



**PUBLISHING
TECHNOLOGY**

Publishing Technology plc

**Annual Report
For the year ended 31 December 2008**

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Contents

	Page
Business review	1
Chairman's statement	3
Chief Executive's review	4
Financial review	5
Directors' report	7
Corporate governance statement	9
Directors' remuneration report	11
Report of the independent auditor - Group only	13
Consolidated income statement	15
Consolidated statement of recognised income and expenses	16
Consolidated balance sheet	17
Consolidated cash flow statement	18
Notes to the consolidated financial statements	19 to 50
Report of the independent auditor - Company only	51
Company balance sheet	53
Notes to the Company financial statements	54 to 59
Directors and advisers	60

The Directors of Publishing Technology plc (the "Company") and its subsidiaries (together 'the Group') submit to the members their report and accounts of the Group for the year ended 31 December 2008. Pages 1 to 12, including the business review, Chairman's statement, Chief Executive's review, financial review, the corporate governance statement and Directors' remuneration report form part of the Directors' report.

Business review

The core purpose of Publishing Technology is to provide the backbone of the very best systems and services that allow publishers and information providers to reach everyone in the world. Publishing Technology is a company that dedicates itself to:

- High quality products and services
- Continual innovation
- Exceptional customer experience

Our focus is on the requirements and experience of our customers, continual product development and efficient operations. We are committed to building an environment and corporate attitude that naturally reinforces this ethos and creates a customer experience that is impossible to beat.

Publishing Technology's variety of services and systems for publishers and information providers can be defined as an end to end solution combining IT systems and business processes/services, to provide a trusted outsourcing partner for some or all systems and consulting requirements. The range of services can be summarised as:

- software to manage the organisation and commercial processes of publishers
- web portals to provide publishers with routes to market and routes to new revenues
- software that helps publishers fragment their products and identify and target customers for product fragments and combinations of products, and
- marketing services to support publishers in maximising the revenues from their content.

The breadth of Publishing Technology's offerings and our strong position in the growing online publishing arena provides our customers and target industry with a clear leader, and for the first time a partner who is uniquely positioned to enable publishers to focus their attention on their core activities and skills.

Publishing Technology enjoys a core position on both sides of the Atlantic. Our global customer list includes Elsevier, Wiley-Blackwell, Informa, British Medical Journal (BMJ), Nature, HarperCollins, LexisNexis, Pearson, Random House, and the Oxford, Cambridge and Manchester University Presses.

There are a number of different revenue streams for the Group's various activities but the business is underpinned by recurring fees charged on a high percentage of its sales, in many cases under multi year agreements, for hosting of applications and annual maintenance of software.

Publishing Technology's technical skills, market leadership, strong customer relationships and broad understanding of the issues faced by publishers and information providers are key business advantages. The Group places great value on having strong connections with industry associations and other technology leaders. It actively participates in publishing industry communities such as the American Association of Publishers, Society for Scholarly Publishing, Book Industry Study Group and international standards bodies.

2008 Highlights

Publishing Technology delivers information technology tools and services to publishers and information service providers, undertaking a broad range of activities to cater for a wide range of the requirements of a publisher or information provider.

In its first full year of trading since the reverse acquisition, Publishing Technology took significant strides in delivering newly developed products including the implementation of ICS (Information Commerce Software) at the BMJ (British Medical Journal), the sale of the first newly engineered publisher management module (Contract, Rights & Royalties), a transformational new sales and circulation management contract with BioOne for our consulting group, and the launch of the first new pub2web online publishing portals.

In December 2008 the Company launched a prototype of IngentaConnect Mobile which will be fully operational on the Company's online platforms during Q2 of 2009. The use of Mobile technology to deliver publisher content will come to the fore in 2009 and 2010 creating a new route to market for the large volume of content currently hosted by Publishing Technology.

In 2009, Publishing Technology has expanded into new markets. In Brazil, the Company represents BioOne, Nature and other publishers, and in Germany the Company has formed an alliance with a significant provider of software and services to promote its IngentaConnect software and pub2web products.

Financial highlights for full reporting period:

- Total revenues of £15.4m (2007*: £18.4m)
- Gross profit of £6.1m (2007*: £6.2m)
- EBITDA of £0.9m (2007*: £0.2m)
- Pre-tax loss of £1.3m (2007*: £1.7m) after accounting for, *inter alia*, foreign exchange profit of £0.2m (2007*: loss of £0.3m), depreciation of £0.2m (2007*: £0.2m), an onerous lease provision of £0.4m (2007*: £nil) and amortisation and impairment of intangibles of £1.5m (2007*: £0.8m)

* 2007 figures are for the 18 month period ended 31 December 2007.

Operational highlights:

- Operating business units were reorganised into global business groups to help optimise use of resources.
- The Group reported positive EBITDA and pre tax profit after adjusting for, *inter alia*, the amortisation of intangibles.
- High levels of recurring contract renewals and extensions
- High customer retention rate with net increase in number of customers
- Overheads have been reduced and continue to be reviewed
- Positive trading cash flow from business units
- Positive foreign exchange due to Sterling / Dollar exchange rate

Chairman's statement

Finance and operations

In our first full year of trading since the reverse acquisition, our primary aim was to consolidate and build on the integration benefits made since 2007 and secondly begin to generate new revenues from the introduction of new products and services which were launched in late 2007 and 2008.

In 2008, revenues were £15.4m and Gross Margin 40% (2007: 34%). The EBITDA for the year was £0.9m (2007: £0.2m), adjusted profit before tax was £0.6m, after excluding £1.5m of amortisation and impairment of intangible assets relating to the reverse acquisition of Ingenta. These intangible assets are fully amortised or impaired as at 31 December 2008 and no further amortisation of these intangible assets will occur in future years.

The Group reported a loss before tax of £1.3m after charging:

- £1.5m of amortisation and impairment referred to above;
- £0.4m of onerous lease provision;
- £2.8m (2007: £3.1m) of Research and Development expenditure all of which was expensed through the income statement as incurred; and
- £0.2m of foreign exchange gains (2007: loss of £0.3m) due to the fall in Sterling.

The Group's net debt at 31 December 2008 was £2.4m in the form of an overdraft (2007: £1.7m deficit including a short term revolving credit facility of £1.5m).

Revenues have grown consistently, with recurring revenues of approximately 65% of the total for the year, and operating efficiencies continue to improve revenue, gross margin and profitability. The Group therefore shows a higher year on year revenue, generates cash from the business units, has a positive EBITDA and positive pre-tax profits before adjustment for the non-trading items detailed above.

During 2008, the business re-organised along global divisional lines, and each area of the business demonstrated an improving market position. Our Scholarly Online division continued to strengthen the IngentaConnect portal, saw two publishers successfully go live during the year on its new Pub2Web platform and sold new implementations of pub2web for 2009. Our PT Operations division sold the first of the newly engineered Publishing Management Modules (Contracts, Rights and Royalties), and implemented our new Information Commerce System at the British Medical Journal on budget and on time. The Publishers Communication Group (PCG) continued the trend of growth, and notably secured a sales and circulation management contract with BioOne which will transform the financial performance of this division in 2009.

In April 2008, Publishing Technology issued 263,793,000 new ordinary shares to raise net proceeds of £0.9m to support its working capital and investment needs. As part of this fund raising, the nominal value of the Company's shares was reduced from 1p to 0.1p. Subsequently, in July 2008 the ordinary shares of 0.1p were consolidated into ordinary shares of 10p on the basis of 1 new ordinary share for every 100 old ordinary shares. In October 2008, the Company completed a capital reduction by cancelling all of its deferred shares and the share premium account. This created positive reserves, an important step in cleaning up our balance sheet, and gave the Company the ability to pay dividends in the future.

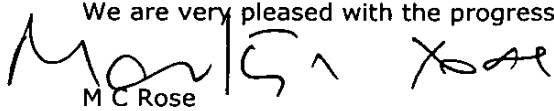
Staff

The contribution made by all Publishing Technology staff in 2008 has been exceptional. It underlines our commitment to improve our customer service and to deliver high quality products and services. Once more an increasing volume of work was delivered by a leaner, more efficient and more innovative workforce. The Board wishes to congratulate and thank all employees for their ongoing enthusiasm and commitment.

Current trading and prospects

Having focused in 2008 on completing the integration and consolidation to provide the Group with a stable and growing revenue base and reduced overheads geared to maximise profits, the Company has started 2009 with a healthy order book and is in a strong position to capitalise on some exciting potential revenues from our new products and services and from new customers.

We are very pleased with the progress made in the year and are well placed to deliver further growth in 2009.



M C Rose
Chairman
20 March 2009
Publishing Technology plc

Chief Executive's review

The publishing sector, whilst being challenged from several quarters and having to ride out the current economic turmoil, remains a healthy, growing and innovative industry sector. It is one which, we believe, will focus on its core skills of content creation and dissemination, whilst leaning more and more towards the suppliers who can provide a comprehensive outsourcing service of technology and business process solutions for them so that they can rise to the challenges of the changes in publishing and information provision.

In this changing environment, Publishing Technology is uniquely able to support publishers with a consistent, end-to-end service across the breadth of the publishing supply chain. Our client list of over 400 publishers benefit from our comprehensive capabilities and experience, allowing them to focus on their business. We believe that Publishing Technology's offering is very well positioned and will continue to strengthen as publishers realise that they can outsource their technical and business process requirements to a trusted partner.

Scholarly Online division

With its two flagship products, IngentaConnect and pub2web, this division made some significant strides during the year. It delivered the first pub2web systems, sold new pub2web implementations and, by the end of the year, had created a sizeable pipeline of prospects. At the same time, IngentaConnect acquired new publishers and retained close to 100% of its existing customer base.

