

24 November 2009

Melorio plc (“Melorio” or the “Company”)

Interim Results

Melorio (AIM: MLO), the support services group providing training and qualification services across the information technology, construction and logistics sectors, is pleased to announce its results for the six months ended 30 September 2009.

Highlights

- Continued levels of strong growth:
 - Revenue up 182% to £26.2m (H1 2009: £9.3m)
 - EBITA* up 85% to £6.3m (H1 2009: £3.4m)
 - Basic earnings per share up 23% to 7.1p (H1 2009: 5.8p)
 - Adjusted earnings per share up 37% to 9.7p (H1 2009: 7.1p)
- 105% conversion of EBITA to operating cash flow; net debt reduced to £12.0m (31 March 2009: £14.4m);
- Strong like for like organic growth against a backdrop of constrained Government funding in adult training
- Maintained quality of delivery and high achievement rates
- Current trading in line with expectations for the full year

Hugh Aldous, Chairman said:

“We are pleased with our continued growth in the first half, driven by the high levels of demand for our services across all the sectors that we serve. We were constrained by the levels of funding available from the Learning and Skills Council to meet the full demand for adult training and are focused on increasing the commercial revenues of this part of our business going forwards.

“We have adapted to changes in the market through making our cost base more flexible and business model more resilient. We believe the vertical markets we are focused on are the right sectors of the economy where there will continue to be strong demand for training and appropriate qualifications.

“The business model has proved flexible, resilient and capable of sound growth in training young people. Melorio is on track to meet market expectations for the full year and the Board remains positive about the Company’s ability to develop its business in the current climate.”

* EBITA represents operating profit before amortisation of acquired intangible assets, exceptional items and share-based payment charge.

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NOTES TO EDITORS

Melorio plc / <http://www.melorio.com>

Melorio is a support services group providing training and qualification services across a growing range of industry sectors to two groups of individuals: young people (16-18 year old school leavers) and adults. Melorio currently employs approximately 846 people and operates from 38 centres across the United Kingdom. The group has an experienced board and management team and clear quality standards, systems, processes and controls.

The government is committed to provide funding for both Apprenticeships and NVQs. Melorio is focused on industries where there is strong demand for training, and where demand is set to continue throughout the economic cycle. The identification of economic demand, combined with a strong commitment from the major political parties to an agenda of up-skilling the UK workforce, puts the group in a strong position to capitalise on opportunities and gives good visibility of earnings.

Information Technology

Zenos is the leading provider of vocational education and training for IT professionals. Learners undertaking training are school leavers embarking on a career and those already employed within the IT industry. The core qualification is the Advanced Apprenticeship combined with industry standard vendor qualifications. Zenos has worked with over 200 organisations across the UK including many leading multi-national IT services companies.

Construction and Infrastructure

Melorio services clients in this sector through three businesses. Construction Learning World ("CLW") is the leading provider of on-site training, assessment and related support services to the UK construction and infrastructure industry. CLW has a client base of more than 2,000 organisations located across the UK, including many of the UK's largest construction and infrastructure companies. HB Training is a long established provider of construction Apprenticeships to school leavers commencing a career in construction. Logic 4 Training supports clients in the building services industry, delivering training and certification services.

Logistics and Supply Chain

Logistics Learning World ("LLW") is the leading provider of training to the UK logistics and allied industries. LLW provides training and assessment for vocational qualifications to logistics workers. The increasing legislative requirements within the logistics and haulage industries present many new challenges for operators, and LLW is well placed to provide a solution.

Chairman's statement

I am pleased to report that we have had another six months of strong growth.

During the period we have continued to grow our differentiated service offering across key sectors, with considerable growth in IT. We have delivered consistently high achievement rates, which has provided excellent value for money for our funding partners and enhanced the service to our clients and learners.

The main constraint on our growth in the period has been the level of funding available to us from the Learning and Skills Council, and we believe this will continue to be the case. During the period we reduced headcount and made our cost base more flexible in order to position the Company as strongly as possible to adapt to market changes. We are actively refocusing our adult training activities to generate greater commercial revenue streams.

Up-skilling and re-skilling the UK workforce will be key to economic recovery, and when it happens we believe we have aligned the Company to contribute to that recovery.

Going forward, we intend to report segmentally across the following two delivery models and training markets: young people and adults. Central costs have been allocated across these segments.

