



**PUBLISHING
TECHNOLOGY**

Move your content forward

Registered number: 837205

Publishing Technology plc Annual Report

For the year ended 31 December 2014

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The Directors submit to the members their report and accounts of the Group for the year ended 31 December 2014. Pages 1 to 20, including the Chairman's statement, Corporate governance statement and Directors' remuneration report, form part of the Directors' report.

Directors and advisers

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M P Cairns, *Chief Executive Officer*
A B Moug C.A., *Chief Financial Officer*

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Company Secretary

A B Moug C.A.

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OX4 2HU

Nominated Adviser

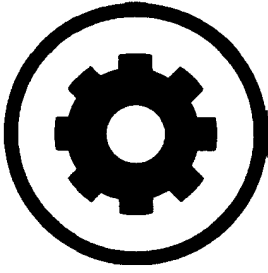
Auditor

Grant Thornton UK LLP
Registered Auditor
3140 Rowan Place
John Smith Drive
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Cenkos Securities plc
6-8 Tokenhouse Yard
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EC2R 7AS

Highlights

- Gross revenues down 15% to £14.4m (2013: £16.9m)
- Gross profit down 72% to £1.6m (2013: £5.8m)
- Pre-tax loss £4.0m (2013: profit of £0.7m)
- Strategic review by new management team resulted in substantial non-cash charges:
 - Deferral of £1m of revenue related to an onerous contract.
 - Accrual of £1m of additional costs related to the same onerous contract which is expected to be released in 2015.
- Cash outflow from operating activities £0.7m (2013: £1.0m)
- Gross profit calculated after Research & Development spend of £2.7m (2013: £2.5m)
- Total loss per share down to 42.8p (2013: earnings per share 10.5p)
- Beijing Ingenta Digital Publishing Technology Limited (China JV) increased revenue by 56% to £1.4m (2013: £0.9m) with a strong order book for 2015
- Three successful go-lives of *advance* modules
- Two successful go-lives of *pub2web*
- BioOne contract with PCG renewed
- *ingentaconnect* re-launched in June and achieved a 10% increase in publisher clients in the second half
- Beijing Ingenta Digital Publishing Technology Ltd, the Chinese joint venture awarded International book Industry Technology Supplier Award at London Book Fair
- Post year end placing of up to £9m and offer of £1m



Content Systems

Royalties
Permissions
Editorial & Production
Online Sales & Marketing
Digital & Print Distribution

Publishing Technology provides a range of applications designed to move content forward in the digital era, combining the best solutions for both print and digital products. Our revolutionary *advance* system supports royalties, permissions, editorial, production, online sales and marketing, as well as digital and print distribution.

Applying decades of industry expertise with new technology, *advance* is a suite of products that provides a comprehensive strategic solution to the issues faced by publishers in a digital environment providing a flexible, modular solution that is product-agnostic, cost-effective and can be implemented on a global scale. With *advance*, publishers can integrate entire processes, maximize all revenue streams, and transform from print to digital business models.

Our Vista solutions have been powering the fulfilment requirements of many large and smaller publishers for almost four decades. A solution known for its ability to match the requirements of the book trade as well as subscription publishers in North America, Europe and Australasia, the suite of Vista products have handled the fulfilment requirements of most of the very largest publishers around the world.

VISTA >

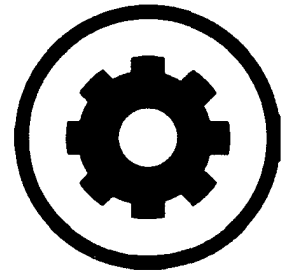
Even as Publishing Technology has been investing in the creation of a next generation product, *advance*—a solution designed with the digital future of publishing in mind—Vista's business base continues to grow and the systems remain a mainstay in our product and service portfolio. We are very proud to continue a long term strategy of support and product progression for our Vista platforms, which support major publishers such as Elsevier, Random House UK, Sage and Hachette.

Vista's software can be configured to meet the specific needs of individual publishers, with components ranging from business intelligence and customer care, through production management and fulfilment, to information commerce capabilities.

VISTA's framework is delivered through a number of managed services, including Applications Implementation Services (AIS), Applications Support and Updates (ASU), Applications Management Services (AMS) and Applications Hosting Services (AHS), all of which deliver a level of support tailored to our customer's business. These service solutions provide publishers with greater flexibility and support for the system and enables our customers to concentrate on their core business while our support services oversees and manages their business applications.

informationcommerce >

Information Commerce Software (ICS) is a single solution that manages business models, access entitlement and cross-selling of products on multiple platforms. It can maximize existing content by creating new revenue streams at the touch of a button. ICS allows publishers to enhance profits from their existing intellectual property by empowering sales and marketing teams to pinpoint the needs of the digital customer, create content bundles to sell on the fly, and integrate online models with back office legacy infrastructure.



advance >

The *advance* solution enables publishers to exploit:

- All channels: both legacy book trade and emerging direct-to-consumer supply chains
- All paths to discovery: best-in-class metadata management, visibility and social commerce
- All revenue streams: collect micro-revenues many times over
- All business models: supporting fragments, bundles, rentals, pay-per-view, subscriptions and samples
- All content: a truly agnostic enterprise system, not a bolt-on to print-based software

The modular software of *advance* can be configured to integrate with an existing technology environment. Modules can be purchased separately, in any combination or as a complete enterprise system.

Product Manager

Retain essential control and consistency of data by improving visibility, opening lines of communication and streamlining the end-to-end lifecycle management of all types of content. Manage assets along with editorial, production and marketing workflows with data transparency, unrivalled metadata management and a single version of the truth.

Relationship Manager

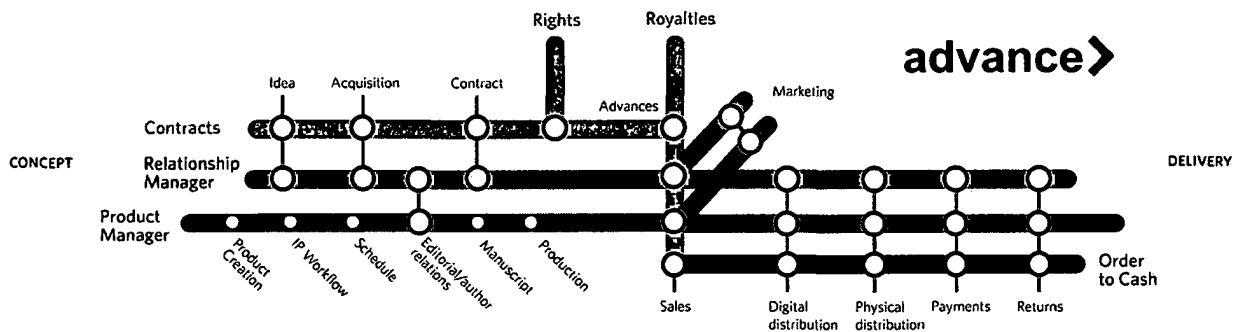
Track each and every touch point at both the individual and organisational level with a complete CRM solution underpinning the *advance* framework. Support sales force automation, case management and marketing alongside a 360 degree view of relationships.

Contracts, Rights and Royalties

Confidently fulfil contractual obligations, decrease operating expenses and boost revenue potential with individual applications or a complete intellectual property system. Leverage rights, royalties and permissions compliance with accurate cash flow forecasting, multicurrency calculations and tracking across various products and content types.

Order to Cash

Package, market, sell and deliver content in the formats that customers demand, where and when they find it. Integrate the delivery of diverse product types and billing methods via multiple channels, including e-books, online subscriptions, social commerce, digital access, downloads and service billing, while providing full support for print and physical products.





Audience Development

- Global Sales Representation
- Telemarketing
- Market Research
- Customer Service
- Strategic Consulting



Our internationally recognized sales and marketing consulting arm, PCG (Publishers Communication Group), provides a range of services designed to support and drive sales strategy. With local staff in the US and Europe, as well as in growth markets such as India, China and Latin America, PCG combines a breadth of over 25 years of sales, marketing and research experience with a depth of knowledge in scholarly publishing and the global library community. Publishers can take advantage of PCG's established networks, reputation and service to increase their sales, market their publications and connect with potential subscribers.



PCG simplifies global sales strategies.

For 25 years, PCG has been connecting academic and professional publishers to the worldwide library community, with a comprehensive range of specialised sales, marketing and research services.

Whether it is focus groups with microbiologists, conference exhibits in the Ukraine or library visits at remote universities in Ecuador, PCG has been there. Our blended and customisable programs help publishers reach a global audience, navigate their target market and increase revenue.

Research: Our strategic research answers questions specific to a publisher's content and products, and delivers expert guidance to help them understand and implement the results. PCG identifies long-term opportunities by assessing and implementing new strategies through surveys, focus groups and custom reports

Marketing: We help publishers to define and segment their prospects, identify potentially profitable sectors, position their content and products to appeal to their target customers, and implement campaigns to expand awareness, grow subscriptions or increase online traffic. PCG can motivate a target audience by reaching out to end-users and decision makers with campaigns matched to local needs

Sales: Our locally-based sales staff around the world can tap new revenue streams and build relationships with a publisher's customers and prospects, supported by native-language customer service. Publishers can deploy a global sales force and benefit from a world-class operation without the investment it would take to build one.

Research

- Gap analysis
- Focus groups
- Surveys
- Strategic planning

Marketing

- Promotional campaigns
- Collateral materials
- Conference exhibits
- Library relations

Sales

- Local representation
- Multilingual outreach
- Lead generation
- Customer service

PCG celebrates its 25th year in 2015 and plans to mark its silver jubilee having helped more than one hundred publishers connect with thousands of libraries and millions of end-users around the world over the past quarter century. The company will host a series of commemorative events and speaking engagements throughout the year.

Content Delivery



Online Platforms
Semantic Enrichment
Mobile
Ecommerce
Access Entitlement

Publishing Technology offers a suite of electronic publishing services to support evolving digital strategies. Our hosting services deliver a total of over 70 million page views per year. Whether through our fully outsourced ingentaconnect scholarly portal or a custom, semantically enriched, multi-format pub2web platform, we enable publishers of any size, discipline or technical proficiency to convert, store, deliver, and monetise digital content.

pub2web >

Publishing Technology's pub2web platform is a custom hosting solution that supports and delivers all the information an organisation publishes. The result of a multi-million dollar research and development program, pub2web has been built from the ground up using a powerful combination of industry standard architecture and semantic web technologies to showcase and connect content, regardless of format or type.