A number of efficiencies were also introduced such as streamlining the document delivery process of IngentaConnect, reducing Chinese based server costs to 20% of the previous year, and positioning the division to significantly reduce direct costs in 2009.

Sales of online advertising were disappointing and, whilst consistent and reliable at the base levels, remained lower than hoped for and a change of direction may be required to improve such sales.

Publishing Technology Operations

This Group brought together business units in the UK and USA, as well as some shared services under one global umbrella to deliver our Publishing Management systems. Operational efficiencies and optimisation of resource utilisation became immediately clear following the amalgamation of separate groups into one. Customer retention remained at 100%, although 2008 was slower than hoped for in the acquisition of new customers, which is receiving greater focus now that we have created a combined global sales team.

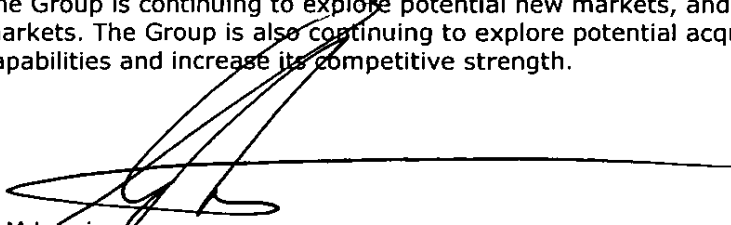
Another clear benefit of the organisation change has been the acceleration in the development of new Publishing Management applications. Our focus on this process has allowed the team to make significant progress in a short timescale, and we are excited by the new modules being delivered by the engineering team.

Outlook

The outlook for 2009 is naturally less predictable than in past years, however 2008's solid performance reflects the Group's considerable efforts and successes in integration as well as in new product development. We believe that new products, and in particular continued innovation, will make a significant contribution to our progress during 2009 and 2010. We anticipate making further progress based on maintaining our core business whilst expanding some newer services and systems. Sterling remaining weak will also have a positive cash impact on the business.

Now that we have created a business that has shown its ability to operate profitably, we intend to improve on this and create a growing and reliable business.

The Group is continuing to explore potential new markets, and has recently entered the German and Brazilian markets. The Group is also continuing to explore potential acquisition opportunities that will complement its capabilities and increase its competitive strength.



G M Lossius
Chief Executive Officer
20 March 2009
Publishing Technology plc

Financial review

For the year ended 31 December 2008

Comparative information

As a result of the business combination on 27 February 2007, the comparative figures for 2007 were issued under the name of the legal parent 'Publishing Technology plc', but were a continuance of the financial statements of Vista International Limited and are for an 18 month period from 1 July 2006 to 31 December 2007. The 2007 income statement represents 18 months trading of the former Vista group companies and 10 months trading of the former Ingenta group companies incorporated from 27 February 2007 (the date of the reverse acquisition).

Operating results

Revenue for the year ended 31 December 2008 was £15.4m (2007: £18.4m).

Gross profit for the period was £6.1m (2007: £6.2m) and the gross margin was 40% (2007: 34%).

Sales and marketing and administrative expenses (excluding amortisation and impairment of intangibles) in the period were £5.7m (2007: £6.5m). The loss before tax in the period was £1.3m (2007: £1.7m). The net loss for the financial period was £1.4m (2007: £1.6m).

Taxation

A tax credit of £27K (2007: £0.3m) is included in the results for 2008 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 and is subject to HM Revenue and Customs approval. In 2008, due to the taxable profit of the Group, the R&D tax credit reduces taxable profit. In 2007 the R&D tax credit was able to be taken in cash and therefore as income in the income statement.

The Group has unutilised tax losses at 31 December 2008 in the UK and the USA of £12.1m (2007: £13.3m) and \$2.9m (2007: \$15.5m) respectively. The tax losses in the USA are restricted from April 2008 due to change of control rules being triggered by the issue of new shares in the parent company. The tax losses in the USA are restricted to approximately \$150K per annum.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2007: £nil).

Balance sheet and cash

Shareholders' deficit totalled £3.4m at the period end (2007: deficit £2.4m). The increase is mainly due to £1.5m of amortisation of intangible assets in the year.

Cash outflow from operating activities was £1.4m (2007: £2.5m outflow). At the period end, net bank overdraft was £2.4m (2007: £1.7m inclusive of a short term revolving credit facility).

Cash absorbed by operations for capital expenditure during the period amounted to £0.2m (2007: £0.2m). A tax credit of £0.3m (2007: £nil) in respect of Research and Development expenditure was received in the period which related to the year ended 31 December 2007 for current and prior Ingenta companies and the 18 month period ended 31 December 2007 for prior Vista companies.

Going concern and future funding

The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all available information about the future.

As part of its assessment, management have taken into account the profit and cash forecasts, the continued support of the shareholders and directors, banking facilities and management ability to affect costs and revenues.

Management regularly forecast profit and loss, balance sheet and cash flow for the Group. The rolling forecast is normally updated ten times in the year (January and July being the only months it is not updated).

Having reviewed the latest forecast, management regard the forecasts to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and revenue is ranked by visibility of secured revenues. Management have reviewed forecast costs for reasonableness against prior periods and with knowledge of expected movements. Management have concluded that forecast costs are robust and that any cost reductions are reasonably firm and will not negatively impact revenue or profit.

The Group has secured an overdraft facility of £2m which will be reviewed as positive cash flows reduce the requirement for this facility. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

The cash flow assumes £500,000 of the convertible loan will be redeemed by 14 July 2009 and a further £500,000 will be redeemed by 14 January 2010 in line with the convertible loan agreement which allows for payment within 14 days of the redemption date.

The major risk for future trading is the general economic downturn and how it will affect the publishing industry and academic institutions. During previous downturns, these market sectors have been somewhat resilient without being immune and therefore the board are confident that the forecasts set for 2009/10 are achievable in the current market.

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.



A B Moug C.A.
Chief Financial Officer
20 March 2009
Publishing Technology plc

Directors' report

For the year ended 31 December 2008

The Directors present their report and the audited financial statements for the period ended 31 December 2008.

Principal activity

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

Review of business and future developments

The Directors use a number of key performance indicators to measure the success of the business. These include, but are not limited to: revenue, gross profit, EBITDA, EBIT, net profit, cash flow and working capital balances measured monthly against budget, forecast, prior months and prior years; debtor days; creditor days; retention rates for maintenance, hosting, managed services, library services and IngentaConnect publisher hosting; percentage of recurring revenue; number of renewed and new publishers on IngentaConnect; visits per month on IngentaConnect; number of articles on IngentaConnect; staff numbers and utilisation of billable staff.

The Group has introduced a "go green" initiative across all Group businesses. The go green group has recommended and implemented a number of policies to reduce the Group's environmental impact during 2008.

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, the financial review, the corporate governance statement and in the business review.

Going concern

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

The Directors have prepared trading projections to April 2010 which have been used to assess the feasibility of the going concern assumption.

It is therefore considered appropriate to use the going concern basis to compile these financial statements. Further information is given in the financial review on page 5.

Results and dividends

The trading results for the period and the Group's financial position at the end of the period are shown in the attached financial statements. The Directors do not recommend the payment of a dividend (2007: £nil).

Directors

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

Executive Directors

G M Lossius, Chief Executive Officer
A B Moug, Chief Financial Officer

Non-Executive Directors

M C Rose, *Chairman*
M A Rowse
W E Shaw

The interests of Directors in the shares of the Company at 31 December 2008 are disclosed in the Directors' Remuneration report.

Corporate governance

Details of corporate governance for the period to 31 December 2008 are disclosed in the corporate governance report.

Research and development activities

The Group carries out research and development activities in connection with administration systems, web delivery, access control and linking technologies. All costs relating to these activities are written off to the income statement as incurred unless they meet the criteria of IAS 38 for capitalisation. The charge to the income statement was £2.8m (2007: £3.1m).

Substantial shareholdings

As at 18 February 2009 the Company had been notified of the following shareholders who are interested, directly or indirectly, in three percent or more of the issued share capital of the Company:

Name	Number of ordinary 10p shares	Percentage of issued ordinary share capital
Martyn Rose	2,458,112	29.22%
JM Finn Nominees	500,218	5.95%
Almandine	435,065	5.17%
Cazenove	427,489	5.08%
Alan Moug	402,607	4.79%
George Lossius	400,107	4.76%
Amvescap (including Invesco & Aim)	362,500	4.31%
Brian Gibson	361,646	4.30%
Vidacos (Market Making account)	333,750	3.97%
Colin Bottle	275,104	3.27%
Mark Rowse	273,277	3.25%

Charitable and political contributions

The Group made no political or charitable contributions during the period (2007: £nil).

Creditor payment policy

The Group and Company's payment policy is to negotiate with its suppliers at the time they are engaged and to abide by the terms agreed. During the period ended 31 December 2008 the Group, on average, paid its trade creditors within 96 days of receipt of a valid invoice (2007: 129 days) and ended the year with an average below 90 days, a significant improvement which will continue into 2009.

Financial risk management

Details of the Group's financial risks are given in the note 27.


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.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the Board



G M Lossius
Director
20 March 2009

Corporate governance statement

Publishing Technology plc is an AIM Listed company and, while the AIM rules do not require the Group to comply with any specific Corporate Governance principles, the Group adopts generally accepted corporate governance as good practice 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 Board papers before each Board meeting of which there were seven 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.

