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Publishing Technology plc

Annual Report

For the year ended 31 December 2011

Directors and advisers

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Executive Directors

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

Non-Executive Directors

M C Rose, *Chairman*
M A Rowse

Company Secretary

A B Moug C A

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Auditor

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Registered Auditor
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Nominated Adviser

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The Directors submit to the members their report and accounts of the Group for the year ended 31 December 2011. Pages 1 to 11, including the Business review, Chairman's statement, Chief Executive's review, Financial review, Corporate governance statement and Directors' remuneration report, form part of the Directors' report.

2011 Highlights

2011 ended on a high note achieving significant breakthrough sales of our digital platforms in the last quarter, the go-live of one of the world's largest royalties systems on our new platform, and the signing of a full service representation deal for the new Churchill Online Archive. Whilst reported revenues and profits for the year were disappointing, we started 2012 with a higher level of committed revenues than at the beginning of 2011. Our first major sale into the People's Republic of China was also very exciting, and we believe, will be the first in a lucrative new market.

2011 successes

- Went live with one of the world's largest royalty systems at McGraw Hill
- Continued high levels of contract renewals
- Strong sales success for *pub2web*
- Continued level of new publisher wins on *ingentaconnect*
- Agreement for Chinese joint venture (ratified post year end)
- Opening of our office in Sydney Australia

Financial highlights for the year

- Revenues down 1% to £14.9m (2010: £15.0m)
- EBITDA down 54% to £0.5m (2010: £1.1m)
- Gross profit down 8% to £5.8m (2010: £6.2m)
- Pre-tax loss of £0.2m (2010: profit of £0.4m)
- Earnings per share of 0.84p (2010: 10.52p)
- £0.5m of positive cash flow (2010: £0.5m)

Publishing Technology plc

Technology and services provider to the publishing and information industries

Business review

Our industry

The Publishing industry continues to face the challenges of significant change. In some sectors, publishers struggle to make a concerted move to the digital future, and in others publishers who took that leap a decade ago, are looking to step up their game and move to a new level.

We hear a great deal about the e-book and various devices, but the challenge facing publishers moving into the digital realm goes far beyond this simple manifestation of a book in digital form.

Digital publishing sets the challenge and opportunity of using fragments of content and finding business models for those fragments. Publishers in these sectors, but also those well versed in digital models, are faced with a re-invention of their internal processes and becoming more innovative in creating new markets for their content.

The challenge that faces a provider like Publishing Technology is helping to enable, not stifle, such approaches. And we are very well placed in this regard.

Our products

Publishing Technology is providing thought and systems leadership in the areas that publishers need, providing not only practical technology solutions, but also business model advice.

Our products are new, they are built for the age we are in. They are not just old products modified in the hope that they will work in a digital age. The investment in these products has been significant, and the successes of late 2011 are starting to prove the return on investment potential.

Our strategy

Our strategy is simple in its basic form: to maximise our service levels and through this the returns on our mature product offerings, and to focus heavily on sales and efficient delivery of our new product set.

The strategy for sales growth is to focus on an ever increased market awareness of our offerings through even stronger one-to-one relationship building in the UK in particular, and a broader market awareness campaign in the USA.

Market awareness will come through increased executive focus on publisher relationships, clear marketing campaigns, support of industry initiatives, and increased thought leadership through our growing social media platforms.

Delivery efficiency of projects is supported by a higher level of focus, and highly qualified leadership.

Our success in 2011

We followed our 2010 record levels of new customer acquisition by breaking that record in 2011. More than 50 new name customers were added to our roster.

We have partnered in China to create a new joint venture (signed post year end) selling and supporting all of our software systems and marketing services.

Our digital platform *pub2web* had tremendous sales success in the last part of 2011, and once completed, these hosted solutions will provide a very strong base level of annual revenues in this business area.

The Royalties module of our *advance* solutions went live at one of the world's largest publishers, becoming probably the largest live system of its kind anywhere.

And the very successful Full Service model for sales and marketing we implemented for BioOne in 2009 will be extended in 2012 with four new customers thanks to sales in 2011.

Our view of 2012

As we said last year, "we feel strongly that publishers will invest more heavily in Technology". Towards the end of 2011 we started to see the evidence of this, and remain confident that this prognosis is still valid.

We start the year with a full order book for our digital platform *pub2web*, and with several interesting projects set around our ERP solution *advance*, and are confident that this will develop. Of course, timing remains a key element.

In the second part of the year and then building significantly in 2013, we will see revenues from our full service marketing of platforms like the Churchill Online Archive.

Stability and growth of long term recurring revenues combined with growth from new business projects remains our aim. We took good strides towards this in 2011, and expect to continue our advance in 2012.

Divisions and Products

Enterprise Applications Division

Publishing Technology's end to end offering is the only enterprise-wide applications framework designed to meet the new unique demands of the publishing industry in a digital and print era. The modular software maximises profits by introducing efficiencies to the information supply chain and grows revenues by enabling more effective integration with channel partners, customers and suppliers.

About *advance*

advance is the next generation of software solutions to manage today's evolving enterprise and the progression from the *author2reader* product. It is the most flexible offering of its kind on the market and intertwines more than 30 years of industry expertise with cutting edge technology. The end-users benefit from customisable dashboards, user-level personalisation, an intuitive user interface, extensive workflow management tools, and powerful analytical tools. The IT and Operations areas benefit from lower cost of ownership, accelerated development, automation of processes, and simplified maintenance. *advance* is accredited by BIC (Book Industry Communication) with the award for Supply Chain Excellence.

About *author2reader*

Built on proprietary software, *author2reader* applications are the mainstay of many global publisher's supply chains. The applications are maintained and supported by Publishing Technology and can be configured independently to meet specific publishers' needs and to allow flexible integration with current and new software including *advance*. The system's capabilities include editorial and production, product information, billing and fulfilment, royalties, and business intelligence.

Online Services Division

Publishing Technology has over a decade of experience working within the academic, scientific and scholarly market and our publishing partners are testament to our knowledge, credibility and trust in the industry.

About *pub2web*

pub2web is a multi-content publications platform, delivering all the functionality needed to support evolving online strategies of publishers using it and to satisfy the user base, however diverse their needs. Customers benefit from proven, regularly-updated technology while also maintaining full control of their brand, their content and their user relationships. It allows customers to help their users to discover and explore all their content – whatever its format – with progressive browsing options driven by *pub2web*'s award-winning data storage and modelling. Tailor-made to any business model and delivering the latest in Semantic Web technology, *pub2web* boasts global customers such as the World Bank, the OECD, the highly respected Dutch publisher Brill and one of the leading Japanese academic delivery businesses, SunMedia.

About *ingentaconnect*

Our flagship web research portal, *ingentaconnect*, is a comprehensive, cost-effective e-publishing solutions package for everyone. Providing content from over 10,000 publications, with over 5 million articles from publishers, to millions of end users, *ingentaconnect* is the home of scholarly research.

About *ICS*

ICS (Information Commerce Software) is an intuitive web-based interface that allows simple management of complex entitlements and digital assets, it facilitates the creation of new product bundles, and the application of unique pricing and special product promotions.

Marketing Communications Division

Publishing Technology's Sales, Marketing and Consultancy division, PCG (Publishers Communication Group) provides global market research, consultation and representation with a depth of industry knowledge in publishing and the global library community for the likes of the American Society for Microbiology, the American Psychological Association, Lippincott Williams and Wilkins and BioOne.

Based mainly in North America and Europe, this division has a presence in Latin America and India.

Visit www.publishingtechnology.com, follow on Twitter [@publishingtech](https://twitter.com/publishingtech), or connect on [LinkedIn](https://www.linkedin.com/company/publishing-technology)

Chief Executive's review

"I am excited by the atmosphere of endeavour, innovation and positive change"

Publishing Technology plc is just completing its fifth year as a combined group, and we have seen many changes during that time. The evolution of digital publishing has influenced all areas of our business, and we must evolve to remain competitive. We are making great progress in most areas of the business, and to ensure that we capitalise on these positive developments and position ourselves for the next five years, we have made adjustments to the way we operate.

In our new and growing business areas (*advance*, *pub2web*, full service representation, and international expansion) we are employing an entrepreneurial approach and spirit. At the same time, we are focussing on providing professional and profitable services in our mature business areas.

We have already seen positive changes in a number of areas.

In PCG, we have altered the management structure, added new full-service clients, and are analysing services in more detail to improve profitability. PCG has been instrumental in our international expansion, and will continue to make our investments in India and Brazil grow and prosper.

ingentaconnect and *pub2web* had tremendous sales success in 2011, and the organisational changes implemented a year earlier will support these. This growing business now also requires stronger global support, business knowledge and delivery, so the current teams have been and will continue to be strengthened to build on this success.