It provides online publishing essentials combined with an innovative approach to product development. With pub2web, publishers can maximize the visibility, usage and value of their content while optimizing content licensing around flexible ecommerce and access controls.

- Unique branding
- Multi-format data storage
- Semantic enrichment
- Flexible product development
- Sophisticated access control

ingentaconnect >

In 2015, over 300 publishers will host their content on ingentaconnect, the home of scholarly research. Academics and students will have access 16,000 publications and conduct nearly one million downloads per month in over 25,000 registered institutions around the world.

Our fully outsourced e-publishing package is a proven channel to get content online quickly, easily and affordably. On ingentaconnect, there is a broad spectrum of cost-effective services to choose from, whether a publisher is taking its content online for the first time, looking to increase revenues through online activity or thinking of creating a custom-branded website.

- Data conversion & enhancement
- Secure web hosting
- Flexible ecommerce
- Linking and distribution
- Turn-key platform solution

Investor proposition

Publishing Technology plc, listed on AIM (symbol PTO), is a global provider of software and service solutions that enable content and media rich organisations to address twenty-first century business challenges. Our complementary and integrated suite of products and services enable content providers to create operational efficiencies, establish best-in-class content management solutions and drive business growth in existing and new markets. Assisting over 450 trade and scholarly publishers for nearly 40 years, Publishing Technology solves the fundamental issues content providers face, which is why more than 80% of the world's leading publishers turn to Publishing Technology to advance their content strategies. It is the Group's objective to increase shareholder value by building a profitable and cash-generative business focussed on enabling our core customer group to achieve their business objectives. We expect to do this by leveraging the significant investment made in extending our product suite, focusing on efficient and effective execution of projects and investing in and training our employees, all of which will support our business development and sales activities.

The Group has a strong recurring revenue base, derived from maintenance, hosting, managed services, and subscription renewal service contracts. This revenue represents approximately 65% of Group revenue and is currently generated primarily by our stable and highly profitable legacy products. We anticipate this model will extend to our new generation products *advance* and *pub2web*. The board believes the Group's offering is unique in its market, representing the only full-service integrated solution available to our target client base.

Turnover has been flat for a number of years as the Group invested in the next generation of content focussed applications (namely *advance* and *pub2web*). During these years of heavy investment, revenues and profit for our legacy products, *Vista* and *ingentaconnect*, remained resilient and they continue to provide the business with both financial stability and on-going relationships with customers. Over the next several years it is expected that some enterprise customers will migrate to *advance* but the Board believes the majority of customers are likely to maintain their legacy *Vista* product.

During 2014, the company reached a significant milestone for *advance* by completing the first implementation of the final module. All modules of *advance* are now live or being implemented in each type of publishing environment. This coincided with the appointment of a new management team who, following a review of the Group's products and markets, have adopted and are implementing a new strategy for the Group to ensure that the investment made in products translates to strong growth in revenue and profits. At its core this strategy encompasses:

- Use of value-added resellers to expand our reach into the market and to add further credibility and breadth to the offering for the very largest clients.
- Use of implementation partners to provide additional resource to execute large projects, reducing project risk and protecting profitability.
- Expansion into adjacent high-value content markets such as magazines and gaming where existing products and services can be immediately relevant.

This strategy has already started to bear fruit with a number of partnerships in place, the first new contracts with customers signed, and a strong pipeline of future business.

As part of the strategic review, the new management team took steps to control an onerous contract in the US and change how the Company manages large projects. Accounting for the onerous contract has reduced revenue and increased costs in 2014 but will create a more solid foundation for 2015 and beyond. Reducing the revenue recognised in 2014 leaves more to be recognised in 2015, and the costs of the onerous contract accrued in 2014 will also be released against costs during 2015.

From 2015, as well as having a substantial amount of recurring revenue and deferred revenue to recognise on existing projects, the Group will be judicious with respect to product investment. No significant additional investment is expected for *advance* and *pub2web* unless the investment is supported by revenue or supports our product strategy. Importantly, the Group will continue to provide customers across the business with excellent service, ensuring revenue and margins from legacy products *Vista* and *ingentaconnect* are maintained.

The Group holds a 49% interest in a joint venture company in China which supports the delivery of the Group's products to the Chinese market. This operation has already delivered online content delivery systems for some of the largest publishers in China and has a strong forward order book.

Over the past three years our headcount has remained constant and the Group currently employs 172 staff in offices in the UK and US and, through its Chinese joint venture company, a further 75 staff in Beijing.

The Group has developed world-class products for the digital age investing some £20m over the last 10 years, the costs of which have been fully written off as incurred and funded through internal cash resources by using the profitability and cash generation from legacy products to achieve this strategic objective. Now that this development phase is complete, the Group is in a position to scale the business through organic growth and by using value-added resellers to take our products to a wider audience in new geographies and industry sectors, such as corporate organisations with content to publish, or film, broadcast and gaming organisations with rights and royalties to manage. In the future, the Group intends to achieve non-organic growth by acquiring complementary businesses and products within publishing and the wider media industry.

Publishing Technology is positioned to be the partner of choice for publishers and content-centric businesses that need cutting edge technology and deep industry knowledge to drive their content forward.

Chairman's statement



Martyn Rose, Chairman

2014 developments

2014 was a year of considerable change in our business.

In April, Michael Cairns stepped up to the position of CEO and immediately set out to conduct a root and branch review of the entire business. His findings were clear: we have excellent products and exceptional potential, but we had an inefficient structure and lacked leadership in several key areas to scale the business and get the best possible return on our substantial investments.

Since then, we have appointed a Chief Technology Officer, a Global Projects Director and strengthened our professional services team with additional project management resource, as well as replacing the management team in PCG. We have extended the successful Vista customer services model to pub2web and *advance*, we have developed a clearer platform-based product strategy, we have formed strategic relationships with a number of implementation partners and we are working towards a Valued Added Reseller (VAR) model for our new products.

From his strategic review, Michael's focus is to build a successful and efficient sales and implementation culture on top of a clear strategic vision of our products and markets. The first step in this has been to restructure the business from one that operates divisionally by product to a skills-based enterprise that will concentrate on product strategy, sales growth and improved operational efficiency.

Michael has also taken firm control of both internal and client-facing projects that have taken substantially longer to complete than we first envisaged. By making the right hires and demanding transparency, he has now positioned the business to develop our products efficiently and implement them profitably in future. There remains one major project that will require additional investment from the business in 2015, this has been provided for in 2014, further extending the 2014 loss, but clearing future years for unencumbered growth and profitability.

The Vista business remains solid, with a 100% customer retention rate and a modest reduction in time-based revenue as we expected to see, and continues to be integral to the Group's success. Indeed, Vista will remain at the core of our business strategy for many years to come.

The China joint venture (JV) continues to grow in size and status, with around 75 staff based in Beijing, working on more than a dozen pub2web and *advance* implementation projects. On recent trips to Beijing, I have been impressed by the ability of the JV to grow its revenues and its influence in the Chinese market.

Results

The audited results for the year ended 31 December 2014 are disappointing and highlight the degree of change within Publishing Technology. Our revenues are substantially down on the prior year and the Group took a loss of £4.0m before tax, mainly as a result of additional expenditure on development activities, in particular to fulfil a contract to install a highly customised version of the *advance* Product Manager module in the US.

The enormous extra effort this custom solution required during the year meant this project cost more and took us longer than we envisaged. This delayed implementation also had an opportunity cost and reduced our ability to earn revenue from other customers.

Fundraising / Equity Deal

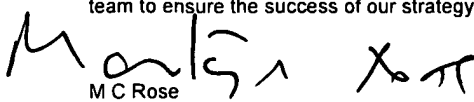
Announced alongside these results is an equity raising by way of a placing of up to £9m plus an open offer to existing shareholders of £1m to pay down debt accumulated over a number of years of investment in product and to provide working capital to scale the business by 'productising' *advance* and pub2web so that they can be implemented by third party valued added resellers. Publishing Technology will enter the second half of 2015 debt free, cleansed of the onerous contract which has held the business back in 2014, financed for growth and with a new management team focussed on growth with profitability.

Shareholders' returns and dividends

The Directors do not recommend the payment of a dividend (2013: £nil).

Outlook

Despite the obvious difficulties faced during this transition year, we have restructured the business for future scalability to drive a return from our investments in *advance* and pub2web. We have hired the skills we require and we have provided for all past and future losses on the onerous contracts inherited by the new management team. I am confident that, moving forward, we have built the right team to ensure the success of our strategy.


M C Rose
Chairman
22 May 2015

Group strategic report



Michael Cairns, CEO

The first half of 2014 saw a change of Chief Executive Officer, the replacement of the top three management positions within PCG, and a change in the leadership of both ingentaconnect and service delivery. After the strategic review, the second half of the year saw a number of existing senior staff changing roles as the company restructured. Additionally, David Montgomery came on board as Chief Technology Officer, we hired a North American Sales Director and made additional hires in project management and professional services.

Inevitably, these changes have had an effect on the smooth-running of the business in 2014, but they were necessary to ensure we had the right strategy for the future and the right skills to effect change.

Strategic Review

When I became CEO in April, my first task was to conduct a strategic review of the business, which by necessity focused on several short term issues that had to be addressed immediately. I then began the development of a long-term vision that would capitalise on the significant embedded value in our products.

The Board was rightly concerned that we had a number of issues which were jeopardising revenue and customer relationships, and was equally concerned that we revisit our long-term strategy to ensure that it would enhance shareholder value over a reasonable period of time.

The strategic review concentrated on the vision, development, delivery and business plan for our newest products, *advance* and *pub2web*, but we did not ignore our other important business divisions; Vista, PCG and ingentaconnect, which remain important to our overall strategy. The review looked at the management of the organisation, the skill-sets required and the functional aspects of each product area, such as product strategy, product development, sales strategy, project management, implementation methodology and customer service.

Outcome of the Strategic Review

The core of our business is stable and profitable. The customer services margins from recurring revenue in the Vista division are excellent and sustainable for some years to come. PCG is stable and profitable with a high number of retained clients, including BioOne, who renewed their services contract during the year. ingentaconnect now has over 300 publishers, including 30 new customers signed in 2014, and has a high retention rate. The *advance* and *pub2web* products are market-leading and our subject matter expertise in the publishing space is an important asset that supports all of our business segments.

As I conducted my review, it became readily apparent that we had recently made certain critical business management mistakes and then failed to react to the problems these mistakes caused quickly enough. For example, there were some areas where we lacked appropriate skills or had not committed the right level of resources to complete project deliverables on time and on budget. In other instances, we managed our clients poorly which resulted in significant changes to scope and delivery to our financial detriment. I also found that we could do more to control margins within PCG and improve customer service for ingentaconnect.