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

At the year end, the Board comprised the Non-Executive Chairman, the Chief Executive, the Chief Financial Officer and 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 the external auditor is independent via the segregation of audit related work from other accounting functions and measures applicable fees with similar auditors.

Relations with shareholders

The Group 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 Group 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 Group's head office or via the Financial Times Annual Report Service. At the AGM the shareholders are given the opportunity to question members of the Board. The notice of the AGM is sent to shareholders at least 14 business days before the meeting (21 days where there is a special resolution).

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.

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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the Group and Company 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 the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company 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 Group and Company and of the profit or loss of the Group 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 International Financial Reporting Standards have been followed subject to any material departures disclosed and explained in the financial statements.

Financial statements

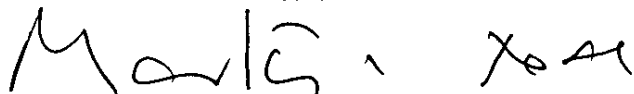
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors are aware:

- there is no relevant audit information of which the Group'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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.



M C Rose
Chairman of the Audit Committee
20 March 2009

Directors' Remuneration report

For the Year ended 31 December 2008.

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 the executive directors, having regard to personal performance and industry remuneration rates. In determining that policy, it considers a number of factors including:

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

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

The Group made contributions to externally administered defined contribution pension schemes for one executive.

The interests of the Directors at 31 December 2008 in the shares of the Company were as follows:

	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2008
G M Lossius	400,107
A B Moug	402,607
M C Rose	2,458,112
W E Shaw	63,089
M A Rowse	273,277

Directors' remuneration

	Salary and fees £'000s	Benefit £'000s	Sums paid to a third party for Directors' services £'000s	Pension Contributions £'000s	2008 Total £'000s	2007 Total £'000s
G M Lossius	156	11	-	19	186	263
A B Moug	143	13	-	6	162	229
M C Rose	40	-	48	-	88	60
W E Shaw	23	-	-	-	23	8
M A Rowse	-	-	22	-	22	13
S J F Dessain	-	-	-	-	-	179
C Bottle *	-	-	-	-	-	123
B P Gibson *	-	-	-	-	-	76
C J Sehmer *	-	-	-	-	-	9
	362	24	70	25	481	960

* Directors of Vista International Limited prior to the reverse acquisition on 27 February 2007.

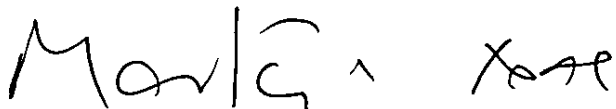
Directors' interest

The Directors at 31 December 2008 had no interest in options over the ordinary shares of 10p each of the Company.

No share options were exercised during the period (2007: Nil).

The market price of the Company's shares at the end of the financial period was 40p per share and the range was between 30p and 50p per share. In the week before the share consolidation on 25 July 2008, the market price ranged between 0.4p and 0.65p per share.

On behalf of the Remuneration Committee

Handwritten signature of M C Rose in black ink, consisting of stylized initials and a surname.

M C Rose
Chairman
20 March 2009

Report of the independent auditor to the members of Publishing Technology plc

We have audited the group financial statements of Publishing Technology plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and notes 1 to 28. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Publishing Technology plc for the year ended 31 December 2008.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the group 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 group financial statements give a true and fair view and whether the group financial statements have been 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, 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 group financial statements. The other information comprises only the business review, 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 group 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 group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the Group'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 group 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 group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the group 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.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
20 MARCH 2009

Consolidated Income Statement
For the year ended 31 December 2008

	note	Year ended 31 December 08 £'000	18 Months ended 31 December 07 £'000
Revenue	2	15,351	18,360
Cost of sales		(9,207)	(12,207)
Gross profit		6,144	6,153
Sales and marketing expenses		(1,929)	(1,925)
Administrative expenses		(3,773)	(4,596)
Amortisation and impairment of intangibles	4	(1,494)	(748)
Other Income – rental income		117	92
Loss from operations	4	(935)	(1,024)
Analysis of loss from operations:			
Profit before net finance costs, tax, depreciation, amortisation, impairment and foreign exchange gains and losses (EBITDA)		919	236
Depreciation		(220)	(244)
Amortisation and impairment of intangibles		(1,494)	(748)
Provision for onerous lease	17	(358)	-
Gain on sale of investments		9	-
Loss on sale of property, plant and equipment		(2)	-
Foreign exchange gain / (loss)		224	(268)
Restructuring costs		(13)	-
Loss from operations		(935)	(1,024)
Finance income	6	1	187
Finance costs	7	(317)	(879)
Loss before income tax		(1,251)	(1,716)
Income tax	8	(109)	128
Loss for the period		(1,360)	(1,588)
Attributable to Equity holders of the parent		(1,360)	(1,588)
Retained loss for the period	22	(1,360)	(1,588)
Loss per share			
From total and continuing operations			
Basic and diluted (pence)	9	(17.90)	(35.09)

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

Consolidated statement of recognised income and expense

For the Year ended 31 December 2008

	note	Year ended 31 December 08 £'000	18 Months ended 31 December 07 £'000
Exchange differences on translation of foreign operations		(940)	(15)
Net loss recognised directly in equity	22	(940)	(15)
Loss for the period	22	(1,360)	(1,588)
Total recognised income and expense for the period attributable to Equity holders of the parent		<u>(2,300)</u>	<u>(1,603)</u>

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
As at 31 December 2008

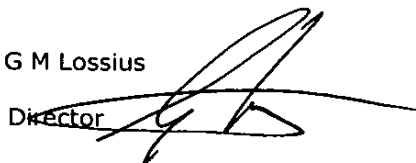
	note	31 December 2008 £000's	31 December 2007 £000's
Non-current assets			
Goodwill and other intangible assets	10	3,737	5,231
Property, plant and equipment	11	389	307
Available for sale investments	12	-	102
		<u>4,126</u>	<u>5,640</u>
Current assets			
Trade and other receivables	13	3,661	2,539
R & D tax credit receivable	8	-	315
Cash and cash equivalents	14	734	581
		<u>4,395</u>	<u>3,435</u>
Total assets		<u><u>8,521</u></u>	<u><u>9,075</u></u>
Equity			
Share capital	20	841	11,610
Share premium	22	-	20,685
Merger reserve	22	11,055	11,055
Reverse acquisition reserve	22	(5,228)	(38,048)
Translation reserves	22	(977)	(37)
Retained earnings	22	(9,063)	(7,703)
Investment in own shares	23	(4)	(7)
Total equity		<u>(3,376)</u>	<u>(2,445)</u>
Non-current liabilities			
Borrowings	16	500	1,000
Provisions	17	200	-
		<u>700</u>	<u>1,000</u>
Current liabilities			
Trade and other payables	15	6,924	7,020
Borrowings	16	4,115	3,323
Provisions	17	158	177
		<u>11,197</u>	<u>10,520</u>
Total liabilities		<u><u>11,897</u></u>	<u><u>11,520</u></u>
Total equity and liabilities		<u><u>8,521</u></u>	<u><u>9,075</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2009 and were signed on its behalf by:

A B Moug C.A
Director



G M Lossius
Director



The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement
For the Year ended 31 December 2008

	note	Year ended 31 December 08 £'000	18 months ended 31 December 07 £'000
Loss before taxation		(1,251)	(1,716)
Adjustments for			
Amortisation and impairment of intangibles		1,494	748
Depreciation		220	244
Loss on sale of property, plant and equipment		2	-
Gain on sale of investments		(9)	-
Investment income		(1)	(187)
Interest expense		317	879
Unrealised foreign exchange differences		(1,202)	115
Decrease in inventories		-	7
Increase in trade and other receivables		(1,122)	(1,071)
Decrease in trade and other payables		(14)	(1,488)
Increase in provisions		181	17
Cash used in operations		(1,385)	(2,452)
Interest paid		(396)	(879)
R&D tax credit received		342	-
Net cash used in operating activities		(1,439)	(3,331)
Cash flows from investing activities			
Purchase of property, plant and equipment		(176)	(231)
Costs of reverse acquisition		-	(228)
Proceeds from sale of investments		109	-
Interest received		1	187
Net cash used in investing activities		(66)	(272)
Cash flows from financing activities			
Net proceeds from issue of share capital		1,093	1,967
Costs of issuing shares		(227)	-
(Repayment of) / proceeds from short term borrowings (revolving credit facility)		(1,500)	1,500
Payment of finance long term borrowings		-	(50)
Net cash (used in) / from financing activities		(634)	3,417
Net decrease in cash and cash equivalents		(2,139)	(186)
Cash and cash equivalents at beginning of period		(242)	(56)
Cash and cash equivalents at end of period	24	(2,381)	(242)

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

For the Year ended 31 December 2008

General information and nature of operations

Publishing Technology plc (the "Company") and its subsidiaries (together 'the Group') is a provider of technology and supporting services to publishers and information providers. The nature of the Group's operations and its principal activities are set out in the business review, chairman's statement, chief executive's review, financial review and Directors' report on pages 1 to 12.

The Company is incorporated in the United Kingdom under the Companies Act 1985. The Company's registration number is 837205 and its registered office is Unipart House, Garsington Road, Oxford, OX4 2GQ. The consolidated financial statements were authorised for issue by the Board of Directors on 20 March, 2009.

1. Principal accounting policies

Going concern

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

The Directors have prepared trading projections to April 2010 which have been used to assess the feasibility of the going concern assumption.

As part of its assessment, management have taken into account the profit and cash forecasts, the continued support of the shareholders and Directors, banking facilities and management ability to affect costs and revenues.

Management regularly forecast profit and loss, balance sheet and cash flow for the Group. The rolling forecast is normally updated ten times in the year (January and July being the only months it is not updated).