Within Enterprise, *advance* has seen two major successful go-lives. However, the additional effort needed to ensure these has had a knock on effect on the development process which has led us to fundamentally re-appraise this division.

As part of this, we hired a global head of project delivery to ensure our implementations are controlled, efficient and profitable.

In 2012, *advance* and *author2reader* are being split into two distinct business units, each with its own leadership and a more streamlined reporting structure.

The *advance* division will be led from the US and will include product development and project delivery. The *advance* team will initiate a change program that will improve product development, project profitability, account support, and the interaction between these three functions.

The *author2reader* division will also be headquartered in the US. This division has a major long term future vital to the Group and requires tight management to maximize profit, strengthen relationships and maintain high levels of customer satisfaction, extending the life of existing systems and paving the way for future conversions to *advance*.

We will be taking a more regionally focused approach to selling and have created sales director positions in Europe and the US. We have promoted from within a European Business Development Director to lead sales in Europe for both *advance* and the online products. We are currently recruiting for a similar position in the US.

As we sharpen our focus and enhance our internal structure, we must also improve how we position ourselves externally. We have real, solid opportunities and in order to take advantage of these, we must take a more active and assertive stance with our marketing and communications.

In the coming months, we will be refining our communications strategy, image and positioning in the various global publisher and library markets we serve.

Executive Level Changes

These strategic moves led to the departure of two Publishing Technology executives at the beginning of 2012 and while these changes were significant and difficult, they were necessary and I am excited by the atmosphere of renewed endeavour and innovation.

Outlook for PT

We have a clear strategy to maximise and protect the profits from our mature businesses (*ingentaconnect*, *author2reader*, and Marketing Communications), to establish stability and build profitability in the new products and services (*advance*, *pub2web* and Full Service Representation) and to drive into new and exciting markets for all of these products.

We know the investments made in forward looking technology set us apart and will drive long term growth and profitability.

We will continue to invest significantly in our products in 2012 with the goal of completing the current major investment round in the *advance* product during the coming year.

Current trading

We are confident that 2012 will see a more solid revenue base in both *pub2web* and *advance* as the new larger *pub2web* implementations go live and the revenues move to more profitable recurring maintenance and hosting streams.

The difficult changes made in the first quarter of 2012 will help to secure our future growth and profitability.



G M Lossius
Chief Executive Officer
2 March 2012
Publishing Technology plc

Chairman's statement

"It is an exciting time to be at the forefront of digital technology"

2011 has been a year of mixed fortunes, there has been solid progress in product development, in the go-live of the first major **advance** modules including one of the world's largest royalties systems, in sales of **pub2web**, and in international expansion. However, it has been a disappointing year in terms of our results and, in particular, profitability.

I am confident that the reduction in profitability in 2011 will be reversed in 2012 under the leadership of our executive team which has met the issues head on with decisive action to ensure our products are robustly developed and professionally and profitably implemented.

The sales of **pub2web** exceeded our estimates by some margin in 2011 increasing the install base from 4 to 15 once current projects are complete.

Pub2web revenue doubled from 2010 to 2011 and the sales towards the end of 2011 have underpinned 2012 implementation revenue.

The decline in Group profitability is mainly due to the growing pains in the **advance** division where considerable additional R&D effort was required during implementation to ensure the success of royalties and permissions at McGraw Hill. With this milestone reached, the additional R&D effort required at the implementation stage will reduce rapidly in subsequent implementations.

The PCG division successfully won four new full service representation deals in the year all of which start during 2012. This is a relatively new revenue stream for PCG but one which can be highly profitable when the correct skills are deployed.

Internationally this was a highly productive year with continued stability in South America and India, some additional preparatory work in Australia, and most excitingly of all, the creation of a joint venture in China which we believe will become the largest global publishing market.

The relationship with our JV partner in China is particularly prescient at a time when Chinese publishers backed by the Chinese authorities are looking for digital ways of engaging with the international community.

The contracts for the JV have been signed and were formally ratified by the Beijing Committee for Commerce in January 2012.

We have already signed contracts with one of the largest Chinese publishers to work together to develop a digital platform for Chinese content similar to **ingentaconnect**.

Finance and operations

Whilst it is disappointing to report a reduction in both profitability and earnings for 2011, the progress of the Group towards our mid-term goals has been encouraging and the successes in international expansion and the improvement in revenues and sales from **pub2web** impressive.

As it did in 2010, our debt position reduced by a further £0.5m in 2011 and it is my hope that with a healthier profitability in 2012, the debt position can be substantially reduced by the end of the year.

Staff

As George has stated in his Chief Executive's Review, it has been necessary to make a number of organisational changes to ensure the success of the business.

Whilst it is always difficult to make such changes, George and his team have the unanimous support of the Board. Sadly, two executive level colleagues have left us in the reshuffle.

During the year one of our Non Executive Directors, Ward Shaw, also left the Group.

I would sincerely thank them all for their loyalty, dedication, and integrity. On a wider front, I would once again like to recognise the professionalism, dedication and creativeness of the staff at Publishing Technology.

We are a people based business, and the employees have proven year after year that we are a business staffed by the best in the industry.

2012 is shaping up to be transformative for the Group. There is already a lot of progress and change on many fronts. The **advance** products are nearing completion, the **pub2web** order book is fuller than it has ever been and the new full service representation deals in PCG are building a more stable and less sales dependent structure to that division.

It is an exciting time to be at the forefront of digital technology in publishing.



M C Rose
Chairman
2 March 2012
Publishing Technology plc

Financial review

For the year ended 31 December 2011

Overview

2011 has been a year of investment, with *continued high Research and Development* costs particularly for the *advance* product both in completing the final order to cash ("OIC") module and higher costs than expected from the first major implementations of *advance* which have had a significant impact on the project profitability achieved. Revenues have remained stable year on year but while the Enterprise divisions saw a reduction in old technology in the year with only a modest rise in new technology, the Online division saw a marked improvement in revenues due to the success of *pub2web*

Operating results

As a result of the additional investments in the *advance* product and higher implementation costs, the Group made a net profit for the year of £71K (2010 £885K)

Revenue was slightly lower than the prior year at £14.9m (2010 £15.0m) and there was a continued movement from mature products to newer technology. *Pub2web* in particular showed a healthy improvement. *advance* revenue suffered from the additional effort expended in the first major implementations. Margins for maintenance, hosting and managed services of the *author2reader* product were improved.

Gross profit for the year was £5.8m (2010 £6.2m) and gross margin as a percentage of revenue was 39% (2010 42%). The reduction is due to the low margin attained on the first major implementations of the *advance* product.

Sales and marketing and administrative expenses in the year were £5.6m (2010 £5.6m)

EBITDA has reduced from £1.1m to £0.5m as a result of the increased investment in the product and the additional cost of implementations in the USA.

Taxation

A tax credit of £300K (2010 £317K) is included in the results for 2011 relating to amounts expected to be receivable under the Research and Development tax credit scheme. The claim has been prepared on the same basis as in prior years and is subject to HMRC approval.

The amount receivable under the Research and Development tax credit scheme has reduced due to a change in the rules.

The Group has unutilised tax losses at 31 December 2011 in the UK and the USA of £14.4m (2010 £14.3m) and \$12.7m (2010 \$13.7m) respectively. The tax losses in the USA are restricted from April 2008 due to change of control rules being triggered by the issue of new shares in the parent company. The Group may use a maximum of \$491K per annum of the brought forward losses for a maximum of 20 years from April 2008. The Board believes that the US legal entities have the potential to make use of \$7.3m of the unutilised losses carried forward.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2010 £nil)

Financial position and cash

Shareholders' deficit totalled £1.8m as at 31 December 2011 (2010 deficit £1.8m)

Cash inflow from operations was £22K (2010 £678K). At the year end, net bank overdraft was £0.4m (2010 £0.9m), an improvement of £0.5m in the year (2010 £0.5m).

Cash absorbed by operations for capital expenditure during the year amounted to £41K (2010 £208K). A tax credit of £315K (2010 £154K) in respect of Research and Development expenditure was received in the year which related to the year ended 31 December 2010.

The Board and the holders of the loan notes agreed these loans should not be converted into equity during 2011.

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 relevant available information about the future including 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, financial position and cash flows for the Group. The rolling annual forecast is normally updated every month, with a short term thirteen week forecast being updated daily.

Revenue is forecast in detail with all revenue contracts individually listed and ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and have concluded that forecast costs are robust.

Although at 31 December 2011 the Group had net current liabilities of £4.3m (2010 £4.4m), £3.7m (2010 £3.0m) relates to deferred income which will be recognised in the year ending 31 December 2012. In addition net cash inflows of £0.5m have been recognised in 2011.