Despite these significant challenges, it was my observation that with the application of the right strategy, stronger management control and appropriate staffing, we could significantly improve in all of these areas. Some of the changes required to improve our business operations had already been implemented within our *pub2web* team, where we are seeing significant improvement as a result, and we expect to achieve similar success across the business as we address these issues in a similar way.

Next-generation products: *advance* and *pub2web*

A number of issues relating to the roll-out and delivery of our next-generation products were highlighted in the review. Firstly, we agreed too many deals with early-adopter customers, which, in-turn required custom functionality to be created as part of the install. It is normal with new enterprise-level products to have some low margin or even loss-making projects early on in the products life cycle to establish a footprint or develop more specific functionality. However, in retrospect, we took on too many projects of this nature and overcommitted our resources.

Secondly, we did not apply an adequate level of project management to some implementations and, as a direct result, customer expectations were not well managed as the projects expanded in scope and costs. In some cases, clients were also deficient in this area which compounded the issue. We overcommitted development resources which led to delays in the implementations and we allowed clients to dictate progress and activity, which created more development and more customisation than we anticipated, diverting resources from progressing road map developments to custom development activities, which was frequently contrary to our best interest.

The experience of these engagements suggests a new implementation model; one that is complementary to our strengths and is similar to the model practiced by package software providers. As a result, we have incorporated into our product vision and strategy a capability to work with Value Added Resellers (VAR). This will enable our business to scale with VARs supporting our sales efforts and augmenting implementation resource. We can continue to implement on our own but also allow VARs to implement with support from our subject matter experts. Importantly, as this capability grows we will be able to concentrate on enhancing our core products and utilising our higher margin subject matter expertise on an increasing number of client engagements. This strategy requires our products to be 'productised', which will protect our IP and allow VARs (and customers) to build additional functionality applicable to differing client and industry requirements. We believe this mixed model will encourage close cooperation between Publishing Technology, our VAR partners and our customers and enable more significant growth for Publishing Technology.



Alan Moug, CFO



David Montgomery, CTO



Jane Tappuni, EVP
Business Development

Business structure

Previously, the Group was divided into five divisions built around products and services; *advance*, Vista, *pub2web*, *ingentaconnect* and PCG. Whilst each has its unique aspects, most of our product divisions have similar skill-set requirements. We determined that the current organisational structure was inefficient and did not allow us to share best practice or manage client relationships across the business. As a result, I have restructured the business around our global skill-sets rather than in individual product silos.

Product Strategy

Randy Petway has moved into the position of EVP Global Product Strategy, leading our product direction and vision across *advance*, *pub2web* and *ingentaconnect*. Randy is building the five and ten year plans for our product set, working closely with customers and our internal knowledge base to do so.

Product development

David Montgomery joined the Group in October 2014 as CTO and is responsible for product development in *advance*, *pub2web* and *ingentaconnect*, as well as Group wide service delivery and infrastructure. David's first role was to assess the position of the final development phases of *advance* and *pub2web* and develop (with Randy Petway) the strategy for near and mid-term development.

Implementation Projects

We recently hired a Global Projects Director responsible for managing our projects across *advance* and *pub2web* to ensure that we achieve efficiency, define common goals and implement consistent methodologies across all our project implementations. This is part of our strategy to build a strong program management office (PMO) function supporting all implementation projects. We will also be hiring a lead program manager to manage our VAR relationships and ensure they are effective, managed appropriately and work to common objectives.

Customer services

Jay Teitelbaum becomes EVP Global Client Services, retaining all of the Vista business and adding the responsibility to extend the successful Vista customer services recurring revenue model across *advance* and *pub2web* for completed implementation projects.

Business Development

Jane Tappuni, EVP Business Development, has added to the sales team with a new Head of Business Development in North America, who joined the Group in December 2014, and a new European Sales Manager, who joined the Group in January 2015.

ingentaconnect

In late 2014, we hired a new senior manager to head up the *ingentaconnect* division who is responsible for driving revenue and ensuring customer satisfaction for publishers on the platform. During the year 30 new publishers were added to the platform, increasing our client base by 10%. We expect a similar level of success for 2015 supported by some necessary platform improvements.

PCG

The senior management team of PCG changed over the course of the year in a set of managed transitions. This did not impact on client relationships with PCG's largest client extending its full service representation contract out to the end of 2016 in the year. Melissanne Scheld joined the group in May 2014 as Managing Director of PCG, tasked with improving revenue and margins across content sales, consulting and research. Going forward, we are also making a concerted effort to involve PCG in more of the activities of other segments of the Group (and vice versa), particularly in coordinating our client engagements across the organisation.

Group

Underpinning these divisions are the Group functions of Marketing, Finance, HR and Administration.

This new structure avoids the repetition of skill-sets across multiple product silos and instead focusses the Group on the important aspects of our business: establishing the right vision for our company and products, creating the right product for the future of our market, selling at the right price, implementing our solutions efficiently and profitably, maintaining a profitable recurring revenue stream from the install base thereafter, and then scaling this model to achieve significant organic growth.



Melissanne Scheld,
Managing PCG Director



Randy Petway, EVP Global
Product Strategy



Jay Teitelbaum, EVP Global
Client Services

Strategy

In the last few years, we have not delivered the required returns on our investments in *advance* and *pub2web* and this is where the greatest effort will be made to change our approach. We will invest where necessary but play to our strengths in the development of industry leading software solutions, teaming with partners and creating a community around platform solutions.

Our approach can be broken down into actions on a product critical path: envisage, create, sell, implement, manage and scale. The structure of the business and the management team mirrors these steps to success.

Our corporate strategy is to achieve consistently high levels of organic growth and profitability by maintaining Vista margins; developing PCG's content sales and consulting business, growing ingentaconnect and creating strong scalable platforms with *advance* and *pub2web*

Product Vision

The vision for *advance* and *pub2web* is to develop both as 'packaged solutions' of pre-configured software, implementation services and training able to be implemented by Publishing Technology or Value Added Resellers (VARs) in partnership with us or directly with clients.

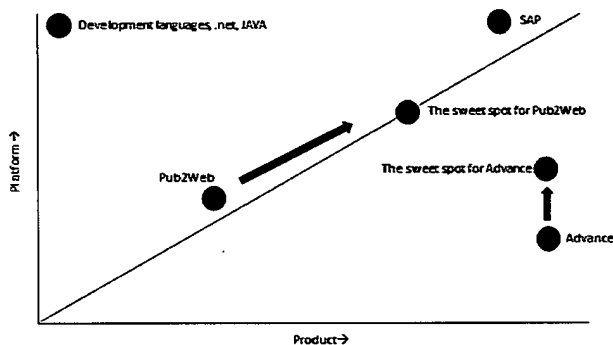
Our packaged solutions will be 'platforms', which VARs and customers can leverage by building functionality on top to support business specific objectives. The intellectual property ('IP') of this functionality may be owned by the developer and sold into the install base creating a community market place. This model ensure the integrity of the core product IP and scales our business.

Products vs. Platforms

Solutions can be characterised in terms of *product* and *platform*. Platforms can be extended and built on but tend to have less industry specific functionality, whereas products have more industry functionality but are less extensible.

Solutions like SAP have a high install cost and a high cost of ownership, because they are very feature full. For clients who need 25% of the functionality, the solution provider still has to support 100% of the features. Our sweet spot has the relevant functionality for the target market, with extensibility that doesn't constrain our development.

Products that are less extensible, unless highly functional, are always constrained by the development organisation, release schedule, customer commitments and strategic roadmaps. Companies such as SAP realised that to reach different industries and geographies they needed a highly functional product that could be extended by VARs and in some instances, the customers.



Publishing Technology now faces the same challenges:

pub2web is a Web CMS (Web based content management system), delivering customised websites on a standardised platform solution. The platform is geared towards academic and scholarly publishing but we are creating a more open platform which will support other media and content markets.

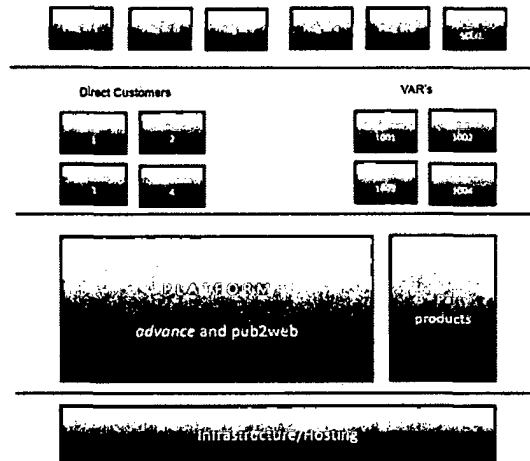
There are many VARs in a number of industries building functionality on top of a generic web CMS. We will provide the solution that innovates around generic content management functions such as searching; enrichment; delivery to multiple devices; ingestion; authoring; planning; and experience management, as well as emerging standards such as responsive design, and VARs can focus on features required within their vertical, creating their own IP and expanding the addressable market.

Our CMS solution, *pub2web*, needs to improve cross-publishing integrations, with variable content authoring, workflows and planning solutions but it also needs clearer separation between the bespoke solution and the platform. This effort has been initiated.

advance is a highly functional industry specific enterprise product proven in the current market; however, it will need to change when being introduced into new industries or geographies, which we believe represents an opportunity to scale using a platform methodology.

Creating a platform by separating product from project

We intend to achieve our platform objectives by creating a clear, defined separation between the complex business logic of the platform and the user interface using an application programming interface (API), which enables VARs to create bespoke websites and extend base functionality without being able to impact the source code and the Group's IP, an important consideration in some geographies.



Updates to the platform can then be rolled out across the install base quickly as the API separates the platform code from the functional layer built around it by VARs. This is likely to reduce the number of major product releases annually.

The professional services team will be treated as an internal VAR; fiscally independent of the product development group and expected to drive that group to create the best product for all VARs to use.

Our platform approach will allow us to engage with VARs in secondary publishing verticals (such as magazines, newspapers and broadcast media), and look further afield (such as in hospitality, finance and retail).

We will also incorporate third-party functionality to accelerate development and improve our offering rather than try to build all functionality in-house. This plays to our strengths in industry specific knowledge and utilises the expertise of partners to achieve quick improvements to functionality in areas such as analytics, or functionality specific to potential new industry sectors such as broadcast capability or video play-out and rendering.

Strengthened sales model

We have strengthened our senior sales team and are building a solid pipeline to drive sales for *advance* and *pub2web*.