Having reviewed the latest forecast, management regard the forecasts to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and revenue is ranked by visibility of secured revenues. Management have reviewed forecast costs for reasonableness against prior periods and with knowledge of expected movements. Management have concluded that forecast costs are robust and that any cost reductions are reasonably firm and will not negatively impact revenue or profit.

The Group has secured an overdraft facility of £2m which will be reviewed as positive cash flows reduce the requirement for this facility. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

The cash flow assumes £500,000 of the convertible loan will be redeemed by 14 July 2009 and a further £500,000 will be redeemed by 14 January 2010 in line with the convertible loan agreement which allows for payment within 14 days of the redemption date.

The major risk for future trading is the general economic downturn and how it will affect the publishing industry and academic institutions. During previous downturns, these market sectors have been somewhat resilient without being immune and therefore the board are confident that the forecasts set for 2009/10 are achievable in the current market.

It is therefore considered appropriate to use the going concern basis to compile these financial statements.

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The accounting policies applied have been applied consistently throughout the Publishing Technology Group. The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain financial instruments.

Statement of compliance

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European

Union. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Significant management judgement in applying accounting policies

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

Revenue

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

Contract revenue

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

Deferred tax assets

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

Estimation uncertainty

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

Impairment

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

Fair value of financial instruments

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

Provisions

The amount recognised for onerous leases for which the Group is contracted is estimated based on management's past experience, the contracted costs and the future expectations of rental income.

Standards early adopted by the Group

IFRS 8 "Operating segments" was early adopted by the Group in 2007. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and reported in a manner which is more consistent with internal reporting provided to the chief decision-maker.

Basis of consolidation

The group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2008. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

During the prior period, Vista International Limited (Vista) acquired by reverse acquisition Ingenta plc on 27 February 2007. At the Extraordinary General Meeting on 27 February 2007 the enlarged group changed its name to Publishing Technology plc (ticker: PTO). The Company is listed on the AIM market of the London Stock Exchange.

As a result of the business combination, the shareholders of Vista International Limited obtained control of the Group. Accordingly the transaction was accounted for as a reverse acquisition in accordance with IFRS 3 "Business Combinations".

Therefore the consolidated financial statements for 2007 were issued under the name of the legal parent 'Publishing Technology plc', but were a continuance of the financial statements of Vista International Limited. Because such consolidated financial statements represent a continuation of the financial statements of Vista:

- the assets and liabilities of Vista were recognised and measured in the 2007 consolidated financial statements at their pre-combination carrying amounts with the exception of property, plant and equipment which have been adjusted as if the Group was a continuance of trading in Ingenta plc
- the retained earnings and other equity balances recognised in the 2007 consolidated financial statements are the retained earnings and other equity balances of Vista immediately before the business combination
- the amount recognised as issued equity instruments in the 2007 consolidated financial statements has been determined by adding to the issued equity of Vista immediately before the business combination the cost of the combination. However, the equity structure appearing in these consolidated financial statements (the number and type of equity instruments issued) reflects the equity structure of the legal parent, including the equity instruments issued by the legal parent to effect the combination.

The comparative information presented in these consolidated financial statements covers an 18 month period, specifically the continuance of Vista's trading from 1 July 2006 to 31 December 2007 with 10 months of the acquired Ingenta businesses included from 27 February 2007 to 31 December 2007.

Stock options

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

Property, plant and equipment

Cost

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

Asset additions from the acquisition of Ingenta plc in February 2007 were added at carrying amount at the date of acquisition in the consolidated accounts under reverse acquisition accounting.

The financial statements of subsidiary companies hold assets from the Ingenta plc group at historic cost less accumulated depreciation. Assets from the Vista group of companies are added at carrying value at the date of the acquisition.

For 2008, the Group has made an adjustment to property, plant and equipment within the consolidated financial statements to report assets within subsidiary and consolidated accounts on the same basis. Accordingly, the adjustment has been made to both the cost and to the accumulated depreciation to report assets as though the Ingenta plc business was the continuing business. The Group believes this gives a more reasonable view of the assets within the business. The adjustment of £1.4m has been added to both cost and accumulated depreciation and therefore does not affect the underlying carrying value of property, plant and equipment.

Depreciation

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

Leasehold improvements	Over the term of the lease
Computer equipment	3 years
Fixtures, fittings and equipment	5 years
Motor vehicles	5 years
Office equipment	3 years

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

Disposal of assets

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

Intangible assets

Goodwill

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

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

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

Brands

The main economic and competitive asset of Ingenta plc at the time of its acquisition was its trading name, 'Ingenta'. The brand values were calculated based on the Group's valuation methodology, which is based on the 'relief from royalty approach'. As the brand value arose on acquisition, the intangible asset was recognised initially at its fair value and amortised over its useful economic life of three years.

During 2008, the Group restructured to create global business units. These are Scholarly online, PCG and Publishing Technology operations. This has impaired the value of the 'Ingenta' brand. Therefore, in the year, the intangible brand asset has been amortised by £608K and impaired by £608K.

Other intangibles

The Group also recognises other separately identifiable intangible assets such as customer contacts and relationships. These values arose on acquisition of Ingenta plc and were recognised initially at their fair value and amortised over their useful economic life of three years.

Computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to bring the specific software into use. These costs are amortised over their estimated useful lives which have been estimated by the Group as three years.

The Group believes the net intangible assets associated with customer contacts and software are inextricably linked to the Ingenta brand and are therefore also impaired at 31 December 2008. As a result, in 2008 these intangible assets have been amortised by £139K and impaired by £139K.

Amortisation and impairment of intangible assets are charged to the income statement.

Impairment of intangibles and property, plant and equipment

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

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Research and development

Research expenditure is written off in the period in which it is incurred. Development expenditure is also written off, except where the Directors can demonstrate that the technical, commercial and financial viability of individual projects satisfies the criteria of IAS 38. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period is not exceeding five years. Provision is made for any amortisation on a straight line basis.

Financial instruments

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

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

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

Financial assets

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method; less provision for impairment. A provision for impairment of trade receivables is

established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The carrying amount of the loss is recognised in the income statement within 'Sales and marketing expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Sales and marketing expenses' in the income statement.

Available for sale financial assets

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

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

Gains and losses arising from change in the fair value of a financial asset are recognised directly in equity, except for impairment losses. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Financial liabilities

Trade payables

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

Borrowings

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

Preference shares, which are redeemable on a specific date, are classified as liabilities. The dividend on these preference shares is recognised in the income statement as interest expense.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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

Equity

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

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Share premium and all classes of deferred shares were cancelled in the year to 31 December 2008 as part of a capital reduction (see note 20).

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

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

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

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

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

Revenue

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into account the type of customer, type of transaction and specifics of each arrangement.

Revenue from the processing of e-journal content and ongoing services is recognised in the period to which it relates. The period is assessed by reference to when the work is carried out.

Revenue from document delivery under pay per view access, clearance and digitisation services are recognised on despatch/delivery of the documents.

Revenue from long term contracts is recognised on the percentage of completion method. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the date of testing. Where certain products are sold as multi element arrangements, revenue is recognised when each element is delivered to the customer based on fair value of each product element.

Revenue collected or billed in advance is recorded as deferred income and recognised over the term of the contract or the period to which it relates.

Revenue from sales of software licences is recognised immediately if there are no associated implementation requirements. Otherwise licence revenue is recognised over the period of the implementation on a percentage complete basis.

Rental income relates to the sub-letting of Units 3 and 4, Riverside Court, Bath. Rental income is recognised in the period to which the rent relates.

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

Employee benefits

Pension obligations

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

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

Share-based employee remuneration

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

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

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

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

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

Termination benefits

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

Operating leases

Leases in which a significant risk and reward of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are spread on a straight-line basis over the lease term. The Group does not have any finance leases.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Finance cost

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

Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

Provisions, contingent liabilities and contingent assets

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

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

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

Foreign currency

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

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated

using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

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

Segmental reporting

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

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IAS 23 Borrowing Costs (Revised)(effective from 1 January 2009)

The revised standard requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The option currently used by the Group of immediately expensing those borrowing costs will be removed. In accordance with the transitional provisions of the revised standard the Group capitalises borrowing costs relating to qualifying assets for which the commencement date is on or after the effective date. No retrospective restatement will be made for borrowing costs that have been expensed for qualifying assets with a commencement date before the effective date. The adoption of this accounting policy is not expected to have a material effect on the Group's results.

IFRIC 13 Customer Loyalty Programmes (effective from 1 July 2008)

This interpretation clarifies that when goods or services are sold together with a customer loyalty incentive (for example loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group's current accounting policy is to recognise the consideration in full and to provide for the estimated cost of the future rewards. Consequently, the adoption of this interpretation will change the Group's accounting policy. The Group very seldom awards free products in connection with a sales transaction. Therefore, the financial effects of this interpretation are insignificant for current and future reporting periods.

IFRS 3 Business Combinations (Revised 2008) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Management does not expect the standard to have a material effect on the Group's financial statements.

Amendments to IFRS 2 Share-based Payment (effective from 1 January 2009)

The IASB has issued an amendment to IFRS 2 regarding vesting conditions and cancellations. None of the Group's current share-based payment schemes is affected by the amendments. Management does not consider the amendments to have an impact on the Group's accounting policies.