The Group has secured an overdraft facility of £1.25m with HSBC plc which replaced RBS plc in June 2011. Management have assured themselves this is adequate for the needs of the business based on the cash flow forecasts. While this facility is due for annual renewal in June 2012, management has received confirmation from HSBC that based on their knowledge of the Group's performance, they do not see any reason that the facility should not continue to be provided until March 2013.

The major risks for future trading are the continuing economic situation and the uncertainty that this brings to capital spending decisions and academic institution budgets.

Treasury

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

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



A B Moug C A
Chief Financial Officer
2 March 2012
Publishing Technology plc

Directors' report

For the year ended 31 December 2011

The Directors present their report and the audited financial statements for the year ended 31 December 2011

Principal activities

The Group's principal activities are the provision of software and services for publishers, internet-based electronic delivery of published research materials, and the provision 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 margin, EBITDA, cash flow, sales pipeline data, and data on internet usage including site visits and downloads. These KPIs are measured monthly against budget and forecast

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

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

The funding risk is reduced by having an agreed facility with the Group's bankers, by continuing to be profitable and cash generative to reduce debt and improve market and lenders' confidence, and by funding from more than one source

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

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 (including the 2011 highlights)

Going concern

The Directors have prepared the financial statements on the going concern basis. This is explained more fully in the Financial review of the business set out on page 6

Results and dividends

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements. The Directors do not recommend the payment of a dividend (2010: £nil)

Directors

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

Executive Directors

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

Non-Executive Directors

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

W E Shaw ceased to be a Director on 31 May 2011

The interests of Directors in the shares of the Company at 31 December 2011 are disclosed in the Directors' remuneration report

Corporate governance

Details of corporate governance for the year to 31 December 2011 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 Statement of Comprehensive Income as incurred. The charge to the Statement of Comprehensive Income was £2.5m (2010: £2.7m) in the year to 31 December 2011

Substantial shareholdings

As at 15 February 2012 the Company had been notified of the following shareholders who are interested, directly or indirectly, in three percent or more of the issued share capital of the Company

Name	Number of ordinary 10p shares	Percentage of issued ordinary share capital
M C Rose	2,458,113	29.22%
Legal & General Assurance Society Limited	445,000	5.29%
Almandine LLC	435,065	5.17%
G M Lossius	422,627	5.02%
A B Moug	421,619	5.01%
BNY (OCS) Nominees Limited	362,500	4.31%
B P Gibson	361,646	4.30%
M A Rowse	273,277	3.25%

Charitable and political contributions

The Group made no political contributions (2010 £nil) and made £140 of charitable contributions (2010 £1,833) during the year

Creditor payment policy

The Group's payment policy is to negotiate with its suppliers at the time they are engaged and to abide by the terms agreed. During the year ended 31 December 2011 the Group, on average, paid its trade creditors within 39 days of receipt of a valid invoice (2010 49 days, 2009 64 days)

Financial risk management

Details of the Group's financial risks are given in note 25

Employment policy

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

Directors' and officers' liability insurance

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

Post balance sheet events (see note 27)

The Group carried out a restructuring exercise during the early part of 2012 referred to in the Chief Executive's review and the Chairman's statement.

The Group signed a joint venture agreement in China during 2011 with Yingchuangqizhi Digital Publishing Technology Limited which was ratified by the Beijing Committee for Commerce in January 2012.

Auditor

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

On behalf of the Board



G M Lossius
Director
2 March 2012

Corporate governance statement

Corporate governance statement

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

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

Board of Directors

Board meetings are scheduled to take place 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 six in the year. The Company Secretary's services are available to all members of the Board. If required, the Directors are entitled to take independent advice and if the Board is informed in advance, the Group will reimburse the cost of the advice. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

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

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

Remuneration Committee

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

Audit Committee

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

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

Relations with shareholders

The Group gives high priority to its communication with shareholders 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 online, from the Group's head office or via the Financial Times Annual Report Service. At the AGM the shareholders are given the opportunity to question members of the Board. The notice of the AGM is sent to shareholders at least 20 business days before the meeting.

Internal controls

The Board of Directors acknowledges its 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 business units is delegated to the operational management, including key risk assessment. Investment policy, acquisition and disposal proposals and major capital expenditure are authorised and monitored by the Board.

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

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

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

Functional reporting and risk management

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the parent.

Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to

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

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

In so far as each of the Directors is aware

- there is no relevant audit information of which the Group and Company's auditors are 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 auditors are aware of that information.

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

On behalf of the Board



M C Rose
Chairman of the Audit Committee
2 March 2012

Directors' remuneration report

For the Year ended 31 December 2011

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

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

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

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

The interests of the Directors at 31 December 2011 in the shares of the Company were as follows:

	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2011	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2010
G M Lossius	422,627	420,627
A B Moug	421,619	421,137
M C Rose	2,458,113	2,458,113
W E Shaw	-	53,981
M A Rowse	273,277	273,277

W E Shaw's ceased to be a Director on 31 May 2011.

Directors' Interests

The Directors at 31 December 2011 had no interests in options over the ordinary shares. The Directors had no post-employment benefits, other long-term benefits, termination benefits or share-based payments in the year.

The market price of the Company's shares at the end of the year was 49p and the price ranged in the year between 45p and 80p.

Directors' remuneration

	Salary and fees £'000s	Benefit £'000s	Termination payments £'000s	Sums paid to a third party for Directors' services £'000s	Pension Contribution £'000s	Total remuneration £'000s	Group National Insurance costs £'000s	2011 Total cost of employment £'000s	2010 Total remuneration £'000s	2010 Total cost of employment £'000s
G M Lossius	133	15	-	-	19	167	18	185	152	169
A B Moug	113	15	-	-	6	134	16	150	133	149
M C Rose	36	-	-	48	-	84	4	88	84	89
W E Shaw	10	-	13	-	-	23	-	23	25	25
M A Rowse	-	-	-	25	-	25	-	25	25	25
						433		471	419	457

On behalf of the Remuneration Committee

M C Rose

M C Rose
Chairman
2 March 2012

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

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

We have audited the financial statements of Publishing Technology plc for the year ended 31 December 2011 which comprise the Group statement of comprehensive income, the Group statement of financial position and parent company balance sheet, the Group statement of cash flows, the Group statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2011 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

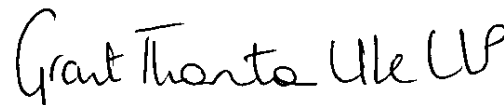
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
2 March 2012

Group Statement of Comprehensive Income

For the year ended 31 December 2011

	note	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Revenue	2	14,879	15,018
Cost of sales		(9,112)	(8,770)
Gross profit		5,767	6,248
Sales and marketing expenses		(1,812)	(1,787)
Administrative expenses		(3,804)	(3,777)
Profit from operations	4	151	684
Analysis of profit from operations			
Profit before finance costs, tax, depreciation, loss on sale of property, plant and equipment and foreign exchange gains and losses (EBITDA)		506	1,103
Depreciation		(187)	(187)
Loss on sale of property, plant and equipment		-	(33)
Foreign exchange (loss) / gain		(72)	64
Restructuring costs		(96)	(263)
Profit from operations		151	684
Finance costs	6	(334)	(275)
(Loss) / profit before income tax		(183)	409
Income tax	7	254	476
Profit for the year attributable to equity holders of the parent		71	885
Other comprehensive expense			
Exchange differences on translation of foreign operations		(30)	(118)
Total comprehensive income for the year attributable to equity holders of the parent		41	767
Basic and diluted earnings per share (pence)	8	0.84	10.52

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

Group Statement of Financial Position
As at 31 December 2011

	note	31 Dec 11 £000	31 Dec 10 £000	31 Dec 09 £000
Non-current assets				
Goodwill and other intangible assets	9	3,737	3,737	3,737
Property, plant and equipment	10	315	357	346
		<u>4,052</u>	<u>4,094</u>	<u>4,083</u>
Current assets				
Trade and other receivables	11	3,648	3,128	2,883
Research and Development tax credit receivable	7	300	317	170
Cash and cash equivalents	12	1,056	1,751	1,162
		<u>5,004</u>	<u>5,196</u>	<u>4,215</u>
Total assets		<u>9,056</u>	<u>9,290</u>	<u>8,298</u>
Equity				
Share capital	19	841	841	841
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(810)	(780)	(662)
Retained earnings		(7,607)	(7,678)	(8,563)
Investment in own shares	21	(7)	(6)	(4)
Total equity		<u>(1,756)</u>	<u>(1,796)</u>	<u>(2,561)</u>
Non-current liabilities				
Borrowings	14	1,500	1,500	1,500
Provisions	15	-	-	20
		<u>1,500</u>	<u>1,500</u>	<u>1,520</u>
Current liabilities				
Trade and other payables	13	7,328	6,963	6,533
Borrowings	14	1,964	2,623	2,538
Provisions	15	20	-	86
Deferred tax liability	16	-	-	182
		<u>9,312</u>	<u>9,586</u>	<u>9,339</u>
Total liabilities		<u>10,812</u>	<u>11,086</u>	<u>10,859</u>
Total equity and liabilities		<u>9,056</u>	<u>9,290</u>	<u>8,298</u>