Under the direction of Jane Tappuni, we have formalised more of our sales activities and improved the sales qualification process by imposing contract estimation procedures to address some of the issues raised in the strategic review.

All sales decisions involve key stakeholders across the Group, including sales, engineering, project managers, customer services and senior executive management at the proposal stage. In cases where the project is of sufficient size, the proposal may also be reviewed at Board level.

Projects are only approved when we believe them to be commercially sound.

Maintaining a solid core

When we began the re-engineering of our products, we estimated that there would be a high level of cannibalisation with Vista customers moving to *advance*, however, it is now clear that publishers have slowed spend on new software related to physical content, but are investing in complementary digital solutions. We now estimate that three quarters of the Vista install base will still be using the system in the 2020's.

We will, of course, use the Vista install base as a pipeline for *advance* sales and offer those customers a migration path when this transition fits with their business priorities. At that point we will proactively engage with customers to ensure they have a migration path in place or a stand-alone digital solution that allows them to remain with Publishing Technology for their next generation of software.

We expect the majority of Vista customers will want to retain Vista as the reliable core element in their business and therefore we will continue to provide the highest level of customer service. At the same time, we will keep the customer base informed about the functionality and scale of our new generation products, making us a trusted partner when they explore new solutions.

So far, only one module of *advance* sold has been a direct move from Vista to *advance*. Our current *advance* pipeline is made up almost entirely of customers that are new to Publishing Technology or are current customers seeking additional functionality but not a replacement for Vista.

Extending the successful Vista client services model

We intend to leverage the knowledge and expertise gained with Vista and extend that model to our expanding *advance* and *pub2web* customer base. To that end, Jay Teitelbaum has moved into the position of EVP Global Client Services, responsible for the Vista business and client services for *advance* and *pub2web*.

Jay and his team will be involved at every stage of a project and will take over management of the customer at go-live.

Scale

Our goal is to make our products scalable so that our business can become scalable. This means that our products must be capable of being implemented independently and open to third-party VARs to add functionality. This strategy will open our products to broader media, geographic and industry expansion, and create opportunities we would struggle to achieve on our own without the scalability that comes from partnerships and VAR relationships.

A scalable product enables the business to grow by multiplying our revenue opportunities and our sales capabilities as VARs actively work with us to market and sell our products. Our VAR program is developing and we are working on live implementations and pitching for new deals with third parties already.

Operating results

Gross revenue was 15% lower than the prior year at £14.4m (2013: £16.9m) and cost of sales were 13% higher than the prior year at £12.1m (2013: £10.7m) reducing gross margin to £1.6m (2013: £5.8m) for the year to 31 December 2014. This was mostly the result of lower revenue and higher costs in the *advance* division. Revenue for *ingentaconnect* reduced as expected, as two of its larger publishers moved to new platforms, including one which moved to our *pub2web* solution. PCG revenue was 15% down on the prior year as change of management impacted the first half.

Vista revenues were lower in the year as expected with lower licence revenue being recognised but Vista recurring revenue increased and various cost saving initiatives maintained net contribution values at the same level as 2013.

Revenue from *pub2web* increased year on year by 18%, as large implementations moved to recurring revenue hosting deals.

Vista once again delivered a solid, highly-profitable performance which, as in previous years, has allowed continued investment elsewhere in the business. The Group has invested around £20m over the last ten years to create *advance* and *pub2web*, funded mostly from the profitability and cash generation of the Group's legacy products. The Board anticipates that this source of profit and cash will continue for many more years to come.

In the year to 31 December 2014, *pub2web* still required investment but it was the substantial investment in the *advance* division that impacted profitability the most as we recognised less revenue and accrued for additional costs on one large loss-making contract in particular.

The Board believes the historic issues with *advance* will not reoccur because we have made fundamental changes to the structure of the business. We have filled skills gaps through recruitment and strengthened processes and procedures to ensure all deals are reviewed and analysed prior to engagement.

Cost of sales increased, mainly as a result of additional staff hires, including contractors onshore and offshore, to deliver the increased functionality we wanted to build into the *advance* product.

Sales and marketing expenses remained flat year on year but administrative expenses increased by 8% to £3.6m (2013: £3.4m) due partly to adverse foreign exchange movements and the costs of restructuring the business during the year, including the search for a CEO.

Net liabilities increased in the year to £4.0m (2013: £0.4m) as the additional investments in *advance* increased net borrowings (loans and overdrafts offset by cash balances) to £4.3m (2013: £3.5m) and trade and other payables to £8.8m (2013: £7.5m). The lower revenue especially for *advance* impacted the trade receivables balance which reduced to £3.8m (2013: £4.5m) as at 31 December 2014 and accrued income reduced to £0.5m (2013: £1.3m) as a result of reversing out revenue for the loss making contract in *advance*.

Cash and cash equivalents reduced by £0.4m to a net liability of £1.7m (2013: £1.3m) This was a relatively small reduction despite the loss in the year as there were large positive cash movements from a reduction in trade receivables (£0.8m), a reduction in accrued income (£0.7m) and an increase in other payables (£1.4m) which is partly a timing difference for PCG receipts but mainly the accrual of costs associated with the loss making contract in *advance*.

Deferred income of £3.6m (2013: £4.0m) is 10% lower at year end compared to the prior year but remains significant reflecting the high level of recurring revenue billed for 2015 before the end of 2014 which underlines the stability of the core business.

Vista

Vista had another solid year in 2014, with recurring revenue increasing by £106K (2%) and contribution to group costs increasing from 51% to 55%.

84% of Vista revenue was recurring in the year to 31 December 2014 (2013: 76%) and the division had a 100% customer retention rate from 2013 to 2014.

Total Vista revenue was down £430K (6%) as a result of additional licence revenues achieved in 2013. There was a small reduction in time-based services revenue as some ad hoc services moved into annual managed services contracts which has improved the ability to forecast revenue. By way of comparison, Vista revenue in the year to 31 December 2014 is higher than the year to 31 December 2012, which excluded the one-off licence revenue in 2013.

advance

The *advance* product has been built in modules, which has allowed revenue to be generated as the product is in development. However, as is frequently the case with new software, a certain amount of development as part of implementations has taken place and special early-adopter pricing has been agreed to help move the product forward and ensure the functionality is powerful and of value.

Loss-making contracts are a feature in the early stages of product roll-out, but the Board believes that we have seen the last of these and we have initiated a number of activities to ensure projects are correctly estimated, contracted and implemented going forward.

So far, ten publishers have gone live on 13 modules of *advance*, with a further five modules being implemented currently. Of these implementations, the majority have been profitable, however there have been two large implementations in particular that are loss-making as a result of significant customisation. In both cases, the additional development required was underestimated and the deals were under-priced as a consequence. There is always the need to attract early adopters to a product set, but we were guilty of signing too many deals that required additional investment which over-committed the business. These commitments have ceased or been provided for in the year to 31 December 2014.

In particular, in 2013 we signed a deal to deliver a highly-customised version of our Product Manager module in the US. This work was significantly underestimated, which led to delays in the completion of the first phase of the roll-out in the US, which in turn has delayed our progress in other proposed regions for the delivery.

This impacted on the *advance* results in a number of ways:

- Revenue recognition was re-evaluated, partly because of a change in the scope which the Company agreed to within the original price quote, subsequent delayed development and the higher risk to further roll-out phases. The reassessment of the stage of completion resulted in the reversal of some revenue previously recognised in 2013. This revenue will now be recognised in 2015 and beyond as the percentage of the project complete increases. The revenue recognition methodology was consistent with prior years and is a reflection of the facts and circumstances that exist at the review date.
- Additional development work was required which increased costs (all of which is written off to the statement of comprehensive income).
- Additional resource required on this project reduced internal resources available to earn revenue elsewhere and increased staff costs over the prior year as additional staff and contractors were hired to meet demand.
- The contract is loss-making and extends into 2015, therefore, management's estimates of the additional costs to complete it have been brought forward into 2014 under the loss-making contracts provisions. This provision will be fully released during 2015 by the time of go-live.

These issues have reduced revenue and increased costs significantly beyond target.

More positively, three *advance* projects went live in the last quarter of the year, one of each of the Contracts and Rights, Order to Cash and Product Manager modules.

pub2web

Revenue for *pub2web* increased by £277K (18%) in the year as a result of recurring hosting and maintenance revenue improvements due to the launch of client sites for American Institute of Physics (AIP) and the American Society of Microbiology (ASM).

Implementation revenue was slightly down on 2013, but gross margin after staff costs was £430K better, producing the first positive gross margin for *pub2web* for the first time.

A further £0.4m (2013: £0.5m) was invested in research and development on the *pub2web* platform in the year.

ingentaconnect

Net revenue for *ingentaconnect* (after publisher royalties for pay per view sales) fell by £0.5m in 2014 to £1.9m (2013: £2.6m). As reported in the 2013 annual report, this was mainly the result of two larger publishers moving off the platform in 2014, one of which moved to a *pub2web* solution.

A total of 30 new publishers joined *ingentaconnect* in the year and the Board believes that the platform will continue to show growth as a result of site improvements and better management.

Investment in *ingentaconnect* increased by more than 100% in the year to 31 December 2014 compared to 2013, and as a result we launched a new front end in July and have further enhancements planned for 2015.

PCG

PCG revenue decreased by 15% compared to the prior year to £2.0m (2013: £2.4m).

This was partly due to a reduction in sales of Bloomsbury's Drama Online and Churchill archives as a result of Bloomsbury taking sales of these titles back in-house at the end of 2014 (as planned and anticipated), and partly due to the hiatus caused by the management changes in the first quarter, which impacted on telemarketing, consulting and content sales revenue.

The first half results were disappointing, but under new leadership the business improved with a 50% increase in content sales commissions achieved in the second half.

Significantly, *BioOne* signed a long-term extension to its service contract in the year. The loss of Bloomsbury is likely to reduce PCG representation revenues by a small amount in 2015.

The Board believes that the new management can increase year on year revenues in telemarketing, consulting and content sales on a lower cost base.

China

The Chinese joint venture (JV), Beijing Ingenta Digital Publishing Technology (BIDPT), in which the Group holds a 49% stake, increased its revenue by 56% in the year to 31 December 2014 as a result of continuing to work on the contracts won as part of the government-sponsored initiative to drive publishers towards online platforms, and partly as a result of a number of new contract wins in the year for both pub2web and *advance*.

The JV now has around 75 staff delivering software solutions and services in the Chinese market.