Annual Improvements 2008

The IASB has issued Improvements for International Financial Reporting Standards 2008. Most of these amendments become effective in annual periods beginning on or after 1 January 2009. The Group expects the amendment to IAS 23 Borrowing Costs to be relevant to the Group's accounting policies. The amendment clarifies the definition of borrowing costs by reference to the effective interest method. This definition will be applied for reporting periods beginning on or after 1 January 2009, however forecasts indicate the effect to be insignificant. Smaller amendments are made to several other standards, however, these amendments are not expected to have a material impact on the Group's financial statements.

2. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 December 08	18 Months ended 31 December 07
	£'000	£'000
Sales of services:		
Consulting Services	4,363	5,278
Hosted services	827	925
Managed Services	2,644	4,528
Support and Upgrade	2,449	3,476
Ingenta	3,447	2,824
Course Packs	310	269
PCG	1,311	1,060
	15,351	18,360
	15,351	18,360

A geographical analysis of the Group's revenue is as follows:

	Year ended 31 December 08	18 Months ended 31 December 07
	£'000	£'000
Sales of services:		
UK	7,524	9,133
USA	6,078	7,654
Rest of the World	1,749	1,573
	15,351	18,360
	15,351	18,360

3. Business segments

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

The Board consider the Group on a business unit basis. Reports by Business Unit are used by the chief decision-maker in the Group. Significant operating segments are: Publishing Technology operations; Scholarly online; and Publisher Communications Group ("PCG").

Publishing Technology operations provides publishing management systems, Scholarly online provides Ingenta-Connect and Pub2web online products, and PCG provides a consultancy service in sales and marketing expertise to publishers.

The reported operating segments derive their revenues from the revenue streams reported in the revenue analysis in note 2. All revenues are derived from trade with external parties. Revenue on this basis is only available for the current year. During the current year the business was restructured to a global business unit model from a geographic model. Comparative global business units did not exist in the prior year and therefore it is not possible

to show comparative figures by global business unit. Prior year segmental analysis was on a geographic basis only and can be viewed in the Group's 2007 annual report.

Revenue from customers who contribute greater than 10% of total Group revenue

One customer contributed £1.6m (10.4%) to total Group revenue in the period. No other customer contributed more than 10% to Group revenue.

The Group's operations are located in the United Kingdom and North America. Any transactions between business units are on normal commercial terms and conditions.

Segment information by Business Unit is presented below.

Year to 31 December 2008	Publishing Technology Operations £'000	Scholarly Online £'000	Publisher Communications Group £'000	Consolidated £'000
External sales	9,709	4,331	1,311	15,351
Segment result (EBITDA)	1,186	133	26	1,345
Unallocated corporate expenses				(652)
Foreign exchange gain				224
Amortisation and impairment of intangibles				(1,494)
Provision for onerous lease				(358)
Operating loss				(935)
Investment income				1
Finance costs				(317)
Loss before tax				(1,251)
Tax				(109)
Loss after tax				(1,360)
Other information	£'000	£'000	£'000	£'000
Capital additions	75	101	-	176
Depreciation	110	110	-	220
Impairment losses recognised in income	-	-	-	-
Balance sheet				
Assets				
Segment assets	1,846	1,000	660	3,506
Unallocated corporate assets				5,015
Consolidated total assets				8,521
Liabilities				
Segment liabilities	2,987	2,291	661	5,939
Unallocated corporate liabilities				5,958
Consolidated total liabilities				11,897
Total equity and liabilities				8,521

4. Loss from operations

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

	Year ended 31 December 08	18 Months ended 31 December 07
	£'000	£'000
Research and development costs	2,813	3,073
Net foreign exchange (gains) / losses	(224)	268
Depreciation of property, plant and equipment		
- owned assets	220	244
Operating lease rentals:		
- land and buildings	578	633
- other	200	312
Amortisation of internally-generated intangible assets (note 10)	747	748
Impairment of internally-generated intangible assets (note 10)	747	-
Loss on sale of property, plant and equipment	(2)	-
Gain on sale of investments	9	-
Auditor's remuneration	<u>115</u>	<u>115</u>

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

	Year ended 31 December 08	18 Months ended 31 December 07
	£'000	£'000
Fees payable to the Group's auditor for:		
The audit of the parent company and consolidated financial statements	40	40
For other services:		
The audit of the Company's subsidiaries pursuant to legislation	60	60
Taxation services	15	15
	<u>115</u>	<u>115</u>

A description of the work of the audit committee is set out in the corporate governance statement on page 9 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

5. Staff numbers and costs

	Year ended 31 December 08 Average number	As at 31 December 07 Number at period end
Staff numbers:		
Operations	121	127
Sales and marketing	23	22
Administration	10	13
	<u>154</u>	<u>162</u>

	Year ended 31 December 08 £'000	18 months ended 31 December 07 £'000
Their aggregate remuneration comprised:		
Wages and salaries	8,033	11,403
Social security costs	588	973
Contribution to Defined Contribution plans	361	511
Other staff costs	314	324
Staff costs	<u>9,296</u>	<u>13,211</u>

Remuneration in respect of Directors was as follows:		
Fees as Non Executive Director	133	89
Executive Directors' emoluments	323	705
Company pension contributions to money purchase schemes	25	51
Payments made under a compromise agreement	-	115
	<u>481</u>	<u>960</u>

Remuneration of the highest paid Director (aggregate emoluments)	<u>186</u>	<u>263</u>
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Key management personnel within the business are considered to be the Board of Directors. Pension contributions of £19K were paid in respect of the highest paid Director (2007: £29K). There are two (2007: two) Directors included in the money purchase pension schemes.

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

The total cost charged to income of £361K (2007: £511K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2008, contributions of £42K (2007: £46K) due in respect of the current reporting period had not been paid over to the schemes.

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

6. Finance income

	Year ended 31 December 08	18 months ended 31 December 07
	£'000	£'000
Interest income	1	187
	<u>1</u>	<u>187</u>

7. Finance costs

	Year ended 31 December 08	18 months ended 31 December 07
	£'000	£'000
Interest payable:		
- Interest on bank overdraft and loans	184	416
- Other loans	133	335
- Amortised finance costs	-	128
	<u>317</u>	<u>879</u>

Interest on other loans payable relates to an 8% convertible loan note. Further details are provided in note 16.

8. Tax

	Year ended 31 December 08	18 months ended 31 December 07
	£'000	£'000
Analysis of charge in period (continuing operations)		
Current tax:		
- Current Research and Development tax credit - UK	-	(317)
- Overseas	-	2
- Adjustment to prior year charge	109	-
	<u>109</u>	<u>(315)</u>
Deferred tax (see note 18)	-	187
Taxation	<u>109</u>	<u>(128)</u>

The tax for the period is higher (2007: lower) than the standard rate of the corporation tax in the UK (28.5%; 2007: 30%).

The differences are explained below:

	Year ended 31 December 08	18 months ended 31 December 07
	£'000	£'000
Reconciliation of tax expense		
Loss on ordinary activities before tax	(1,251)	(1,716)
Tax at the UK corporation tax rate of 28.5% (2007:30%)	(357)	(515)
Income not subject to corporation tax		
Property, plant and equipment	(10)	-
Others	(11)	-
Expenses not deductible for tax purposes	423	240
Additional deduction for R&D expenditure	(266)	-
Adjustment to goodwill not deductible to taxation	-	217
UK losses carried forward	130	(58)
US losses carried forward	112	-
Effect of foreign tax rates	(32)	-
Difference in timing of allowances	11	(199)
Adjustment to tax charge in respect of prior years	109	-
Total taxation (continuing operations)	<u>109</u>	<u>(315)</u>

United Kingdom Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the Year (2007 comparative is an 18 month period).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. A deferred tax asset has not been recognised in relation to tax losses due to uncertainty over their recoverability.

9. Loss per share

Basic loss per share is calculated by dividing the earnings 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 the Group is loss making there is no dilutive impact

	Year ended 31 December 2008	18 months ended 31 December 2007
	£'000	£'000
Attributable Loss	(1,360)	(1,588)
Weighted average number of ordinary shares ('000)	7,596	4,525
Loss per share (basic and dilutive) arising from both total and continuing operations	(17.90)p	(35.09) p

All potential ordinary shares including options and conditional shares are anti-dilutive. Shares were consolidated in the year on the basis of 1 new share for every 100 existing shares. The 2007 loss per share has been restated on the basis of this consolidation.

10. Intangible assets

	Goodwill £'000	Trademarks and licences £'000	Customer relationships £'000	Brand £'000	Total £'000
Cost					
As at 30 June 2006	-	-	-	-	-
Acquisition of Ingenta plc	3,737	1,824	128	290	5,979
As at 31 December 2007	3,737	1,824	128	290	5,979
As at 31 December 2008	3,737	1,824	128	290	5,979
Amortisation and impairment					
As at 30 June 2006	-	-	-	-	-
Amortisation charge	-	608	43	97	748
As at 31 December 2007	-	608	43	97	748
Amortisation charge	-	608	42	97	747
Impairment charge	-	608	43	96	747
As at 31 December 2008	-	1,824	128	290	2,242
Net book Value					
As at 30 June 2006	-	-	-	-	-
As at 31 December 2007	3,737	1,216	85	193	5,231
As at 31 December 2008	3,737	-	-	-	3,737

Goodwill on the reverse acquisition of Ingenta plc is reviewed at the end of each financial period for impairment.

The carrying value at the year end is £3.7m. The Directors' review indicates that the acquired business continues to produce satisfactory sales and, at the higher end of the discount rates applied (i.e. 8%) will likely generate net revenues of more than £4m during the review period. The Directors have therefore concluded that no impairment of goodwill is needed.

Deferred tax has not been provided for in relation to the above intangible assets on the basis that the Group has sufficient tax losses available to offset any taxable gain that might arise in the future.