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2012 and were signed on its behalf by

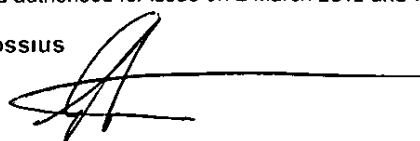
A B Moug C A

Director



G M Lossius

Director



The accompanying notes form part of these financial statements
Registered number 837205

Group Statement of Changes in Equity
For the year ended 31 December 2011

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2011	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)
Investment in own shares in the year	-	-	-	-	-	(1)	(1)
Transactions with owners	-	-	-	-	-	(1)	(1)
Profit for the year	-	-	-	-	71	-	71
Other comprehensive expense							
Exchange differences on translating foreign operations	-	-	-	(30)	-	-	(30)
Total comprehensive (expense) / income for the year	-	-	-	(30)	71	-	41
Balance at 31 December 2011	841	11,055	(5,228)	(810)	(7,607)	(7)	(1,756)

For the year ended 31 December 2010

	Share capital £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2010	841	11,055	(5,228)	(662)	(8,563)	(4)	(2,561)
Investment in own shares in the year	-	-	-	-	-	(2)	(2)
Transactions with owners	-	-	-	-	-	(2)	(2)
Profit for the year	-	-	-	-	885	-	885
Other comprehensive expense							
Exchange differences on translating foreign operations	-	-	-	(118)	-	-	(118)
Total comprehensive (expense) / income for the year	-	-	-	(118)	885	-	767
Balance at 31 December 2010	841	11,055	(5,228)	(780)	(7,678)	(6)	(1,796)

Group Statement of Cash Flows
For the Year ended 31 December 2011

	note	Year ended 31 Dec 11 £ 000	Year ended 31 Dec 10 £'000
(Loss) / profit before taxation		(183)	409
Adjustments for			
Depreciation		187	187
Loss on sale of property, plant and equipment		-	33
Interest expense		334	275
Unrealised foreign exchange differences		(30)	(118)
Increase in trade and other receivables		(535)	(245)
Increase in trade and other payables		163	344
Increase / (Decrease) in provisions		20	(106)
Cash (used in) / from operations		(44)	779
Interest paid		(242)	(255)
Research and Development tax credit received		315	154
Tax paid		(7)	-
Net cash from operating activities		22	678
Cash flows from investing activities			
Purchase of property, plant and equipment		(41)	(208)
Net cash used in investing activities		(41)	(208)
Cash flows from financing activities			
Cost of investment in own shares		(1)	(2)
Proceeds from short term borrowings		497	-
Payment of finance lease liabilities		(11)	-
Net cash used in financing activities		485	(2)
Net increase in cash and cash equivalents		466	468
Cash and cash equivalents at the beginning of the year	12	(872)	(1,376)
Exchange differences on cash and cash equivalents		(5)	36
Cash and cash equivalents at the end of the year	12, 22	(411)	(872)

The accompanying notes form part of these financial statements

Notes to the Group financial statements

For the Year ended 31 December 2011

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, Chief Executive's review, Chairman's statement, Financial review and Directors' report on pages 2 to 11.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 837205 and its registered office is 8100 Alec Issigonis Way, Oxford Business Park North, Oxford, OX4 2HU. The consolidated financial statements were authorised by the Board of Directors for issue on 5 March, 2012.

1 Principal accounting policies

Going concern

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

Management regularly forecast profit, financial position and cash flows for the Group. The rolling annual forecast is normally updated monthly.

Having reviewed the latest forecast, management regard the forecasts to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and revenue is ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements. Management have concluded that forecast costs are robust.

Although at 31 December 2011 the Group had net current liabilities of £4.3m (2010: £4.4m), £3.7m (2010: £3.0m) relates to deferred income which will be recognised in the year ending 31 December 2012. In addition net cash inflows of £0.5m have been recognised in 2011.

The Group has secured an overdraft facility of £1.25m which will be reviewed as positive cash flows reduce the requirement. This facility is due for annual renewal in June 2012 however management have received confirmation from HSBC that based on their knowledge of the Group's performance they do not see any reason that the facility would not be provided until March 2013, being the period to which the going concern forecasts have been prepared. Management have assured themselves that this facility is adequate for the needs of the business based on the cash flow forecasts.

The major risks for future trading are the uptake of new generation products *advance* and *pub2web*, which to a certain extent will rely on the general economic conditions improving, allowing publishers and information providers to commit to larger capital expenditure projects. We are already seeing an increase in capital expenditure and in enquiries and therefore the Board are confident that the forecasts set for 2012 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.

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

Statement of compliance

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

Significant management judgements in applying accounting policies

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

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

Research and Development expenditure

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

Estimation uncertainty

When preparing the financial statements management 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 discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. See note 9 for details of the review.

Fair value of financial instruments

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

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2011. Subsidiaries are entities over which the Group has the power to control the financial and operating policies, so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated.

unless the transaction provides evidence of an impairment of the asset transferred.

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

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

Stock options

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

Property, plant and equipment

Cost

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

Depreciation

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

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

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

Disposal of assets

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

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of

acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are recognised immediately in the income statement and are not subsequently reversed.

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

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

Brands

The main economic and competitive asset of Ingenta plc at the time of its reverse 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.

Other intangibles

The Group also recognises other separately identifiable intangible assets such as customer contacts and relationships. These values arose on the reverse 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.

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 goodwill.

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

Financial instruments

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

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

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

Financial assets

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

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

Loans and receivables

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

Trade receivables

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

Available for sale financial assets

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

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

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

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

Financial liabilities

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

Trade payables

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

Borrowings

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

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

Cash and cash equivalents

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

Equity

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

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

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

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

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

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

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts after 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 Group bases its estimates on historical results, taking into account the type of customer, type of transaction and specifics of each arrangement

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

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

Revenues from long term contracts within consulting services are recognised on the percentage of completion method. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the 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 assessed as being the selling price of the product when sold separately and not part of a multi element agreement

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

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

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

Employee benefits

Pension obligations

The Group operates various pension schemes which are 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 Group does not operate a defined benefit plan.

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

Share-based employee remuneration

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

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

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

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

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

Termination benefits

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

Employee Share Ownership Trust (ESOT)

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

Finance leases

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

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

Operating leases

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

Operating expenses

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

Finance cost

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

Income taxes

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

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

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

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

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. 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 Sterling (GBP), which is also the functional currency of the parent company.

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

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

Segmental reporting

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

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

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

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.

IFRS 9 Financial Instruments (IFRS 9)

The IASB aims to replace IAS 39 Financial Instruments Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements (IFRS 10)

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27). It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)

IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:

- (a) will not be reclassified subsequently to profit or loss and
- (b) will be reclassified subsequently to profit or loss when specific conditions are met.

It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income, however, it will not affect the measurement or recognition of such items.

2 Revenue

An analysis of the Group's revenue is as follows

	Year ended 31 Dec 11 £ 000	Year ended 31 Dec 10 £ 000
Sales of services		
Licences	285	221
Consulting Services	3,622	3,384
Hosted Services	3,734	4,026
Managed Services	2,563	2,411
Support and Upgrade	2,764	2,892
PCG	1,911	2,084
	<u>14,879</u>	<u>15,018</u>

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Sales of services		
UK	6,247	6,092
USA	6,972	7,319
Rest of the World	1,660	1,607
	<u>14,879</u>	<u>15,018</u>

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

3 Operating segments

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

The Board consider the Group on a business unit basis. Reports by Business Unit are used by the chief decision-maker in the Group. Significant operating segments are Enterprise Applications Division ("EAD"), Online Services Division ("OSD"), and Marketing Communications Division ("PCG"). This split of business segments is based on the products and services each offer.

Enterprise sells *author2reader* and *advance* publishing management systems, Online provides *ingentaconnect*, *pub2web* and *ICS* online products, and Marketing Communications provides 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. A further discussion of revenue streams within each division is included in the Business Review on page 2. All revenues are derived from trade with external parties.

Property, plant and equipment is held in the UK £190K (2010 £191K), the USA £118K (2010 £166K), Brazil £5K (2010 £nil) and Australia £2K (2010 £nil).

No customers in the year contributed more than 10% of revenue (2010 none).