Taxation

A tax credit of £400K (2013: £240K) is included in the results for 2014 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 value is higher for 2014 as a result of the higher losses which increases the amount which can be claimed as a cash repayment.

The Group has unutilised tax losses at 31 December 2014 in the UK and the USA of £14.9m (2013: £14.7m) and \$14.8m (2013: \$11.9m) 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 US 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 \$8.7m (2013: \$6.3m) of the unutilised losses carried forward.

Funding and Going Concern

The Group has an overdraft facility of £3.0m with HSBC plc and a short term loan facility of £1.25m from Directors as at 31 December 2014. Management have assured themselves that continued bank funding and short-term loan capabilities of the Directors is adequate for the needs of the business based on the cash flow forecasts.

The Group continues to have a seasonal cash flow, which has been taken into account in assessing the working capital requirements. The overdraft facility is due for renewal in April 2015. Management has received confirmation from HSBC that, based on their knowledge of the Group's performance, they do not see any reason that a facility should not continue to be provided until June 2016.

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

The Company did not redeem any loan notes during 2014. The loan notes are accruing interest at 12% per annum (paid bi-annually) until redemption is made. The loan note holder has agreed to waive any rights to repayment until June

During the year the Group made use of short term loans from Directors to cover the cash requirement peaks at mid-year and year end.

As detailed in the Chairman's statement, it has been announced that a placing and open offer will go ahead allowing the business to pay down all debt and provide working capital with a positive cash balance post placing.

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 in estimation or development, customer readiness 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 Director's being prepared to lend on a short term basis and by the business having the right future strategy to return profitability and generate cash to reduce debt.

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.

Outlook

Having been in the CEO position for almost 12 months, I believe that we have made the right decisions in restructuring the business, hiring the skills we lacked, building procedures to avoid estimation errors and implementation issues, and fixing or extracting ourselves from loss-making contracts.

All of this has been challenging but we have made good progress and I am confident that our products are in good shape and demonstrable, that our services are clearly understood, and that we have the right team to deliver real growth in revenue and profit across the business.

On behalf of the Board.



M P Cairns
Chief Executive Officer

22 May 2015

Directors' report

For the year ended 31 December 2014

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

Principal activities

The Group's principal activities are the provision of content systems, audience development and content delivery software and services, including the internet-based electronic delivery of published research materials, and the provision of internet-based search and access services for libraries and consumers.

Going concern

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

Management regularly forecast profit, financial position and cash flows for the Group. A rolling forecast is updated monthly; with a short term ten week cash forecast updated daily. Revenue is forecast in detail with all revenue contracts individually listed and ranked by probability from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years in light of known changes and have concluded that forecast costs are robust.

Further details on going concern are included within note 1 to the accounts (principal accounting policies).

Directors

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

Executive Directors: M P Cairns, Chief Executive Officer (appointed 1 April 2014)
A B Moug, Chief Financial Officer
G M Lossius (resigned 31 March 2014)

Non-Executive Directors: M C Rose, Chairman
M A Rowse

The interests of Directors in the shares of the Company at 31 December 2014 are disclosed in the Directors' remuneration report.

Corporate governance

Details of corporate governance for the year to 31 December 2014 are disclosed in the corporate governance statement.

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 £2.7m (2013: £2.5m) in the year to 31 December 2014.

Substantial shareholdings

As at 31 March, 2015 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	2,508,112	29.81%
Sutterton Label Printers	548,000	6.51%
Criseren Investments Limited	509,446	6.06%
A B Moug	476,795	5.67%
Legal & General Assurance Society Limited	460,000	5.47%
Almandine LLC	435,065	5.17%
L B Gibson	363,334	4.32%
G M Lossius	357,587	4.25%
W J Barbour	301,500	3.58%
M A Rowse	273,277	3.25%

Charitable and political contributions

The Group made no political contributions (2013: £nil) and made £282 of charitable contributions (2013: £1,000) 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 2014 the Group, on average, paid its trade payables within 52 days of receipt of a valid invoice (2013: 49 days, 2012: 48 days).

Due to the company being a holding company and having limited trade, details have been provided for the Group which the Directors consider to be a fair reflection of business activities.

Financial risk management

Details of the Group's financial risks are given in note 26.

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.

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.



M P Cairns
Director
22 May 2015

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 every month, with additional meetings to review and approve significant transactions or strategic issues. There were 21 meetings in the year to 31 December 2014. The Board is provided with Board papers where appropriate before each Board meeting. 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 from the Company and a six month notice period from the Executive Director. 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, 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. This is achieved through the Group's website, 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 21 business days before the meeting.

Internal controls

The Board of Directors acknowledges its responsibility for the Group's system of risk management and internal control, including suitable monitoring procedures. There are inherent limitations in any system of risk management and 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 Strategic Report and 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) for the parent company and International Financial Reporting Standards (IFRS's) as adopted by the European Union for the group. 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards for the parent company and IFRS's for the group have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

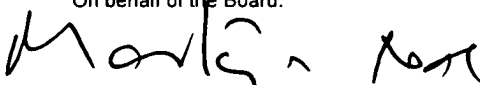
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order 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
22 May 2015

Directors' remuneration report

For the year ended 31 December 2014.

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 2014 in the shares of the Company were as follows:

	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2014	Number of ordinary shares of 10p in Publishing Technology plc 31 December 2013
M C Rose	2,508,112	2,508,112
A B Moug	476,795	476,795
M A Rowse	273,277	273,277
M P Cairns	30,400	-

Directors' interests

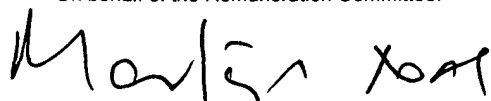
The Directors at 31 December 2014 had no interests in options over the ordinary shares. The Directors had no post-employment benefits, other long-term benefits, termination benefits or share-based payments in the year.

The market price of the Company's shares at the end of the year was £1.45 and the price ranged in the year between £1.37 and £3.80p.

Directors' remuneration

	Salary and fees £'000s	Benefits £'000s	Sums paid to a third party for Directors' services £'000s	Pension Contribution £'000s	Total remuneration £'000s	Group National Insurance costs £'000s	2014 Total cost of employment £'000s	2013 Total remuneration £'000s	2013 Total cost of employment £'000s
M P Cairns	118	7	-	2	127	5	132	-	-
G M Lossius	35	2	-	10	47	4	51	169	186
A B Moug	118	16	-	14	148	16	164	145	161
M C Rose	36	-	48	-	84	4	88	87	91
M A Rowse	-	-	26	-	26	-	26	25	25
					432		461	426	461

On behalf of the Remuneration Committee.



M C Rose
Chairman
22 May 2015

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 2014 which comprise the Group statement of comprehensive income, the Group statement of financial position, the Group statement of changes in equity, the Group statement of cash flows, the parent company balance sheet 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 19, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2014 and of the Group's loss 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 Strategic Report and 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.



Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
22 May 2015

Group Statement of Comprehensive Income

For the year ended 31 December 2014

	note	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Gross revenue		14,364	16,910
Less revenue from joint venture	3	(687)	(439)
Group revenue	2	13,677	16,471
Cost of sales		(12,068)	(10,703)
Gross profit		1,609	5,768
Sales and marketing expenses		(1,517)	(1,507)
Administrative expenses		(3,646)	(3,372)
(Loss) / profit from operations	5	(3,554)	889
Share of profit / (loss) from joint venture	3	20	104
Finance costs	7	(460)	(328)
(Loss) / profit before income tax		(3,994)	665
Income tax	8	395	216
(Loss) / profit for the year attributable to equity holders of the parent		(3,599)	881
<i>Other comprehensive expenses which will be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(5)	(57)
Total comprehensive (loss) / income for the year attributable to equity holders of the parent		(3,604)	824
Basic and diluted (loss) / earnings per share (pence)	9	(42.77)	10.47

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

Group Statement of Financial Position

As at 31 December 2014

	note	31 Dec 14 £'000	31 Dec 13 £'000	31 Dec 12 £'000
Non-current assets				
Goodwill and other intangible assets	10	3,737	3,737	3,737
Property, plant and equipment	11	363	349	343
Investments accounted for using the equity method	3	298	278	24
		<u>4,398</u>	<u>4,364</u>	<u>4,104</u>
Current assets				
Trade and other receivables	12	4,377	5,971	4,762
Research and Development tax credit receivable	8	400	240	235
Cash and cash equivalents	13	2,790	1,235	1,774
		<u>7,567</u>	<u>7,446</u>	<u>6,771</u>
Total assets		<u>11,965</u>	<u>11,810</u>	<u>10,875</u>
Equity				
Share capital	20	841	841	841
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Translation reserve		(904)	(898)	(841)
Retained earnings		(9,807)	(6,208)	(7,089)
Investment in own shares	22	(6)	(7)	(7)
Total equity		<u>(4,049)</u>	<u>(445)</u>	<u>(1,269)</u>
Non-current liabilities				
Borrowings	15	1,500	1,500	1,500
Finance leases	18	134	72	87
		<u>1,634</u>	<u>1,572</u>	<u>1,587</u>
Current liabilities				
Trade and other payables	14	8,811	7,454	8,238
Borrowings	15	5,569	3,229	2,319
Provisions	16	-	-	-
		<u>14,380</u>	<u>10,683</u>	<u>10,557</u>
Total liabilities		<u>16,014</u>	<u>12,255</u>	<u>12,144</u>
Total equity and liabilities		<u>11,965</u>	<u>11,810</u>	<u>10,875</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2015 and were signed on its behalf by:

A B Moug C.A.