Goodwill impairment review

The review has been based on the projected cash flow for the old Ingenta group; those revenues and costs associated with new business activities have been excluded. Projected revenues and costs are based on the latest 12 month forecast and have been extended for a period of five years. The Directors regard this revenue to be regular and unlikely to be adversely affected by technological change during the review period. They have assumed a prudent growth rate for revenues and costs at 2% throughout the five year period having regard to the prevailing economic uncertainty. The Directors consider the majority of costs to be controllable and not expected to increase significantly in the foreseeable future.

The impairment review has been sensitised by applying a range of discount factors from 4% to 8% which fairly reflects the future cost of capital. The Directors believe that their review has fairly reflected the likely range of discount factors for application throughout the review period taking into account the variable economic climate.

Impairment of other intangibles

During 2008, the Group restructured to create global business units and reduce the use of the old brands of Ingenta and Vista. This has necessarily meant the intangible assets created at the time of the acquisition of Ingenta plc which encompassed the 'Ingenta' brand are impaired at 31 December 2008. As a result the intangible assets have been impaired in 2008 by £747K reducing intangible assets to their net value of £nil (2007: £1.5m)

The Group believes the net intangible assets associated with customer contacts and software are inextricably linked to the Ingenta brand and are therefore also impaired at 31 December 2008. As a result, in 2008 these intangible assets have been amortised by £139K and impaired by £139K.

11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 30 June 2006	22	180	830	26	1,058
Additions	-	83	148	-	231
Additions from acquisition	174	20	44	-	238
Adjustment to acquired assets	179	191	1,027	-	1,397
Exchange differences	-	(18)	(52)	-	(70)
Disposals	(4)	(137)	(2)	(26)	(169)
At 31 December 2007	371	319	1,995	-	2,685
Additions	-	12	164	-	176
Exchange differences	-	61	173	-	234
Disposals	-	(180)	(855)	-	(1,035)
At 31 December 2008	371	212	1,477	-	2,060
Accumulated depreciation and impairment					
At 30 June 2006	22	166	749	22	959
Charge for the year	42	29	173	-	244
Adjustment to acquired assets	179	191	1,027	-	1,397
Exchange differences	-	(17)	(52)	-	(69)
Eliminated on disposals	-	(130)	(1)	(22)	(153)
At 31 December 2007	243	239	1,896	-	2,378
Leasehold impairment charge	49	-	-	-	49
Charge for the year	40	18	113	-	171
Exchange differences	-	21	87	-	108
Eliminated on disposals	-	(180)	(855)	-	(1,035)
At 31 December 2008	332	98	1,241	-	1,671
Carrying amount					
At 31 December 2008	39	114	236	-	389
At 31 December 2007	128	80	99	-	307
At 30 June 2006	-	14	81	4	99

An adjustment of £1.4m had been made to the cost and accumulated depreciation of assets to report asset additions from the acquisition of Ingenta plc as though Ingenta plc were the continuing business rather than showing the cost of these assets as the carrying value at the date of the acquisition (see note 1)

12. Available for sale investments

	As at 31 December 08 £'000	As at 31 December 07 £'000
Investments in:-		
Bidz. Com	-	30
Dynamic Diagrams	-	72
	<u>-</u>	<u>102</u>

Investments in Bidz.com and Dynamic Diagrams were sold during the year to 31 December 2008.

13. Trade and other receivables

Trade and other receivables comprise the following:

	As at 31 December 08 £'000	As at 31 December 07 £'000
Trade receivables – gross	2,487	1,771
Allowance for credit losses	<u>(73)</u>	<u>(93)</u>
Trade receivables - net	2,414	1,678
Other receivables	57	610
Prepayments and accrued income	<u>1,190</u>	<u>251</u>
	<u>3,661</u>	<u>2,539</u>

Trade receivables at the balance sheet date comprise amounts receivable from the sale of goods and services of £2.5m (2007: £1.8m).

The average credit period taken on sales of goods is 43 days (2007: 45 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of £73K (2007: £93K). This allowance has been determined by reference to expected receipts. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

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

	Year ended 31 December 08 £'000	18 months ended 31 December 07 £'000
Balance as at 1 January	93	55
Amounts written off (uncollectable)	(20)	-
Impairment loss	-	38
Impairment loss reversed	-	-
	<u>73</u>	<u>93</u>

An analysis of unimpaired trade receivables that are past due is given in note 27

14. Cash and cash equivalents

	As at 31 December 08	As at 31 December 07
	£'000	£'000
Cash at bank and in hand:		
- GBP	421	16
- USD	162	431
- EUR	150	133
Cash in hand - GBP	<u>1</u>	<u>1</u>
	734	581
Bank Overdraft:		
- GBP	(3,113)	(823)
- USD	<u>(2)</u>	<u>-</u>
	(3,115)	(823)
Net cash and cash equivalents	<u>(2,381)</u>	<u>(242)</u>

15. Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 96 days (2007: 129 days).

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

Payables falling due within one year.

	As at 31 December 08	As at 31 December 07
	£'000	£'000
Other amounts:		
Trade payables	1,365	1,646
Social security and other taxes	989	810
Other payables	1,387	328
Accruals	1,007	893
Deferred income	2,176	3,343
	<u>6,924</u>	<u>7,020</u>

Amounts due relating to Directors of the Company or other related parties are disclosed within related parties transactions (note 26).

16. Borrowings

	As at 31 December 08	As at 31 December 07
	£'000	£'000
Bank overdrafts	3,115	823
Revolving credit facility	-	1,500
Convertible loan note	1,500	2,000
	<u>4,615</u>	<u>4,323</u>
On demand or within one year	4,115	3,323
In the second year	500	500
In the third to fifth years inclusive	-	500
	<u>4,115</u>	<u>3,323</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	4,115	3,323
	<u>500</u>	<u>1,000</u>
Amount due for settlement after 12 months		
	Year ended 31 December 08	18 months ended 31 December 07
Interest rates:		
Bank overdrafts up to £2.375m	2.25% above base	2.25% above base
Bank overdrafts above £2.375m	2.75% above base	no facility
Revolving credit facility	2.25% above base	2.25% above base
Convertible loan note	8%	8%

The revolving credit facility of £1.5 million was secured on the assets of the Group. This facility was repaid on 11 January 2008. The facility carried an interest rate at 2.25% above base per annum.

As at 31 December 2008, the Group has an overdraft facility of £2.45m, this has subsequently been reduced for 2009 to £2m at an interest rate of 2.5% above base reflecting the reducing requirement for overdraft facilities. Bank overdrafts are repayable on demand. During 2008, £1.65m of overdraft facility was underwritten by guarantees from Directors and shareholders. The average effective interest rate on bank overdrafts approximates 7% (2007: 8%) per annum and is determined based on 2.25% plus base rate.

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

The convertible loan is a compound financial instrument with characteristics of both debt and equity. Management consider the fair value of the equity element of the convertible loan to be immaterial and have therefore accounted for the loan entirely as financial liability.

Convertible loans

The interest rate on the convertible loan note is 8%. If the Group does not pay any sum payable under this Instrument within 14 days of its due date, it shall pay default interest on the balance for the time being outstanding. Default interest is set at 4% above the interest rate.

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

During the year to 31 December 2008, the terms of the convertible loans were changed when £500,000 was converted into ordinary shares at the same time as the capital raising in April 2008.

The note holder may elect during conversion periods to convert all or part of the loan note into shares. The conversion rates are shown in the following table.

Conversion period	Conversion ratio
	No. of shares for every £10,000 of loan notes converted
1 April 2009 to 30 June 2009	10,000 *
1 June 2009 to 30 June 2009	1,905
1 December 2009 to 31 December 2009	10,000 *
1 June 2010 to 30 June 2010	1,429
1 December 2010 to 31 December 2010	1,429

* No more than a total of £1 million of loan notes may be converted at the conversion rate of £1 per share between 1 April 2009 to June 2009 and between 1 December and 31 December 2009 combined. This does not limit the loan note holder's entitlement to convert more loan notes at the other conversion rates otherwise applying in the periods 1 June 2009 to 30 June 2009, 1 June 2010 to 30 June 2010 and 1 December 2010 to 31 December 2010.

If any tranche of the convertible loan note is not converted, then it is repayable as follows:

Redemption date	Amount of principal note to be redeemed £'000
30 June 2009	500
31 December 2009	500
31 December 2010	500

17. Provisions

	Reorganisation £'000	Onerous lease £'000	Total £'000
At 31 December 2007	123	54	177
Utilisation of provision	(123)	(54)	(177)
Provided in the year	-	358	358
At 31 December 2008	-	358	358

The provision for onerous lease is in respect of a property that was sub-let to a company that went into liquidation. This gives rise to a liability for rent, rates, service charge and dilapidations until the end of the current lease in February 2011.

The Directors have not used any discounted cash flow in valuing the provision for onerous lease. The lease terminates in February 2011; therefore any discounting would be immaterial

Provisions are expected to be used within two years:

Expected to be used:	£'000
Within 12 months	158
Within 2 years	200
	<u>358</u>

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2007: 28%). The movement on the deferred tax account is as shown below:

	Year ended 31 December 08 £'000	18 months ended 31 December 07 £'000
At 1 July	-	225
Credit to income	-	(187)
Exchange differences	-	(38)
	<u>-</u>	<u>-</u>

At the balance sheet date, the Group has unused tax losses in the UK of £12.1m (2007: £13.3m) available for offset against future trading profits. The Group also has unused tax losses in the USA of \$2.9m (2007: \$15.5m), these losses have yet to be agreed with the US tax authorities. No deferred tax asset has been recognised in respect of the losses (2007: £Nil) due to the unpredictability of future profit streams. The US tax losses have become restricted under US change of control laws subsequent to the capital raising in April 2008.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and there is an intention to settle the balances net.