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

Segment information by Business Unit is presented below

Year to 31 December 2011	Enterprise Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
External sales	8,858	4,109	1,912	14,879
Segment result (EBITDA)	631	310	(106)	835
Depreciation	(94)	(93)	-	(187)
Unallocated corporate expenses				(329)
Restructuring				(96)
Foreign exchange loss				(72)
Operating profit				151
Finance costs				(334)
Loss before tax				(183)
Tax				254
Profit after tax				71
Other information	Enterprise Applications Division £ 000	Online Services Division £ 000	Marketing Communications Division £'000	Consolidated £ 000
Capital additions	73	63	11	147
Statement of Financial Position				
Assets				
Attributable Goodwill	-	2,661	1,076	3,737
Segment assets	3,008	1,289	757	5,054
Unallocated corporate assets				265
Consolidated total assets				9,056
Liabilities				
Segment liabilities	3,894	1,327	577	5,798
Unallocated corporate liabilities				5,014
Consolidated total liabilities				10,812
Total equity and liabilities				9,056

Year to 31 December 2010

	Enterprise Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
External sales	9,466	3,468	2,084	15,018
Segment result (EBITDA)	825	54	159	1,038
Depreciation	(94)	(93)	-	(187)
Unallocated corporate expenses				(231)
Foreign exchange gain				64
Operating profit				684
Finance costs				(275)
Profit before tax				409
Tax				476
Profit after tax				885
Other information	Enterprise Applications Division £'000	Online Services Division £'000	Marketing Communications Division £'000	Consolidated £'000
Capital additions	104	94	10	208
Statement of Financial Position				
Assets				
Attributable Goodwill	-	2,661	1,076	3,737
Segment assets	3,202	1,372	764	5,338
Unallocated corporate assets				215
Consolidated total assets				9,290
Liabilities				
Segment liabilities	2,839	1,229	632	4,700
Unallocated corporate liabilities				6,386
Consolidated total liabilities				11,086
Total equity and liabilities				9,290

Refer to note 9 for the estimates used in valuation of cash generating units

4 Profit from operations

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Research and development costs	2,489	2,653
Net foreign exchange losses / (gains)	72	(64)
Depreciation of property, plant and equipment		
- owned assets	169	187
- assets under finance leases	18	-
Operating lease rentals		
- land and buildings	316	469
- other	142	153
Auditor's remuneration	72	85

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Fees payable to the Group's auditor for		
The audit of the parent company and consolidated financial statements	20	20
For other services		
The audit of the Company's subsidiaries pursuant to legislation	38	50
Taxation services	14	15
	<u>72</u>	<u>85</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 Dec 11 Average number	Year ended 31 Dec 10 Average number
Staff numbers		
Operations	113	119
Sales and marketing	39	32
Administration	11	10
	<u>163</u>	<u>161</u>
	Year ended 31 Dec 11 £ 000	Year ended 31 Dec 10 £'000
Their aggregate remuneration comprised		
Wages and salaries	8,790	8,676
Social security costs	576	529
Contribution to defined contribution plans	381	387
Other staff costs	430	387
Staff costs	<u>10,177</u>	<u>9,979</u>
Remuneration in respect of Directors was as follows		
Non-Executive Director fees	132	134
Executive Directors' emoluments	276	260
Company pension contributions to money purchase schemes	25	25
	<u>433</u>	<u>419</u>
Remuneration of the highest paid Director (aggregate emoluments)	167	152

Further unaudited information on Directors' remuneration is provided in the Directors' remuneration report. Key management personnel within the business are considered to be the Board of Directors. Pension contributions of £19K were paid in respect of the highest paid Director (2010: £19K). There are two (2010: 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 £381K (2010: £387K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2011, contributions of £42K (2010: £42K) due in respect of the current reporting period were included in the Statement of Financial Position for payment in January 2012.

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

6 Finance costs

	Year ended 31 Dec 11 £ 000	Year ended 31 Dec 10 £ 000
Interest payable		
Interest on bank overdraft and loans	114	115
Interest on finance leases	2	-
Other loans	218	160
	<u>334</u>	<u>275</u>

Interest on other loans payable relates to the loan note and the short term loans. Further details are provided in note 14.

7 Tax

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Analysis of charge in year		
Current tax		
Current Research and Development tax credit - UK	300	317
Current year State tax – US	(29)	-
Adjustment to prior year charge - UK	(2)	16
Adjustment to prior year charge - US	(15)	(47)
	<u>254</u>	<u>286</u>
Deferred tax (see note 16)	-	190
Taxation	<u>254</u>	<u>476</u>

The Group has unutilised tax losses at 31 December 2011 in the UK and the USA of £14.4m (2010 £14.3m) and \$12.7m (2010 \$13.7m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA.

The US tax losses are restricted to \$491K per annum as a result of change of control legislation. Losses carried forward from the change of control in April 2008 are restricted and must be used within 20 years. The Board believes the Group will be able to make use of \$7.3m (2010 \$8.3m) of the total unutilised losses at 31 December 2011.

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

The differences are explained below:

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Reconciliation of tax expense		
(Loss) / profit on ordinary activities before tax	(183)	409
Tax at the UK corporation tax rate of 26.49% (2010 28%)	(48)	115
Expenses not deductible for tax purposes	13	14
Additional deduction for Research and Development expenditure	(453)	(362)
Surrender of losses Research and Development tax credit refund	341	317
Utilisation of UK losses	-	(123)
Unrelieved UK losses carried forward	44	150
Utilisation of US losses	(163)	(368)
Effect of foreign tax rates	20	73
Difference in timing of allowances	(87)	(71)
Adjustment to tax charge in respect of prior years	15	(31)
Unrelieved Brazilian losses carried forward	62	-
Unrelieved Australian losses carried forward	2	-
Release of deferred tax liability	-	(190)
Total taxation	<u>(254)</u>	<u>(476)</u>

United Kingdom Corporation tax is calculated at 26.49% (2010 28%) of the estimated assessable profit for the year. The UK tax rate has changed based on the Chancellor's budget.

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.

8 Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The loan note is no longer convertible and all outstanding options have an exercise price in excess of the average market price in the year, therefore there is no dilutive impact from the loan or options granted

	Year ended 31 Dec 2011 £'000	Year ended 31 Dec 2010 £'000
Attributable profit	71	885
Weighted average number of ordinary shares ('000)	8,414	8,414
Earnings per share (basic and diluted) arising from both total and continuing operations	0.84p	10.52p

All potential ordinary shares including options and conditional shares are anti-dilutive

9 Intangible assets

As at 31 December 2011, 31 December 2010 and 31 December 2009

	Goodwill £'000	Trademarks and licences £'000	Customer relationships £'000	Brand £'000	Total £'000
Cost	3,737	1,824	128	290	5,979
Amortisation and impairment	-	1,824	128	290	2,242
Net book value	3,737	-	-	-	3,737

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Gross carrying amount		
Balance as at 1 January and 31 December	3,737	3,737

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Online Services Division	2,661	2,661
Marketing Communications Division	1,076	1,076
Balance as at 31 December	3,737	3,737

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

The value in use calculation is based on the latest 12 month forecast for each business unit and these cash flows have been used as the basis for the full five year forecast applying growth rates which management believe are prudent in the prevailing economic conditions and are reflective of historic performance and future contracted revenue. Much of the revenue is regarded as recurring and unlikely to be adversely affected by technological change. Where applicable, management have assumed a forecast growth rate of 2% (2010 2%). The *pub2web* revenue stream represents what is considered to be "cutting edge" technology and expected, as a result of historic evidence and contracted revenue, to achieve a higher level of growth and this has been reflected accordingly with a growth rate

of 20% over each of the next five years. Full service representation is a new revenue stream in 2012 for the Marketing Communications Division based on the content sales model. This has been forecast to grow at 20% in the following 2 years before levelling off to a long term rate of 2% from 2015 onwards.

Although management have determined the value in use calculations based on the next five year forecast management recognise that a period in excess of five years is relevant in determining the value in use and consider that an average growth percentage of 2% would be applicable after year five. Management consider that extrapolating, using this growth percentage, would increase the value in use and therefore no impairment would result. Cash generated by the Online Services Division over the review period is projected to be £8.3m, therefore £5.6m in excess of the carrying value of its allocated Goodwill. Similarly, cash generated by the Marketing Communications Division is projected to be £1.5m, therefore £0.4m in excess of its allocated Goodwill. The discount rate would need to increase to approximately 80% for Online Services Division and 35% for Marketing Communications Division before the value in use calculations based on five year forecasts equals carrying value.

Management assumptions include stable profit margins based on past experience in this market which the management see as the best available information for the market. Management consider a discount factor of 17% will reflect the Group's cost of capital during the review period (2010 17%) and that this is applicable to both CGU's. Sensitivity analysis was performed using a worst case scenario of 1% growth across all divisions and all revenue streams in the five year forecasts. This yielded cash generation in excess of Goodwill amounting to £0.4m in the Marketing Communications Division and £3.0m in the Online Services Division. Management are satisfied Goodwill has not been impaired.