Director

M P Cairns

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 2014

	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 2014	841	11,055	(5,228)	(898)	(6,208)	(7)	(445)
Employee Share Ownership Trust transactions	-	-	-	-	-	1	1
Transactions with owners	-	-	-	-	-	1	1
Loss for the year	-	-	-	-	(3,599)	-	(3,599)
Other comprehensive expense: Exchange differences on translating foreign operations	-	-	-	(6)	-	-	(5)
Total comprehensive expense for the year	-	-	-	(6)	(3,599)	-	(3,604)
Balance at 31 December 2014	841	11,055	(5,228)	(904)	(9,807)	(6)	(4,049)

For the year ended 31 December 2013

	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 2013	841	11,055	(5,228)	(841)	(7,089)	(7)	(1,269)
Profit for the year	-	-	-	-	881	-	881
Other comprehensive expense: Exchange differences on translating foreign operations	-	-	-	(57)	-	-	(57)
Total comprehensive (expense) / income for the year	-	-	-	(57)	881	-	824
Balance at 31 December 2013	841	11,055	(5,228)	(898)	(6,208)	(7)	(445)

Group Statement of Cash Flows

For the year ended 31 December 2014

	note	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
(Loss)/profit before taxation		(3,994)	665
Adjustments for			
Share of profit from joint venture		(20)	(104)
Depreciation		227	218
Interest expense		460	328
Unrealised foreign exchange differences		(5)	(57)
Decrease / (increase) in trade and other receivables		1,593	(1,210)
Increase / (decrease) in trade and other payables		1,269	(802)
Cash outflow from operations		(470)	(962)
Research and Development tax credit received		251	237
Tax paid		(16)	(25)
Net cash outflow from operating activities		(235)	(750)
Cash flows from investing activities			
Purchase of property, plant and equipment		(13)	(137)
Joint venture investment		-	(150)
Net cash used in investing activities		(13)	(287)
Cash flows from financing activities			
Interest paid		(433)	(285)
Proceeds from short term borrowings		401	634
Payment of finance lease liabilities		(95)	(103)
Net cash from financing activities		(127)	246
Net decrease in cash and cash equivalents		(375)	(791)
Cash and cash equivalents at the beginning of the year	13	(1,345)	(545)
Exchange differences on cash and cash equivalents		(9)	(9)
Cash and cash equivalents at the end of the year	13, 23	(1,729)	(1,345)

The accompanying notes form part of these financial statements.

Notes to the Group financial statements

For the Year ended 31 December 2014

General information and nature of operations

Publishing Technology plc (the 'Company') and its subsidiaries (together the 'Group') is a provider of content systems, audience development and content delivery software and services to publishers, information providers, academic libraries and institutions. The nature of the Group's operations and its principal activities are set out in the Chairman's statement and Group Strategic report.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 837205 and its registered office is 8100 Alec Issigonis Way, Oxford, OX4 2HU. The consolidated financial statements were authorised by the Board of Directors for issue on 22 May, 2015.

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's 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 ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and concluded that forecast costs are robust.

As at 31 December 2014 the Group had net current liabilities of £6.8m (2013: £3.2m), of which £3.6m (2013: £4.0m) relates to deferred income which will be recognised in the year ending 31 December 2015.

The Group has secured an overdraft facility of £3.0m which will be reviewed as positive cash flows reduce the requirement. This facility is due for annual renewal in May 2015 however management have received confirmation from HSBC that based on their knowledge of the Group's performance they do not see any reason that a facility would not be provided until June 2016, being the period to which the going concern forecasts have been prepared. Management have assured themselves that this facility, together with additional available funding from short term director's loans is adequate for the needs of the business based on the cash flow forecasts.

The Company did not redeem any of the loan note during 2014. The Company is in default under the loan agreement and the loan note is 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 note has passed and it may not now be converted under the current loan agreement. The loan note holder has agreed to waive any rights to repayment until June 2016.

As detailed in the Chairman's statement, an equity placing and open offer has been announced which will enable the business to pay down debt.

The offer is conditional on the placing and both are conditional on the passing of the Resolutions at the General Meeting. A circular relating to the placing and offer and convening a General Meeting to approve the resolutions relating to the placing and offer will be sent to shareholders on 27 May 2015. Shareholders should be aware that if the Resolutions are not approved at the General Meeting the net proceeds of the placing and offer will not be received by the company and therefore the company would need to explore alternative financing arrangements to ensure it has sufficient working capital for at least the next 12 months.

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. The strong sales pipeline for *advance* at 31 December 2014 gives the Board confidence that the forecast for 2015 is achievable. 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.

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.

Support 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.

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 expenditure 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 make a number of 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 10 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 2014. 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.

Investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment in joint ventures. The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

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.

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 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 changes 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 reporting date.

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.

Reverse 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 eliminating 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 year end. Where certain products are sold as multi element arrangements, revenue is recognised when each element is delivered to the customer based on the fair value of each product element which is assessed as being the selling price of the product when sold separately.

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 by nature 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 reporting date are discounted to their present value.

Employee Share Ownership Trust (ESOT)

As the company is deemed to have control of the ESOT, 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.

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. 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 operating decision-maker. The chief operating 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

New standards and interpretations currently in issue (as at 30 January 2014) but not effective for accounting periods commencing on 1 January 2013 are:

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)

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. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

2. Revenue

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) is detailed below by activity across the Group's operating units:

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Licences	347	559
Consulting Services	2,323	4,620
Hosted Services	3,280	3,377
Managed Services	3,015	2,824
Support and Upgrade	2,683	2,699
PCG	2,029	2,392
	13,677	16,471

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) by Business Unit is as follows:

	Year ended 31 Dec 14			Year ended 31 Dec 13		
	Recurring revenue £'000	Non Recurring revenue £'000	Total Revenue £'000	Recurring revenue £'000	Non Recurring revenue £'000	Total Revenue £'000
Vista Applications Division	5,831	1,200	7,031	5,725	1,735	7,460
advance Applications Division	388	523	911	363	2,174	2,537
Online Services Division	3,041	665	3,706	3,111	971	4,082
Marketing Communications Division (PCG)	881	1,148	2,029	897	1,495	2,392
	10,141	3,536	13,677	10,096	6,375	16,471

A geographical analysis of the Group's revenue (excluding revenue of the equity accounted investment) is as follows:

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
UK	6,707	7,183
USA	5,216	7,493
Rest of the World	1,754	1,795
	13,677	16,471

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

3. Joint venture

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Ltd (BIDPT) which was purchased during the year to 31 December 2012.

This investment is accounted for under the equity method. BIDPT has a reporting date of 31 December. The shares are not publicly listed on a stock exchange and hence published price quotes are not available.

Certain financial information on BIDPT is as follows:

	As at 31 Dec 14 £'000	As at 31 Dec 13 £'000
Assets	1,390	632
Liabilities	(766)	(50)
	Year ended 31 Dec 14	Year ended 31 Dec 13
Revenues	1,403	895
Profit / loss	42	212
Revenue attributable to the Group	687	439
Profit/loss attributable to the Group	20	104

Changes in equity accounted investments

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Cost of 49% investment in BIDPT	278	52
Investment in the year	-	150
Retained profit / (loss) attributable to the Group	20	76
Investment book value	298	278

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

4. 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: **Vista**; **advance**; Online; and PCG. This split of business segments is based on the products and services each offer.

Vista sells **author2reader** publishing management systems, **advance** sells the new generation of enterprise level publishing management systems. Online provides **ingentaconnect**, **pub2web** and **ICS** online products, and PCG provides consultancy service in sales and marketing and also full service representation services 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 on pages 2 to 5. All revenues are derived from trade with external parties.

Property, plant and equipment is held in the UK £222K (2013: £188K), the USA £136K (2013: £156K), Brazil £4K (2013: £4K) and Australia £1K (2013: £1K)

One customer contributed more than 10% of revenue (2013: one). 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 2014	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
External sales	911	7,031	3,706	2,029	13,677
Segment result (EBITDA)	(5,441)	3,252	(947)	7	(3,129)
Depreciation	(18)	(136)	(73)	-	(227)
Unallocated corporate expenses					(91)
Restructuring					(88)
Foreign exchange loss					(19)
Operating loss					(3,554)
Share of profit from equity accounted investment					20
Finance costs					(460)
Loss before tax					(3,994)
Tax					395
Loss after tax					(3,599)

Other information	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
Capital additions	78	78	76	1	233
Statement of Financial Position					
Assets					
Attributable Goodwill	-	-	2,661	1,076	3,737
Segment assets	2,410	2,410	2,066	687	7,573
Unallocated corporate assets					655
Consolidated total assets					11,965
Liabilities					
Segment liabilities	2,053	2,053	1,472	898	6,476
Unallocated corporate liabilities					9,538
Consolidated total liabilities					16,014
Total equity and liabilities					11,965

Year to 31 December 2013

	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
External sales	2,537	7,460	4,082	2,392	16,471
Segment result (EBITDA)	(1,479)	3,302	(771)	320	1,372
Depreciation	(39)	(116)	(63)	-	(218)
Unallocated corporate expenses					(246)
Restructuring					(43)
Foreign exchange profit					24
Operating profit					889
Share of profit from equity accounted investment					104
Finance costs					(328)
Profit before tax					665
Tax					216
Profit after tax					881

Other information	advance £'000	Vista £'000	Online £'000	PCG £'000	Consolidated £'000
Capital additions	76	76	76	1	229
Statement of Financial Position					
Assets					
Attributable Goodwill	-	-	2,661	1,076	3,737
Segment assets	2,436	2,436	2,088	808	7,768
Unallocated corporate assets					305
Consolidated total assets					11,810
Liabilities					
Segment liabilities	2,236	2,236	1,340	446	6,258
Unallocated corporate liabilities					5,997
Consolidated total liabilities					12,255
Total equity and liabilities					11,810

Refer to note 10 for the estimates used in valuation of cash generating units.

5. (Loss) / profit from operations

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

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Research and development costs	2,652	2,504
Net foreign exchange gain /(loss)	19	(24)
Depreciation of property, plant and equipment		
- owned assets	145	121
- assets under finance leases	83	97
Operating lease rentals:		
- land and buildings	295	259
- other	72	89
Auditor's remuneration	73	71
Restructuring costs	88	43

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

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'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	35	33
Taxation services	18	18
	73	71

A description of the work of the Audit Committee is set out in the corporate governance statement on page 18 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6. Staff numbers and costs

	Year ended 31 Dec 14 Average number	Year ended 31 Dec 13 Average number
Staff numbers:		
Operations	132	133
Sales and marketing	29	31
Administration	11	12
	172	176
<hr/>		
	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Their aggregate remuneration comprised:		
Wages and salaries	9,027	9,099
Social security costs	974	992
Contribution to defined contribution plans	386	404
Health Insurance	465	530
Other staff costs	26	56
Total staff costs	10,878	11,081
<hr/>		
Remuneration in respect of Directors was as follows:		
Non-Executive Director fees	110	112
Executive Directors' emoluments	296	269
Company pension contributions to money purchase schemes	26	45
	432	426
<hr/>		
Remuneration of the highest paid Director (aggregate emoluments)	148	169

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 £14K were paid in respect of the highest paid Director (2013: £31K). There is one (2013: two) Director in a 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 £386K (2013: £404K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2014, contributions of £43K (2013: £42K) due in respect of the current reporting period were included in the Statement of Financial Position for payment in January 2015.

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.

7. Finance costs

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Interest payable:		
Interest on bank overdraft and loans	214	110
Interest on finance leases	25	20
Interest on other loans	221	198
	460	328

Interest on other loans relates to the loan note and the short term loans. Further details are provided in note 15.