19. Operating lease arrangements

The Group as lessee.

At 31 December 2008, the Group had annual commitments under operating leases as follows:

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

	As at 31 December 08 £'000	As at 31 December 07 £'000
Land and buildings		
Within one year	452	578
In the second to fifth years inclusive	401	944
	<u>853</u>	<u>1,522</u>
Other		
Within one year	154	190
In the second to fifth years inclusive	100	250
	<u>254</u>	<u>440</u>

Operating leases for Land & Buildings represent contracts on offices in Bath, UK, Oxford UK, Borehamwood, UK, Somerset, New Jersey, USA and Cambridge, Massachusetts, USA.

Other Operating leases represent car leases, photocopier leases and sundry equipment leases.

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

20. Share Capital

	As at 31 December 08 £'000	As at 31 December 07 £'000
Authorised:		
12,000,000 ordinary shares of 10p each	1,200	-
936,207,420 ordinary shares of 1p each	-	9,362
141,207,420 deferred shares of 4p each	-	5,648
	<u>1,200</u>	<u>15,010</u>
Issued and fully paid:		
8,413,610 ordinary shares of 10p each	841	-
596,207,420 ordinary shares of 1p each	-	5,962
141,207,420 deferred shares of 4p each	-	5,648
	<u>841</u>	<u>11,610</u>

Share issues

On 25 April 2008 each existing ordinary share of 1p each in the authorised share capital of the Company was subdivided into 10 ordinary shares of 0.1p each and every 10 ordinary shares were then consolidated and converted into one deferred "B" share of 0.9p and one interim ordinary share of 0.1p.

On the same date, the authorised share capital of the Company was increased from £15,010,371 to £15,274,164 by the creation of 263,793,000 interim ordinary shares of 0.1p each. Of these, 245,154,000 were purchased at 0.65p per share, the remainder remained as authorized but unissued.

On 24 July 2008 the interim ordinary shares of 0.1p each in the capital of the Company were consolidated into new ordinary shares of 10p each on the basis of 1 new ordinary share for every 100 interim ordinary shares.

On 29 October 2008, the Company reduced its capital by Special Resolution as confirmed by an Order of the High Court of Justice, Chancery Division. As a result, both classes of deferred shares and the share premium account were cancelled eliminating the deficit on reserves.

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

21. Share options

The Group has an approved and an executive option scheme. The executive option scheme relates to options granted to a former Director and certain senior management. The approved option scheme is an H M Revenue & Customs approved scheme available to eligible Directors and employees. The total number of options outstanding over ordinary shares of 10p each that have been granted and have not lapsed at 31 December 2008 were as follows (2007: 7,149,928 before share consolidation, 71,494 after consolidation):

Number of Shares	Grant Date	note	Exercise Price £	Expiry Date
525	15 March 1999	1	14.000	15 March 2009
548	30 July 1999	1	14.000	30 July 2009
357	02 August 1999	1	14.000	02 August 2009
189	23 December 1999	1	70.000	23 December 2009
1,057	04 January 2000	1	70.000	04 January 2010
731	01 August 2000	1	280.000	01 August 2010
318	13 November 2000	1	280.000	13 November 2010
2,249	12 October 2001	1	111.000	12 October 2011
65	17 April 2002	1	150.000	17 April 2012
7,100	21 January 2003	1	5.250	21 January 2013
500	30 June 2003	1	11.750	30 June 2013
4,254	21 January 2004	1	9.500	21 January 2014
100	02 August 2004	1	6.000	02 August 2014
100	22 November 2004	1	3.250	22 November 2014
15,000	25 January 2005	2	5.000	25 January 2015
8,000	31 May 2005	2	2.770	31 May 2015
2,500	04 October 2005	1	1.950	04 October 2015
8,000	30 March 2006	1,2	2.157	30 March 2016
1,000	30 March 2006	1	2.157	30 March 2016
12,500	01 October 2007	1,2	1.280	01 October 2017
<hr/>				
65,093				

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

2 These options are subject to conditions relating to performance measured by profit related targets.

No charge has been made for the period under IFRS 2 as the Directors do not consider there is a material impact on the reported result.

Share options are exercisable up to 10 years after grant. If a recipient ceases to be an eligible employee within 3 years of the grant date, the options lapse after one month unless the employee ceases to be an eligible employee by reason of redundancy, retirement, injury, disability or death in which case the options lapse after twelve months.

22. Share capital and reserves

	Ordinary shares £'000	Deferred Shares £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained Earnings £'000	Investment in own shares £'000	Total £'000
Balance as 30 June 2006	37	-	6	756	-	-	(22)	(6,093)	(7)	(5,323)
Share movements prior to acquisition of Ingenta plc	17	803	591	-	-	-	-	(22)	-	1,389
Acquisition adjustments under IFRS3	11,556	(803)	20,088	(756)	11,055	(38,048)	-	-	-	3,092
Total recognized loss for the period	-	-	-	-	-	-	(15)	(1,588)	-	(1,603)
Balance at 31 December 2007	11,610	-	20,685	-	11,055	(38,048)	(37)	(7,703)	(7)	(2,445)
Shares Issued in the year	245	-	1,348	-	-	-	-	-	-	1,593
Costs associated with shares issued in the year	-	-	(227)	-	-	-	-	-	-	(227)
Other movements in the year	(11,014)	-	(21,806)	-	-	32,820	-	-	3	3
Total recognised loss	-	-	-	-	-	-	(940)	(1,360)	-	(2,300)
Balance as at 31 December 2008	841	-	-	-	11,055	(5,228)	(977)	(9,063)	(4)	(3,376)

Other movements in the year relate to a capital reduction and to sales of shares from the Employee Share Ownership Trust.

23. Investment in own shares

	Publishing Technology Shares held in trust Number	Nominal value £'000	Cost £'000
At 31 December 2007	363,398	36	7
Beneficial shares removed from trust in the year	(19,425)	(2)	-
Shares sold in the year	(7,162)	(1)	-
Options exercised and shares removed from the trust	(115,122)	(11)	(3)
At 31 December 2008	221,689	22	4

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

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

24. Notes to the cash flow statement

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 14 'cash and cash equivalents'.

25. Contingent liabilities

There were no contingent liabilities at 31 December 2008 or 31 December 2007.

26. Related party transactions

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

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Directors' remuneration report on pages 11 and 12.

	Year ended 31 December 08 £'000	Year ended 31 December 07 £'000
Short-term employee benefits:	481	794
Post-employment benefits	-	51
Termination benefits	-	115
	<u>481</u>	<u>960</u>

Directors' transactions

The amounts outstanding with Directors as at 31 December 2008 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced travel expenses and invoiced Non Executive Directors fees.

	As at 31 December 08 £'000	As at 31 December 07 £'000
Amounts outstanding with Directors	<u>28</u>	<u>27</u>

There have been no loans, quasi-loans or other transactions with Directors or other key management personnel in the period to 31 December 2008 other than those detailed above.

27. Financial risk management

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

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

Foreign currency sensitivity

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

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

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

	Short-term exposure	Long-term exposure
	USD £'000	USD £'000
31 December 2008		
Financial assets	1,711	-
Financial liabilities	(1,459)	-
Total exposure	252	-
31 December 2007		
Financial assets	1,163	-
Financial liabilities	(1,111)	-
Total exposure	52	-

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

It assumes a + / - 10% change of the USD / GBP exchange rate for the year ended 31 December 2008 (2007: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group foreign currency financial instruments held at each reporting date.

If GBP had strengthened against USD by 10% (2007: 10%) then this would have had the following impact:

	Loss for the year	Equity
	USD £'000	USD £'000
31 December 2008	(15)	(151)
31 December 2007	(37)	(106)

If GBP had weakened against USD by 10% (2007: 10%) then this would have had the following impact:

	Loss for the year USD £'000	Equity USD £'000
31 December 2008	16	166
31 December 2007	41	116

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

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long term financing. Long term borrowings are therefore usually at fixed rates. At 31 December 2008, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings (being the convertible loans see note 16) are at fixed interest rates.

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

	Loss for the year £'000		Equity £'000	
	+ 1%	- 1%	+1%	-1%
31 December 2008	(44)	44	(44)	44
31 December 2007	(65)	88	(65)	88

Other price risk sensitivity

The Group was exposed to other price risks in respect of its listed equity securities, the investment in Bidz.com. This investment was sold during the year and therefore this is no longer considered a risk.

Credit risk analysis

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

	2008 £'000	2007 £'000
Cash and cash equivalents	734	581
Trade and other receivables	3,661	2,539
	<u>4,395</u>	<u>3,120</u>

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

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

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

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

	2008 £'000	2007 £'000
Not more than 3 months	2,154	280
More than 3 months but less than 6 months	166	745
More than 6 months but not more than 1 year	145	412
More than 1 year	21	334
	2,486	1,771

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single customer or group of customers having the same characteristics. Trade receivables consist of a large number of customers in different sectors of the market and geographical locations. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2007: £nil).

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with banks supported by the UK government.

Liquidity risk analysis

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

The Group maintains borrowing facilities to meet its liquidity requirements for the medium term forecast period (1 year).