10 Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2010	374	194	1,598	2,166
Additions	15	37	156	208
Exchange differences	-	7	18	25
Disposals	(371)	(18)	(554)	(943)
At 31 December 2010	18	220	1,218	1,456
Additions	3	6	138	147
Exchange differences	-	-	1	1
At 31 December 2011	21	226	1,357	1,604
Accumulated depreciation and impairment				
At 1 January 2010	357	108	1,355	1,820
Charge for the year	3	23	161	187
Exchange differences	-	4	12	16
Disposals	(357)	(13)	(554)	(924)
At 31 December 2010	3	122	974	1,099
Charge for the year	4	21	162	187
Exchange differences	-	1	2	3
At 31 December 2011	7	144	1,138	1,289
Carrying amount				
At 31 December 2011	14	82	219	315
At 31 December 2010	15	98	244	357
At 31 December 2009	17	86	243	346

Assets held under finance leases with a net book value of £88K (2010 £nil) are included in fixed assets and £18K (2010 £nil) of depreciation was charged on these assets in the year, see note 17 for details.

11 Trade and other receivables

Trade and other receivables comprise the following

	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000
Trade receivables – gross	2,832	2,245	2,132
Allowance for credit losses	(31)	(34)	(19)
Trade receivables - net	2,801	2,211	2,113
Other receivables	54	71	56
Accrued income	670	675	594
Financial assets	3,525	2,957	2,763
Prepayments	123	171	120
Non financial assets	123	171	120
Trade and other receivables	3,648	3,128	2,883

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

Trade receivables at the date of the Statement of Financial Position comprise amounts receivable from the sale of goods and services of £2.8m (2010: £2.2m, 2009: £2.1m).

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

The average credit period taken on sales of goods is 48 days (2010: 51 days, 2009: 49 days).

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be individually impaired and an allowance for credit losses of £31K (2010: £34K, 2009: £19K) has been recorded accordingly within "sales and marketing" in profit. This allowance has been determined by reference to expected receipts.

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Balance as at 1 January	34	19
Amounts written off (uncollectable)	(3)	-
Additional allowance in year	-	15
Balance as at 31 December	31	34

An analysis of unimpaired trade receivables that are past due is given in note 25.

12 Cash and cash equivalents

	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000
Cash at bank and in hand			
Cash at bank			
- GBP	31	16	36
- USD	795	1,575	567
- EUR	220	159	558
- BRL	10	-	-
Cash in hand – GBP	-	1	1
	<u>1,056</u>	<u>1,751</u>	<u>1,162</u>
Bank Overdraft - GBP	(1,467)	(2,623)	(2,538)
	<u>(411)</u>	<u>(872)</u>	<u>(1,376)</u>

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

13 Trade and other payables

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2010: 49 days.)

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

Payables falling due within one year

	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000
Trade payables	357	714	1,165
Accruals	893	564	378
Finance lease liabilities	94	-	-
Other payables	1,404	1,537	1,572
Financial liabilities	<u>2,748</u>	<u>2,815</u>	<u>3,115</u>
Deferred income	3,674	2,991	2,606
Social security and other taxes	906	1,157	812
Non financial liabilities	<u>4,580</u>	<u>4,148</u>	<u>3,418</u>
Trade and other payables	<u>7,328</u>	<u>6,963</u>	<u>6,533</u>

14 Borrowings

	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000
Bank overdrafts (note 12)	1,467	2,623	2,538
Short term loans	497	-	-
Loan note	1,500	1,500	1,500
	<u>3,464</u>	<u>4,123</u>	<u>4,038</u>
On demand or within one year (shown under current liabilities)	1,964	2,623	2,538
In the second year	1,500	1,500	1,500

Interest rates	Year ended 31 Dec 11 %	Year ended 31 Dec 10 %	Year ended 31 Dec 2009 %
Bank overdrafts	2.75 – 3.25% above base	2.75% above base	2.5% - 2.75% above base
Short term loans	12%	12%	-
Loan Note	8%	8%	8%
Loan Note – default interest	4%	4%	4%

From January 2011 to June 2011, the Group had an overdraft facility of £1m with Royal Bank of Scotland plc. As part of a new facility agreement with HSBC, the facility available to the Group increased to £1.25m from July to November. From November 2011 to January 2012, this was increased to £1.5m with HSBC to accommodate the cash cycle at the end of the year. As at 31 December 2011 the Group had an overdraft facility of £1.5m (2010: £1.5m, 2009: £2.0m), at an interest rate of 3.25% above base.

The overdraft facility reduced back to £1.25m at the end of January 2012. Bank overdrafts are repayable on demand.

During the first six months of 2011, £1.15m of overdraft facility was underwritten by guarantees from Directors and shareholders. This was reduced to £750K from July 2011 when the Group changed bankers and negotiated a new facility. During the three months from November 2011 to January 2012, the guarantees increased in line with the additional facility and were therefore £1m for this period (2010: £0.9m guarantees for the full year). The average effective interest rate on bank overdrafts approximates 3.65% (2010: 3.25%, 2009: 3.5%) per annum.

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

The short term loans are loans received from Directors, employees and related parties in September and October 2011 and repaid in January and February 2012. Amounts due relating to Directors of the Company or other related parties are disclosed within related parties transactions (note 24).

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

All borrowings are measured at amortised cost.

Loan notes

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

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

The Group did not redeem any of the loan notes during 2011. The Group is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. The Group will continue to pay interest at 12% on the £1.5m until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2013.

15 Provisions

	Onerous lease £'000	Dilapidations £'000	Total £'000
At 31 December 2009	106	-	106
Utilisation of provision	(106)	-	(106)
At 31 December 2010	-	-	-
Provided in the year	-	20	20
At 31 December 2011	-	20	20

The provision for onerous lease was in respect of a property which was sub-let until the tenant went into liquidation in February 2009. This gave rise to a liability for rent, rates, service charge and dilapidations until the end of the current lease in February 2011. The Group negotiated the settlement of the dilapidations charges during 2010 and all provision was set against this and rent charges in the year.

The provision for dilapidations is in respect of the Group's previous head office in Oxford, UK.

16 Deferred tax

Subject to agreement with HMRC, the Group has unrealised losses in the UK of £14.4m (2010: £14.3m). The Group also has unutilised losses in the USA of \$12.8m (2010: \$13.7m), these losses have yet to be agreed with the US tax authorities. The US tax losses have become restricted under US change of control laws subsequent to the capital raising in April 2008 and the Directors believe a further \$8.7m will be able to be used going forward but that these are inherently uncertain. As a result the Board believe conditions for the recognition of a deferred tax asset have not been met and consequently no deferred tax asset is recognised in respect of the losses (2010: £Nil, 2009: £Nil).

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000	Year ended 31 Dec 09 £'000
Deferred tax liability			
Balance at 1 January	-	182	203
Exchange differences	-	8	(21)
Provision released	-	(190)	-
Balance at 31 December	-	-	182

The deferred tax liability related to losses in the US before the restriction arose in 2008. Since then the Group has monitored the situation and in accordance with advice from US tax accountants released the provision in 2010 on the basis that the losses were restricted and there was uncertainty on the value of losses which will be able to be used.

17 Finance lease arrangements

The Group as lessee

Elements of the Group's IT equipment are held under finance lease arrangements. As at 31 December 2011, the net carrying amount of equipment under finance lease arrangements was £88K (2010: £Nil). Finance lease liabilities are secured by the related assets. Future minimum finance lease payments are as follows:

Year ended 31 December 2011	< 1 year £'000	1 - 5 years £'000	5 years £'000	Total £'000
Lease payments	43	62	-	105
Finance charges	(5)	(6)	-	(11)
Net present value	38	56	-	94

There were no finance lease arrangements in the years to 31 December 2009 and 31 December 2010.

