA International Limited.

On the same date as the acquisition of VISTA International Limited the Group raised £0.8m net of expenses through the issue of 150,000,000 1p new ordinary shares at a price of 1p each.

Further details are provided in the circular dated 2 February 2007 sent to shareholders which is available from the Registered Office on request.