As at 31 December 2008, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
31 December 2008				
Convertible loans	640	540	580	-
Bank borrowings	3,115	-	-	-
Trade and other payables	4,748	-	-	-
Total	8,503	540	580	-

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

31 December 2007	Current £'000		Non-current £'000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Convertible loans	713	60	1,680	-
Bank borrowings	2,323	-	-	-
Trade and other payables	3,677	-	-	-
Total	6,713	60	1,680	-

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

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

	Loans and receivables £'000	Non financial assets £'000	Total for balance sheet heading £'000
Trade receivables	2,414	-	2,414
Other receivables	57	-	57
Prepayments and accrued income	887	303	1,190
Cash and cash equivalents	734	-	734
	4,092	303	4,395

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

	Other financial liabilities £'000	Non financial liabilities £'000	Total for balance sheet heading £'000
Trade payables	1,365	-	1,365
Social security and other taxes	-	989	989
Other payables	1,387	-	1,387
Accruals	-	1,007	1,007
Deferred income	2,176	-	2,176
Bank overdrafts	3,115	-	3,115
Convertibles loan note	1,500	-	1,500
Provisions	-	358	358
	9,543	2,354	11,897

28. Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

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

	2008 £'000	2007 £'000
Total equity	(3,376)	(2,445)
Convertible loan	1,500	2,000
Revolving credit facility	-	1,500
Cash and cash equivalents	2,381	242
	<hr/>	
Capital	505	1,297
	<hr/>	
Total equity	(3,376)	(2,445)
Borrowings	4,615	4,323
	<hr/>	
Overall financing	1,239	1,878
	<hr/>	
Capital to overall financing ratio	0.41	0.69
	<hr/>	

Report of the independent auditor to the members of Publishing Technology plc

We have audited the parent company financial statements of Publishing Technology plc for the year ended 31 December 2008 which comprise the balance sheet and notes 1 to 10. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Publishing Technology plc for the year ended 31 December 2008.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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

Our responsibility is to audit the parent company 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 parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Financial Review and Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

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 parent company financial statements. This other information comprises only the Business Review, 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 parent company 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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the 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 parent company 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent company 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.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
20 March 2009

Company Balance Sheet

As at 31 December 2008 and 31 December 2007

	note	2008 £'000	2007 £'000
Investments	3	3,068	3,068
Current assets			
Debtors	4	3,756	4,030
Cash at bank and in hand		-	621
		<u>3,756</u>	<u>4,651</u>
Creditors - amounts falling due within one year	5	2,551	4,227
Convertible debt	10	1,000	1,000
Revolving credit facility	10	-	1,500
Other creditors		1,551	1,727
Net current assets		<u>1,205</u>	<u>424</u>
Total assets less current liabilities		4,273	3,492
Creditors - amounts falling due after more than one year	6, 10	500	1,000
Convertible debt	10	500	1,000
Net assets		<u>3,773</u>	<u>2,492</u>
Capital and reserves			
Called up share capital	8	841	11,610
Share premium account	9	-	20,685
Retained earnings	9	2,932	(29,803)
Equity shareholders' funds		<u>3,773</u>	<u>2,492</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2009 and were signed on its behalf by:

A B Moug C.A.
Director

G M Lossius
Director

The accompanying notes form part of these financial statements.

Notes to the Company financial statements

1. Accounting Policies

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

Investments

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

Borrowings

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

Going concern

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

The Directors have prepared trading projections to April 2010 which have been used to assess the feasibility of the going concern assumption. On the basis of the trading projections the Directors believe that the Group will be able to continue in operational existence for the foreseeable future.

It is therefore considered appropriate to use the going concern basis to compile these financial statements (refer to the Group financial review on page 5).

Share options

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

Foreign currencies

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

Transactions in foreign currencies during the year are recorded at the average monthly rate.

Financial instruments

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

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

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

2. Loss for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £85K (2007: loss of £455K).

An audit fee of £40K was paid in respect of the parent company audit (2007: £40K).

3. Investments

	At 31 December 2008 £'000	At 31 December 2007 £'000
Cost		
Subsidiary undertakings	<u>3,068</u>	<u>3,068</u>

Details of subsidiary undertakings, in which the Company holds majority shareholdings and which have all been consolidated in the group financial statements, are as follows:

Company	Country of registration	Holding	Proportion held	Nature of the business
Vista International Limited	England	Ordinary shares	100%	Holding Company
Vista Computer Services Limited	England	Ordinary shares	100%	Dormant
Vista Holdings Limited	England	Ordinary shares	100%	Dormant
Vista North America Holdings Limited	England	Ordinary shares	100%	Dormant Holding Company
Vista Computer Services LLC	USA	Ordinary shares	100%	Dormant
Publishing Technology (Europe) Limited	England	Ordinary shares	100%	Publishing software and services
Ingenta Limited	England	Ordinary shares	100%	Dormant
Catchword Limited	England	Ordinary shares Preference shares	100% 100%	On line publication services
Publishing Technology Inc	USA	Ordinary shares	100%	Publishing software and services
Uncover Inc	USA	Ordinary shares	100%	Dormant
PCG Inc	USA	Ordinary shares	100%	Marketing Consultancy
Ingenta US Holdings Inc	USA	Ordinary shares	100%	Holding Company
BIDS Limited	England	Ordinary shares	100%	Dormant
Panorama Homes Limited	England	Ordinary shares	100%	Dormant

4. Debtors

	2008 £'000	2007 £'000
Amounts owed by subsidiary undertakings	3,756	4,027
Prepayments and accrued income	-	3
	<u>3,756</u>	<u>4,030</u>

Amounts falling due after more than one year and included in the above are amounts owed by subsidiary undertakings (£3.8m).

5. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Convertible debt:		
Convertible loans	<u>1,000</u>	<u>1,000</u>
Other creditors:		
Trade creditors	-	74
Amounts due to subsidiary undertakings	1,208	1,408
Bank overdraft	197	-
Social security and other taxes	14	11
Accruals	132	234
	<u>1,551</u>	<u>1,727</u>

6. Creditors: amounts falling due after one year

	2008 £'000	2007 £'000
Convertible debt:		
Convertible loan	<u>500</u>	<u>1,000</u>

7. 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.

8. Share Capital

	2008 £'000	2007 £'000
Authorised:		
12,000,000 ordinary shares of 10p each	1,200	-
936,207,420 ordinary shares of 1p each	-	9,362
141,207,420 deferred shares of 4p each	-	5,648
	<u>1,200</u>	<u>15,010</u>
Issued and fully paid:		
8,413,610 ordinary shares of 10p each	841	-
596,207,420 ordinary shares of 1p each	-	5,962
141,207,420 deferred shares of 4p each	-	5,648
	<u>841</u>	<u>11,610</u>

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. See note 20 to the consolidated financial statements for details of movement in share capital during the year.

9. Equity and Reserves

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 31 December 2007	11,610	20,685	(29,803)	2,492
Shares issued in the year	245	1,121	-	1,366
Other movements in year	(11,014)	(21,806)	32,820	-
Retained loss for the year	-	-	(85)	(85)
At 31 December 2008	<u>841</u>	<u>-</u>	<u>2,932</u>	<u>3,773</u>

Other movements in the year relate to a reduction of capital concluded in October 2008 (refer to note 20 to the consolidated financial statements).

10. Borrowings

	2008	2007
	£'000	£'000
Revolving credit facility	-	1,500
Bank overdraft	197	-
Convertible loan note	1,500	2,000
	<u>1,697</u>	<u>3,500</u>
On demand or within one year	1,197	2,500
In the second year	500	500
In the third to fifth years inclusive	-	500
	<u>2008</u>	<u>2007</u>
	%	%
Interest rates:		
Revolving credit facility	2.25% above base	2.25% above base
Convertible loan note	8%	8%

The revolving credit facility of £1.5 million was secured on the assets of the Group. This facility was repaid on 11 January 2008. The facility carried an interest rate at 2.25% above base per annum.

Bank overdrafts are repayable on demand. Overdrafts of £197K (2007: £nil) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 7% (2007: 8%) per annum and is determined based on 2.25% plus base rate.

The convertible loan is a compound financial instrument with characteristics of both debt and equity. Management consider the fair value of the equity element of the convertible loan to be immaterial and have therefore accounted for the loan entirely as financial liability.

Convertible loans

The interest rate on the convertible loan note is 8%. If the Company does not pay any sum payable under this Instrument within 14 days of its due date, it shall pay default interest on the balance for the time being outstanding. Default interest is set at 4% above the interest rate.

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

During the year to 31 December 2008, the terms of the convertible loans were changed when £500,000 was converted into ordinary shares at the same time as the capital raising in April 2008.

The note holder may elect during conversion periods to convert all or part of the loan note into shares. The conversion rates are shown in the following table.

Conversion period	Conversion ratio	
	No. of shares for every £10,000 of loan notes converted	
1 April 2009 to 30 June 2009	10,000	*
1 June 2009 to 30 June 2009	1,905	
1 December 2009 to 31 December 2009	10,000	*
1 June 2010 to 30 June 2010	1,429	
1 December 2010 to 31 December 2010	1,429	

* No more than a total of £1 million of loan notes may be converted at the conversion rate of £1 per share between 1 April 2009 to 30 June 2009 and between 1 December and 31 December 2009 combined. This does not limit the loan note holder's entitlement to convert more loan notes at the other conversion rates otherwise applying in the periods 1 June 2009 to 30 June 2009, 1 June 2010 to 30 June 2010 and 1 December 2010 to 31 December 2010.

If any tranche of the convertible loan note is not converted, then it is repayable as follows:

Redemption date	Amount of principal note to be redeemed	
	£'000	
30 June 2009	500	
31 December 2009	500	
31 December 2010	500	

Publishing Technology plc
Annual Report 2008

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A B Moug C.A., Chief Financial Officer

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M A Rowse
W E Shaw

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