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

18 Operating lease arrangements

The Group as lessee

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

	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000
Land and buildings			
Minimum lease payments due within one year	233	311	304
Minimum lease payments due in the second to fifth years inclusive	624	618	180
	<u>857</u>	<u>929</u>	<u>484</u>
Other			
Minimum lease payments due within one year	123	126	133
Minimum lease payments due in the second to fifth years inclusive	83	196	147
	<u>206</u>	<u>322</u>	<u>280</u>

Operating leases for Land and Buildings represent contracts on the following offices Oxford, UK, Bath, 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

19 Share Capital

As at 31 December 2011, 31 December 2010 and 31 December 2009

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

Share issues

The authorised capital of the Company is £1 2m divided into 12,000,000 ordinary shares of 10p each, of which 8,413,610 ordinary shares of 10p each are issued All issued shares are fully paid up The remainder of the Company's authorised share capital is unissued

20 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 HM Revenue and Customs approved scheme available to eligible Directors and employees. The total number of options outstanding over ordinary shares of 10p each that have been granted and have not lapsed at 31 December 2011 were as follows (2010 17,868, 2009 19,974)

Number of Shares	Grant Date	Exercise Price	Expiry Date
65	17 April 2002	£150.00	17 April 2012
7,100	21 January 2003	£5.25	21 January 2013
500	30 June 2003	£11.75	30 June 2013
4,254	21 January 2004	£9.50	21 January 2014
100	2 August 2004	£6.00	2 August 2014
100	22 November 2004	£3.25	22 November 2014
2,500	4 October 2005	£1.95	4 October 2015
1,000	30 March 2006	£2.16	30 March 2016
15,619			

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

The reduction in options from 2010 year end is due to 2,249 options having expired on the tenth anniversary of their grant date. No charge has been made for the year under IFRS 2 as the Directors do not consider there is a material impact on the reported result.

Share options are exercisable up to 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.

21 Investment in own shares

	Publishing Technology Shares held in trust Number	Treasury Shares Number	Nominal value £	Cost £
At 31 December 2009	205,118	-	20,512	3,827
Shares purchased in the year	-	2,447	245	2,447
Shares sold in the year	(20,441)	-	(2,044)	(381)
Options exercised and shares removed from the trust	(1,688)	-	(169)	(31)
At 31 December 2010	182,989	2,447	18,544	5,862
Shares transferred into trust	80,408	-	8,041	1,500
Shares sold in the year	(10,482)	-	(1,048)	(196)
Options exercised and shares removed from the trust	(1,942)	-	(194)	(36)
At 31 December 2011	250,973	2,447	25,343	7,130

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

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

22 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 12 'cash and cash equivalents'.

23 Contingent liabilities

There were no contingent liabilities at 31 December 2011, 31 December 2010 or 31 December 2009.

24 Related party transactions

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

Remuneration of key management personnel

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

	Year ended 31 Dec 11 £'000	Year ended 31 Dec 10 £'000
Short term employee benefits	433	419

Directors' transactions

The amounts outstanding with Directors as at 31 December 2011 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced Non-Executive Directors fees, Short term loans to the Group and interest on Short term loans to the Group.

	As at 31 Dec 11 £'000	As at 31 Dec 10 £'000	As at 31 Dec 09 £'000
Amounts outstanding with Directors	360	19	25

During the year the Group borrowed £497K from Directors, employees and related parties at an interest rate of 12%. These short term loans were repaid in January and February 2012. Interest outstanding on the Short term loans from Directors at year end amounted to £10K (2010: £nil) and was paid on 16 January 2012.

Loan notes

The note holder of the £1.5m loan notes is a trust in which M.C. Rose, the Non-Executive Chairman of the Group, is a trustee. Interest of £180K was accrued in the year to 31 December 2011, of which £90K was outstanding as at 31 December 2011 and was paid on 16 January 2012. The Note holder has waived any right to repayment of the loan note until April 2013.

There have been no other loans, quasi-loans or other transactions with Directors or other key management personnel in the year to 31 December 2011 other than those detailed in this note.

25 Financial risk management

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

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

Foreign currency sensitivity

The Group trades in Sterling (GBP), US Dollars (USD) and Euros (EUR). Most of the Group's transactions are carried out in Sterling and US Dollars. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily in USD, through the trading divisions in the USA (Publishing Technology Inc and Publishers 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 the Group income statement.

In order to mitigate the Group's foreign currency risk, non-GBP cash flows are monitored and excess USD and EUR not required for foreign currency expenditure are translated into GBP on an on-going basis. The Group is a net importer of USD being cash flow positive.

in the USA by approximately \$2.5m per annum. No further hedging activity is undertaken. The Group does not enter into forward exchange contracts.

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

	Short-term exposure USD £'000	Long-term exposure USD £'000
31 December 2011		
Financial assets	1,581	-
Financial liabilities	(1,133)	-
Total exposure	448	-
31 December 2010		
Financial assets	1,630	-
Financial liabilities	(1,553)	-
Total exposure	77	-

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

It assumes a +/- 10% change of the USD / GBP exchange rate for the year ended 31 December 2011 (2010: 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% (2010: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2011	(72)	(141)
31 December 2010	(121)	(144)

If GBP had weakened against USD by 10% (2010: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2011	88	173
31 December 2010	147	176

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 2011 the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings (being the loans see note 14) are at fixed interest rates.

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

	Profit for the year £'000		Equity £ 000	
	+ 1%	- 1%	+1%	-1%
31 December 2011	(24)	24	(24)	24
31 December 2010	(31)	39	(31)	39
31 December 2009	(37)	37	(37)	37

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

	2011 £ 000	2010 £ 000	2009 £'000
Cash and cash equivalents (note 12)	1,056	1,751	1,162
Trade and other receivables (note 11)	3,648	3,128	2,883
	4,704	4,879	4,045

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

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

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

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

	2011 £ 000	2010 £ 000	2009 £ 000
Not more than 3 months	2,696	2,114	2,004
More than 3 months but less than 6 months	82	60	64
More than 6 months but not more than 1 year	41	50	64
More than 1 year	13	21	-
	2,832	2,245	2,132

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

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2010 £nil, 2009 £nil)

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with banks with a high credit rating

Liquidity risk analysis

The Group manages its liquidity needs by monitoring scheduled debt repayments for long term financial liabilities as well as forecast cash flows due in day to day business Liquidity needs are monitored in various time bands Short term cash flow is monitored daily using known daily inflows and outflows for cash flows within 8 to 12 weeks Medium term cash flows within 12 months are monitored using monthly rolling forecasts Longer term cash flows are monitored using higher level management strategy documents Net cash requirements are compared to borrowing facilities in order to determine headroom or any shortfalls This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period of 15 months to March 2013

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

As at 31 December 2011, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below

	Current £ 000		Non-current £ 000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
31 December 2011				
Loans	90	90	1,590	-
Bank borrowings (note 14)	1,467	-	-	-
Short term loans	508	-	-	-
Finance lease obligations	21	21	63	-
Trade and other payables (note 13)	2,654	-	-	-
Total	4,740	111	1,653	-

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

	Current £ 000		Non-current £ 000	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
31 December 2010				
Loans	80	90	1,590	-
Bank borrowings (note 14)	2,623	-	-	-
Trade and other payables (note 13)	2,815	-	-	-
Total	5,518	90	1,590	-

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

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

	As at 31 December 2011			As at 31 December 2010		
	Loans and receivables £'000	Non financial assets £ 000	Total for financial position heading £'000	Loans and receivables £ 000	Non financial assets £ 000	Total for financial position heading £'000
Trade receivables	2,801	-	2,801	2,211	-	2,211
Other receivables	54	-	54	71	-	71
Prepayments and accrued income	670	123	793	675	171	846
Cash and cash equivalents	1,056	-	1,056	1,751	-	1,751
	4,581	123	4,704	4,708	171	4,879

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

	As at 31 December 2011			As at 31 December 2010		
	Financial liabilities at amortised cost £ 000	Non financial liabilities £'000	Total for financial position heading £'000	Financial liabilities at amortised cost £ 000	Non financial liabilities £'000	Total for financial position heading £ 000
Trade payables	357	-	357	714	-	714
Social security and other taxes	-	906	906	-	1,157	1,157
Finance leases	-	94	94	-	-	-
Other payables	1,404	-	1,404	1,537	-	1,537
Accruals	893	-	893	564	-	564
Deferred income	-	3,674	3,674	-	2,991	2,991
Bank overdrafts	1,467	-	1,467	2,623	-	2,623
Short term loans	497	-	497	-	-	-
Loan note	1,500	-	1,500	1,500	-	1,500
Provisions	-	20	20	-	-	-
	6,118	4,694	10,812	6,938	4,148	11,086



26 Capital management policies and procedures

The Group's capital management objectives are

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

The Group monitors capital on the basis of the carrying amount of equity plus the loan notes less cash and cash equivalents. The Group's goal in capital management is a capital to overall financing ratio of 1.6 to 1.4.