8. Tax

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Analysis of credit in the year		
Current tax:		
Current research and development tax credit - UK	400	240
Current year State tax – US	(15)	(24)
Adjustment to prior year charge - UK	10	-
Taxation	395	216

The Group has unutilised tax losses at 31 December 2014 in the UK and the USA of £14.9m (2013: £14.7m) and \$14.8m (2013: \$11.9m) 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 \$8.7m (2013: \$6.3m) of the total unutilised losses at 31 December 2014.

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

The differences are explained below:

Reconciliation of tax expense	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
(Loss)/profit on ordinary activities before tax	(3,994)	665
Tax at the UK corporation tax rate of 21.5% (2013: 23.25%)	(859)	155
Expenses not deductible for tax purposes	3	4
Additional deduction for Research and Development expenditure	(468)	(583)
Surrender of losses Research and Development tax credit refund	315	276
Unrelieved UK losses carried forward	31	34
Utilisation of US losses	(65)	(74)
Effect of foreign tax rates	-	19
Difference in timing of allowances	(61)	(54)
Adjustment to tax charge in respect of prior years	(10)	(3)
Unrelieved China losses carried forward	(4)	(24)
Unrelieved Brazilian losses carried forward	5	34
Unrelieved Australian losses carried forward	1	-
Unrelieved US losses carried forward	717	-
Total taxation	(395)	(216)

United Kingdom Corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated assessable profit for the year.

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

9. 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. None (2013: 7500) of the potential ordinary shares from options are dilutive because the Group holds enough unallocated shares within the Employee Share Ownership Trust ('ESOT') to fulfil their exercise. As a result, no diluted Earnings per share has been calculated for the year ended 31 December 2014. For the year ended 31 December 2013, almost all outstanding options have an exercise price in excess of the average market price in the year, therefore there is no material dilutive impact from options granted and the basic and diluted earnings per share figures are the same.

	Year ended 31 Dec 2014 £'000	Year ended 31 Dec 2013 £'000
Attributable (loss)/profit	(3,599)	881
Weighted average number of ordinary shares ('000)	8,414	8,414
(Loss)/earnings per share (basic and diluted) arising from both total and continuing operations	(42.77p)	10.47p

10. Intangible assets

As at 31 December 2014, 31 December 2013 and 31 December 2012, intangible assets consisted of goodwill. The cost and net book value of goodwill is £3.7m.

At the year end management carried out an impairment review of goodwill attached to each business unit. Following that review, management are 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.

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 14 £'000	Year ended 31 Dec 13 £'000
Online Services Division	2,661	2,661
Marketing Communications Division	1,076	1,076
Total goodwill	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 Group 5 year forecast. Much of the revenue is regarded as recurring and unlikely to be adversely affected by technological change. Where applicable, management have assumed a forecast cost base growth rate of 2-5% (2013: 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 growth rates of 12-27% over the next five years (2013: 10%).

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 Online over the review period is projected to be £5m, therefore £2.3m in excess of the carrying value of its allocated Goodwill with no other associated material assets held which will generate the future cash flows. Similarly, cash generated by PCG is projected to be £1.3m, therefore £0.2m in excess of its allocated Goodwill.

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 (2013: 17%) and that this is applicable to both cash-generating units.

11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2013	21	233	1,527	1,781
Additions	5	27	197	229
Exchange differences	(1)	(5)	(15)	(21)
At 31 December 2013	25	255	1,709	1,989
Additions	-	-	233	233
Exchange differences	-	12	42	54
At 31 December 2014	25	267	1,984	2,276
Accumulated depreciation and impairment				
At 1 January 2013	11	162	1,265	1,438
Charge for the year	4	28	186	218
Exchange differences	-	(3)	(13)	(16)
At 31 December 2013	15	187	1,438	1,640
Charge for the year	4	26	197	227
Exchange differences	-	9	37	46
At 31 December 2014	19	222	1,672	1,913
Carrying amount				
At 31 December 2014	6	45	312	363
At 31 December 2013	10	68	271	349
At 31 December 2012	10	71	262	343

Assets held under finance leases with a net book value of £296K (2013: £167K) are included in property, plant and equipment and £83K (2013: £97K) of depreciation was charged on these assets in the year, see note 18 for further details.

12. Trade and other receivables

Trade and other receivables comprise the following:

	As at 31 Dec 14 £'000	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Trade receivables – gross	3,774	4,456	3,669
Allowance for credit losses	(188)	(26)	(27)
Trade receivables - net	3,586	4,430	3,642
Other receivables	58	58	77
Accrued income	514	1,253	827
Financial assets	4,158	5,741	4,546
Prepayments	219	230	216
Non financial assets	219	230	216
Trade and other receivables	4,377	5,971	4,762

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 reporting date comprise amounts receivable from the sale of goods and services of £3.8m (2013: £4.5m, 2012: £3.6m).

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

The average credit period taken on sales of goods is 65 days (2013: 59 days, 2012: 42 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 £188K (2013: £26K, 2012: £27K) has been recorded accordingly within "sales and marketing" in the statement of comprehensive income. 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 14 £'000	Year ended 31 Dec 13 £'000
Balance as at 1 January	26	27
Amounts written off (uncollectable)	-	(1)
Additional allowance in year	162	-
Balance as at 31 December	188	26

An analysis of unimpaired trade receivables that are past due is given in note 26.

13. Cash and cash equivalents

	As at 31 Dec 14 £'000	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Cash at bank and in hand:			
Cash at bank:			
- GBP	20	41	24
- USD	1,627	942	1,549
- EUR	1,070	248	198
- BRL	5	3	2
- CNY	67	-	-
Cash in hand – GBP	1	1	1
	<u>2,790</u>	<u>1,235</u>	<u>1,774</u>
Bank Overdraft - GBP	(4,519)	(2,580)	(2,319)
	<u>(1,729)</u>	<u>(1,345)</u>	<u>(545)</u>
Net cash and cash equivalents	(1,729)	(1,345)	(545)

'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.

14. 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 52 days (2013: 49 days, 2012: 48 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 14 £'000	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Trade payables	843	689	814
Accruals	1,062	791	1,121
Finance lease liabilities	155	92	88
Other payables	2,618	1,250	1,530
Financial liabilities	<u>4,678</u>	<u>2,822</u>	<u>3,553</u>
Deferred income	3,585	3,969	4,120
Social security and other taxes	548	663	565
Non-financial liabilities	<u>4,133</u>	<u>4,632</u>	<u>4,685</u>
Trade and other payables	8,811	7,454	8,238

15. Borrowings

	As at 31 Dec 14 £'000	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Bank overdrafts (note 13)	4,519	2,580	2,319
Short term loans	1,050	649	-
Loan note	1,500	1,500	1,500
	<u>7,069</u>	<u>4,729</u>	<u>3,819</u>
On demand or within one year (shown under current liabilities)	5,569	3,229	2,319
In the second year	1,500	1,500	1,500

	Year ended 31 Dec 14 %	Year ended 31 Dec 13 %	Year ended 31 Dec 2012 %
Interest rates:			
Bank overdrafts	4% above base	3.25 - 4% above base	3.25- 4% above base
Short term loans	12%	12%	12%
Loan Note	8%	8%	8%
Loan Note – default interest	4%	4%	4%

The facility with HSBC has consisted of an overdraft which has varied from £1.5m to £3.0m during the year to 31 December 2014.

As at 31 December 2014, the overdraft facility was £3.0m (2013: £2.0m, 2012: £1.5m) at an interest rate of 4.0 % above base. The facility is based on Group net funds which totalled £1.7m (2013: £1.3m). Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 4.5% (2013: 3.75%, 2012: 3.75%) 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 loan notes are debt instruments.

The short term loans were loans received from Directors, employees and related parties. Amounts due relating to Directors of the Company or other related parties are disclosed within related parties transactions (note 25).

All borrowings are measured at amortised cost.

Loan note

The base interest rate on the loan note 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 note during 2014. The Group is in default under the loan agreement and the loan note is 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 loan note holder has agreed to waive any rights to repayment until June 2016.

All conversion windows have closed and management have therefore accounted for the loan note entirely as a financial liability.

16. Provisions

There were no provisions as at 31 December 2014 or 31 December 2013. (2012 £Nil).

17. Deferred tax

Subject to agreement with HMRC, the Group has unrealised losses in the UK of £14.9m (2013: £14.7m). The Group also has unutilised losses in the USA of \$14.8m (2013: \$11.9m), 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 (2013: \$6.3m) 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 (2013: £Nil, 2012: £Nil).

18. Finance lease arrangements

The Group as lessee

Elements of the Group's IT equipment are held under finance lease arrangements. As at 31 December 2014, the net carrying amount of equipment under finance lease arrangements was £296K (2013: £167K). Finance lease liabilities are secured by the related assets. Future minimum finance lease payments are as follows:

Year ended 31 December 2014	< 1 year £'000	1 – 5 years £'000	5 years £'000	Total £'000
Lease payments	170	147	-	317
Finance charges	(15)	(13)	-	(28)
Net present value	155	134	-	289
Year ended 31 December 2013	< 1 year £'000	1 – 5 years £'000	5 years £'000	Total £'000
Lease payments	103	79	-	182
Finance charges	(11)	(7)	-	(18)
Net present value	92	72	-	164

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.

19. Operating lease arrangements

The Group as lessee

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

	As at 31 Dec 14 £'000	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Land and buildings			
Minimum lease payments due within one year	338	359	337
Minimum lease payments due in the second to fifth years inclusive	894	450	800
Minimum lease payments due after the fifth year	297	-	22
	<u>1,529</u>	<u>809</u>	<u>1,159</u>
Other			
Minimum lease payments due within one year	72	39	74
Minimum lease payments due in the second to fifth years inclusive	59	62	10
	<u>131</u>	<u>101</u>	<u>84</u>

Operating leases for Land and Buildings represent contracts on the following offices: Oxford, UK; Bath, UK; Somerset, NJ, USA; and Boston, MA, USA. Other Operating leases represent car leases, photocopier leases and sundry equipment leases.

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

20. Share capital

As at 31 December 2014, 31 December 2013 and 31 December 2012

	£'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.