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

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

	2011 £'000	2010 £'000	2009 £'000
Total equity	(1,756)	(1,796)	(2,561)
Loan notes	1,500	1,500	1,500
Short term loans	497	-	-
Cash and cash equivalents	411	872	1,376
Capital	652	576	315
Total equity	(1,756)	(1,796)	(2,561)
Borrowings	3,464	4,123	4,038
Overall financing	1,708	2,327	1,477
Capital to overall financing ratio	0.38	0.25	0.21

27 Post balance sheet events

The Group carried out a restructuring exercise during January and February 2012 as agreed by the board in December 2011. This is referred to in both the Chief Executive's review and the Chairman's statement. The restructure will cost the Group in the region of £300K during 2012, such costs were unable to be accrued in 2011 under the financial accounting rules as the individuals affected by redundancy had not been informed. £200K of restructuring costs had been agreed by the end of February 2012. The restructuring splits the Enterprise division into two distinct units by product: *author2reader* and *advance*. This will focus the *author2reader* division on maintaining gross margin and focus the *advance* group on selling new instances of the software and profitable and efficient project implementations.

The Group signed a joint venture agreement in China during 2011 with Beijing Yingchuangqizhi Digital Publishing Technology Limited (a Chinese registered company) to sell the software products owned by the Group into the Chinese market and provide services into the Chinese publishing and information provision market. The joint venture company can only begin to trade once the joint venture agreement and the articles of association of the joint venture company have been agreed and ratified by the Beijing Commercial Committee ("BCC"), which allows the company to apply for a business licence and a company stamp from the Beijing Administration for Industry and Commerce ("BAIC"), which in turn allows the company to apply to the Administration for foreign currency exchange for permission to open bank accounts. Approval from the BCC was received in January 2012, and the business licence and stamp are expected to be received from the BAIC in March 2012. These approvals ratify the joint venture agreement and allow the company to begin trading. At present the financial impact is unknown but is not expected to exceed £100K in the next financial year.

Company Balance Sheet
As at 31 December 2011

	note	2011 £'000	2010 £'000
Investments	3	3,068	3,068
Current assets			
Debtors	4	2,799	2,599
Current liabilities			
Creditors - amounts falling due within one year	5	1,020	654
Net current assets		1,779	1,945
Total assets less current liabilities		4,847	5,013
Creditors - amounts falling due after more than one year	6, 9	1,500	1,500
Net assets		3,347	3,513
Capital and reserves			
Called up share capital	7	841	841
Retained earnings	8	2,506	2,672
Equity shareholders' funds		3,347	3,513

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2012 and were signed on its behalf by

A B Moug C A
Director



G M Lossius
Director



Registered number 837205

The accompanying notes form part of these financial statements

Notes to the Company financial statements

1 Accounting Policies

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

Investments

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

Borrowings

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

Going concern

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

The Directors have prepared trading projections to March 2013 which have been used to assess the feasibility of the going concern assumption. On the basis of the trading projections the Directors believe that the Company will be able to continue in operational existence for the foreseeable future.

It is therefore considered appropriate to use the going concern basis to compile these financial statements (refer to the Group financial review on page 6).

Share options

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

Foreign currencies

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

Transactions in foreign currencies during the year are recorded at a monthly estimated rate set at the beginning of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

Deferred taxation

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

Financial instruments

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

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

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

2 Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £166K (2010: loss of £157K).

An audit fee in respect of the parent of £20K was paid in respect of the parent company audit (2010: £20K). Tax fees for the Group of £14K (2010: £15K) have been borne by the subsidiary companies.

The Company employed two Executive Directors (2010: two) and the Non Executive Chairman. The costs of these employees and the fees for the other Non-Executive Director were borne by the subsidiaries.

3 Investments

	2011 £'000	2010 £'000
Cost		
Subsidiary undertakings	3,068	3,068

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
Catchword Limited	England	Ordinary shares	100%	Dormant
		Preference shares	100%	
Ingenta Limited	England	Ordinary shares	100%	Dormant
Ingenta US Holdings Inc	USA	Ordinary shares	100%	Holding Company
PCG Inc	USA	Ordinary shares	100%	Marketing and Sales Consultancy
Publishing Technology (Europe) Limited	England	Ordinary shares	100%	Publishing software and services
Publishing Technology Inc	USA	Ordinary shares	100%	Publishing software and services
Publishing Technology do Brasil LTDA	Brazil	Ordinary shares	100%	Publishing software and services
Publishing Technology Australia Pty Ltd	Australia	Ordinary Shares	100%	Publishing software and services
Vista Computer Services Limited	England	Ordinary shares	100%	Dormant
Vista Computer Services LLC	USA	Ordinary shares	100%	Dormant
Vista Holdings Limited	England	Ordinary shares	100%	Dormant
Vista International Limited	England	Ordinary shares	100%	Holding Company
Vista North America Holdings Limited	England	Ordinary shares	100%	Non Trading Holding Company
Uncover Inc	USA	Ordinary shares	100%	Dormant

4 Debtors

	2011 £'000	2010 £'000
Amounts owed by subsidiary undertakings	2,799	2,588
Prepayments and accrued income	-	11
	2,799	2,599

5 Creditors amounts falling due within one year

	2011 £'000	2010 £'000
Other creditors		
Bank overdraft	351	560
Short term loans (note 9)	497	-
Accruals	172	94
	1,020	654

6 Creditors amounts falling due after one year

	2011 £'000	2010 £'000
Debt		
Loan notes (note 9)	1,500	1,500

7 Share Capital

	2011 £'000	2010 £'000
Authorised 12,000,000 ordinary shares of 10p each	1,200	1,200
Issued and fully paid 8,413,610 ordinary shares of 10p each	841	841

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

8 Equity and Reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 31 December 2010	841	2,672	3,513
Retained loss for the year	-	(166)	(166)
At 31 December 2011	841	2,506	3,347

9 Borrowings

	2011 £'000	2010 £'000
Bank overdraft	351	560
Short term loans	497	-
Loan notes	1,500	1,500
	<u>2,348</u>	<u>2,060</u>
On demand or within one year	848	560
In the second year	1,500	1,500
	<u>2,348</u>	<u>2,060</u>

Interest rates	Year ended 31 Dec 11 %	Year ended 31 Dec 10 %
Bank overdrafts	2.75% - 3.25% above base	2.75% above base
Short term loans	12%	12%
Loan notes	8%	8%
Loan notes – default interest	4%	4%

Bank overdrafts are repayable on demand. Overdrafts of £351K (2010: £560K) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 3.65% (2010: 3.25%) per annum.

The short term loans are loans received from Directors, employees of subsidiaries and related parties in September and October 2011 and repaid in January and February 2012. Amounts due relating to Directors of the Company or other related parties are disclosed within the related parties transactions note 24 to the Group accounts.

The loan notes are financial instruments as all conversion windows have now closed. Management have therefore accounted for the loan notes entirely as financial liabilities.

Loan notes

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

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

The Company did not redeem any of the loan notes during 2011. The Company is in default under the loan agreement and the loan notes are therefore accruing interest at 12% per annum. The Company will continue to pay interest at 12% on the £1.5m until redemption is made. The conversion window for the loan notes has passed and they may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until April 2013.

10 Related party transactions

The note holder of the £1.5m loan notes is a trust in which M.C. Rose, the Non Executive Chairman of the Company, is a trustee. Interest of £180K was accrued in the year to 31 December 2011, of which £90K was outstanding as at 31 December 2011 and paid in January 2012. Related party transactions are detailed in note 24 to the consolidated accounts.

During the year the Company borrowed £497K from Directors and senior staff at an interest rate of 12% ("short term loans"). These loans were repaid in January and February 2012. Interest outstanding to Directors on these loans at year end amounted to £10K (2010: £nil) and was paid on 16 January 2011.

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

11 Post balance sheet events

The Group carried out a restructuring exercise during January and February 2012 as agreed by the board in December 2011. This is referred to in both the Chief Executive's review and the Chairman's statement. The restructure will cost the Group in the region of £300K during 2012, such costs were unable to be accrued in 2011 under the financial accounting rules as the individuals affected by redundancy had not been informed. £200K of restructuring costs had been agreed by the end of February 2012. The restructuring splits the Enterprise division into two distinct units by product: **author2reader** and **advance**. This will focus the **author2reader** division on maintaining gross margin and focus the **advance** group on selling new instances of the software and profitable and efficient project implementations.

The Group signed a joint venture agreement in China during 2011 with Beijing Yingchuangqizhi Digital Publishing Technology Limited (a Chinese registered company) to sell the software products owned by the Group into the Chinese market and provide services into the Chinese publishing and information provision market. The joint venture company can only begin to trade once the joint venture agreement and the articles of association of the joint venture company have been agreed and ratified by the Beijing Commercial Committee ("BCC"), which allows the company to apply for a business licence and a company stamp from the Beijing Administration for Industry and Commerce ("BAIC"), which in turn allows the company to apply to the Administration for foreign currency exchange for permission to open bank accounts. Approval from the BCC was received in January 2012, and the business licence and stamp are expected to be received from the BAIC in March 2012. These approvals ratify the joint venture agreement and allow the company to begin trading. At present the financial impact is unknown but is not expected to exceed £100K in the next financial year.