21. Share options

The Group has an approved option scheme which is an H M 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 2014 were as follows (2013: 8,844, 2012: 15,644):

Number of Shares	Grant Date	Exercise Price	Expiry Date
100	4 October 2005	£1.95	4 October 2015
1,000	30 March 2006	£2.16	30 March 2016
4,000	18 August 2010	£0.62	18 August 2020
5,100			

These options are exercisable from the first, second and third anniversaries of the date of grant. The options are non-dilutive because the Group holds enough unallocated shares within the Employee Share Ownership Trust ('ESOT') which can be used to fulfil their exercise.

The change from 31 December 2013 is due to options lapsing as they reached the 10th anniversary of the grant date during the year and the exercise of 2,400 options. 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.

22. Investment in own shares

	Publishing Technology Shares held in trust Number	Treasury Shares Number	Nominal value £	Cost £
At 31 December 2012	250,973	2,447	25,343	7,130
At 31 December 2013	216,662	2,172	21,883	6,550
At 31 December 2014	203,319	-	20,332	6,081

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

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

23. 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 13 'cash and cash equivalents'. The initial recognition of finance lease liabilities are non-cash transactions excluded from the statement of cash flows.

24. Contingent liabilities

There were no contingent liabilities at 31 December 2014, 31 December 2013 or 31 December 2012.

25. 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 20.

	Year ended 31 Dec 14 £'000	Year ended 31 Dec 13 £'000
Short term employee benefits	432	426

Directors' transactions

The amounts outstanding with Directors as at 31 December 2012 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced Non-Executive Directors fees. The amounts outstanding as at 31 December 2013 and 31 December 2014 relate to amounts due from Publishing Technology plc to Directors in connection with invoiced Non-Executive fees, short term loans to the Group and interest on short term loans to the Group.

	As at 31 Dec 14 £'000	As at 31 Dec 13 £'000	As at 31 Dec 12 £'000
Amounts outstanding with Directors	1,095	613	8

The Company borrowed £580K from Directors in October 2013 which was repaid with interest in January 2014 ("short term loans"). A further £450K was borrowed in March 2014 and repaid with interest in July 2014. Another £250K was borrowed in August, £400K in October and £400K in November. £200K was repaid in February 2015. All Short Term Loans had an interest rate of 12% per annum.

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 2014, of which £90K was outstanding as at 31 December 2014 and was paid on 13 January 2015. The Note holder has waived any right to repayment of the loan note until June 2016.

There have been no other loans, quasi-loans or other transactions with Directors or other key management personnel in the year to 31 December 2014 other than those detailed in this note.

Joint venture transactions

Publishing Technology plc invoiced has not invoiced the joint venture during the year (2013: £47K). All historical transactions were charged at normal commercial rates. At year end £47K was deferred (2013: £47K) and £47K remained outstanding (2013: £47K). No revenue was accrued in the year (2013: £nil).

The joint venture loaned the business £30K during the year taking the total loan amount up to £110K (2013: £80K)

26. 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 statement of comprehensive income.

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 2014		
Financial assets	1,528	-
Financial liabilities	(2,538)	-
Total exposure	(1,010)	-
31 December 2013		
Financial assets	1,057	-
Financial liabilities	(995)	-
Total exposure	62	-

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 2014 (2013: 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% (2013: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2014	261	(130)
31 December 2013	(41)	(115)

If GBP had weakened against USD by 10% (2013: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2014	(319)	159
31 December 2013	50	140

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 2014 the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings (being the loans see note 15) 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 2014	(24)	51	(24)	51
31 December 2013	(30)	30	(30)	30
31 December 2012	(25)	25	(25)	25

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:

	2014 £'000	2013 £'000	2012 £'000
Cash and cash equivalents (note 13)	2,790	1,235	1,774
Trade and other receivables (note 12)	4,377	5,971	4,762
	7,167	7,206	6,536

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 not impaired can be shown as follows:

	2014 £'000	2013 £'000	2012 £'000
Not more than 3 months	3,026	4,100	3,428
More than 3 months but less than 6 months	558	214	145
More than 6 months but not more than 1 year	142	107	72
More than 1 year	48	35	24
	3,774	4,456	3,669

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 (2013: £nil, 2012: £nil).

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with various banks.

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 2016.

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 2014, 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 2014:				
Loans	90	90	1,500	-
Bank borrowings (note 15)	4,519	-	-	-
Short term loans	1,050	-	-	-
Finance lease obligations	86	86	145	-
Trade and other payables (note 14)	4,523	-	-	-
Total	10,268	176	1,645	-

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 2013:				
Loans	90	90	1,500	-
Bank borrowings (note 15)	2,580	-	-	-
Short term loans	-	-	-	-
Finance lease obligations	51	52	79	-
Trade and other payables (note 14)	2,730	-	-	-
Total	5,451	142	1,579	-

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 2014			As at 31 December 2013		
	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	3,586	-	3,586	4,430	-	4,430
Other receivables	58	-	58	58	-	58
Prepayments and accrued income	514	219	733	1,253	230	1,483
Cash and cash equivalents	2,790	-	2,790	1,235	-	1,235
	6,948	219	7,167	6,976	230	7,206

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

	As at 31 December 2014			As at 31 December 2013		
	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	843	-	843	689	-	689
Social security and other taxes	-	548	548	-	663	663
Finance leases	-	289	289	-	164	164
Other payables	2,618	-	2,618	1,250	-	1,250
Accruals	1,062	-	1,062	791	-	791
Deferred income	-	3,585	3,585	-	3,969	3,969
Bank overdrafts	4,519	-	4,519	2,580	-	2,580
Short term loans	1,050	-	1,050	-	-	-
Loan note	1,500	-	1,500	1,500	-	1,500
Provisions	-	-	-	-	-	-
	11,592	4,422	16,014	6,810	4,796	11,606

27. 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:

	2014 £'000	2013 £'000	2012 £'000
Total equity	(4,049)	(445)	(1,269)
Loan notes	1,500	1,500	1,500
Short term loans	1,050	-	-
Cash and cash equivalents	1,729	1,345	545
Capital	230	2,400	776
Total equity	(4,049)	(445)	(1,269)
Borrowings	7,069	4,729	3,819
Overall financing	3,020	4,284	2,550
Capital to overall financing ratio	0.08	0.56	0.30

28. Post balance sheet events

The Group has announced an equity raising of £9m. Further details are included within the Chairman's statement.

Company Balance Sheet

As at 31 December 2014

	note	2014 £'000	2013 £'000
Non current assets			
Investments	3	6,236	3,270
Current assets			
Debtors	4	-	2,680
Current liabilities			
Creditors - amounts falling due within one year	5	1,841	1,410
Net current (liabilities) / assets		(1,841)	1,270
Total assets less current liabilities		4,395	4,540
Creditors - amounts falling due after more than one year	6, 9	1,500	1,500
Net assets		2,895	3,040
Capital and reserves			
Called up share capital	7	841	841
Retained earnings	8	2,054	2,199
Equity shareholders' funds		2,895	3,040

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2015 and were signed on its behalf by:



A B Moug C.A.
Director



M P Cairns
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.

Intercompany loans are long term in nature and have been classified as investments.

The Directors do not believe the investments have been impaired based on the findings of the wider impairment review detailed in note 10 of the Group accounts.

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 June 2016 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 Strategic report on page 8 and the Group accounting policies).

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.

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.

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 £145K (2013: £147K).

An audit fee of £20K was paid in respect of the parent company audit (2013: £20K). Tax fees for the Group of £18K (2013: £18K) have been borne by the subsidiary companies.

The Company employed two Executive Directors (2013: 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

	2014 £'000	2013 £'000
Cost		
At 1 January	3,270	3,120
Investments made in the year	-	150
Intercompany loans transferred from receivables	2,966	-
Subsidiary and joint venture undertakings	6,236	3,270

Details of subsidiary undertakings, in which the Company holds majority shareholdings and investments in which the Company holds significant interest and which have been consolidated and disclosed respectively 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
Beijing Ingenta Digital Publishing Technology Limited	China	Ordinary shares	49%	Publishing software and services

4. Debtors

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings	-	2,680

5. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Other creditors:		
Bank overdraft	516	641
Short term loans (note 9)	1,050	649
Accruals	275	120
	1,841	1,410

6. Creditors: amounts falling due after one year

	2014 £'000	2013 £'000
Debt:		
Loan note (note 9)	1,500	1,500

7. Share Capital

	2014 £'000	2013 £'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 2013	841	2,199	3,040
Retained loss for the year	-	(145)	(145)
At 31 December 2014	841	2,054	2,895

9. Borrowings

	2014 £'000	2013 £'000
Bank overdraft	516	641
Short term loans	1,050	649
Loan note	1,500	1,500
	3,066	2,790
On demand or within one year	1,566	1,290
In more than one year	1,500	1,500
	3,066	2,790

	Year ended 31 Dec 14 %	Year ended 31 Dec 13 %
Interest rates:		
Bank overdrafts	4% above base	3.5 – 4% above base
Short term loans	12%	12%
Loan note	8%	8%
Loan note – default interest	4%	4%

Bank overdrafts are repayable on demand. Overdrafts of £516K (2013: £641K) have been secured by a charge over the Group's assets. The average effective interest rate on bank overdrafts approximates 4.5 % (2013: 3.75%) per annum.

The Company took loans from Directors in the year to 31 December 2014 ("short term loans") which are detailed in note 10 to the Company accounts 'related party transactions'.

Loan note

The base interest rate on the loan note issued by Publishing Technology plc 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 note during 2014. The Company is in default under the loan agreement and the loan note is 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 loan note holder has agreed to waive any rights to repayment until June 2016.

All conversion windows in relation to the loan note have now closed. Management have therefore accounted for the loan note entirely as a financial liability.

10. Related party transactions

The note holder of the £1.5m loan note is a trust in which M C Rose, the Non-Executive Chairman of the Company, is a trustee. Interest of £180K (2013: £180K) was accrued in the year to 31 December 2014, of which £90K (2013: £90K) was outstanding as at 31 December 2014 and paid in January 2015. Related party transactions are detailed in note 25 to the consolidated accounts.

The Company borrowed £580K from Directors in October 2013 which was repaid with interest in January 2014 ("short term loans"). A further £450K was borrowed in March 2014 and repaid with interest in July 2014. Another £250K was borrowed in August, £400K in October and £400K in November. £200K was repaid in February 2015. All Short Term Loans had an interest rate of 12% per annum.

Publishing Technology plc invoiced has not invoiced the joint venture during the year (2013: £47K). All historical transactions were charged at normal commercial rates. At year end £47K was deferred (2013: £47K) and £47K remained outstanding (2013: £47K). No revenue was accrued in the year (2013: £nil).

The joint venture loaned the business £30K during the year taking the total loan amount up to £110K (2013: £80K)

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