Young People

Youth unemployment has increased and skills shortages remain in critical sectors of the economy such as Information Technology. There is a very significant desire from all political parties to address the youth unemployment problem and progression from school into careers, with all seeing the use of Apprenticeships as a critical part of the policy solution.

The funding and provision of Apprenticeship places for eligible 16 to 18 year olds is now enshrined in the Apprenticeship Bill that recently received Royal Assent. There is an increased policy focus on industries that will drive economic recovery (including IT and construction), and on technical and traditional 'trade' skills as well as Advanced Apprenticeships, for which Melorio is well positioned. We have stayed close to the development of cross-party thinking on Apprenticeships and we believe that we are one of the country's leading providers.

The young people segment primarily delivers Apprenticeship training and also assists school leavers into careers. It comprises Zenos in the IT sector and, in construction, the majority of the HB business. Performance in the first half was strong. Revenue was £13.8m (2009: nil) and EBITA was £3.8m (2009: nil).

The performance was again underpinned by very high achievement rates, in excess of 90% for IT during the first half. Apprentice learner numbers at 30 September were 1,514, which split 1,143 for IT (2009 proforma: 604), and 371 for construction (2009 proforma: 268). Demand from and engagement with employers has been strong during the period.

The growth of the Zenos business in IT has continued in the first half of the year with the opening of 6 new academies, bringing the total number to 23 (we acquired the business with 14). Encouragingly approximately half of the growth seen in the business has been like for like growth from existing sites where we have enhanced capacity. We are planning for further growth in February 2010.

I am pleased to report that in construction we have significantly strengthened the senior management team, and have opened new academies in Rotherham, Preston and Stoke, whilst closing and consolidating smaller sites in Stoke and Glasgow. Following the portfolio changes HB has 12 academies, up from 11 when the business was acquired.

Adults

Demand for NVQ qualifications and other training services within adult training was strong during the period as we continue to partner with employers within industries that have a strategic importance to the future UK economy and have a strong requirement for training and appropriate qualifications.

We have made considerable progress with our provision of commercially funded training services during the period. During the first half, 27% of Melorio's revenue was from Train to Gain, a proportion which is likely to reduce by the year end.

Government policy supports the continued provision of high quality, training-led NVQ delivery, with an increased focus on directing funding towards provision in priority sectors (including construction and logistics), and to strongly performing training providers. There is increasing cross-party support for maintaining provision of this nature as part of a commitment to the Leitch agenda.

The adult segment principally comprises Construction Learning World (CLW) in the construction sector, Logistics Learning World (LLW) in the logistics and allied industries, and Gas Logic and Logic Certification in building services. Revenue was £12.4m (2009: £9.3m) and EBITA was £2.5m (2009: £3.4m).

The performance was underpinned by very strong achievement rates which again reached approximately 80%. Volumes of completed NVQs in the division were 6,855, which split 4,982 between construction (2009: 3,926), and 1,873 for logistics (2009: 204). We believe that we continued to increase our market share in the period.

The key constraint to achieving a higher level of financial performance was the level and timing of funding available from the Learning and Skills Council, which overspent its budget for the 08/09 academic year and consequently came under severe financial constraints in 09/10. We continue to work closely with them to fulfil our clients' needs wherever possible.

As a result of the funding environment, during the period we made considerable effort to make our cost base more flexible by putting a number of colleagues on flexible working contracts such that we have the resource to service our clients more efficiently. At the same time we have reduced our operating costs in the division by making a number of redundancies, completed with minimal disruption to the operational performance of the business.

On 20 May 2009, the Company acquired a 50.05% interest in the share capital of Gas Logic Limited and Logic Certification Limited for a consideration of £0.2m. The Company has an option to acquire the balance of the share capital in these companies at a value which is subject to performance and time conditions. This acquisition enabled Melorio to enter the building services market, through the provision of commercial training and certification services across the gas, plumbing and electrical sectors.

Financial

Reported revenue has grown to £26.2m from (2009: £9.3m), EBITA (EBITA represents operating profit before amortisation of acquired intangible assets, exceptional items and

share-based payment charge) was £6.3m (2009: £3.4m) and profit before tax was £4.0m (2009: £2.7m). Exceptional operating expenses of £0.4m were incurred in the period relating to restructuring, redundancies and site closure costs.

Basic earnings per share were 7.1p, diluted EPS 6.7p, and adjusted diluted EPS were 9.2p before share-based payment charge, exceptional items and amortisation of intangible assets.

105% of EBITA was converted into operating cash flow, which was again pleasing. We continued to invest heavily in our facilities and people to ensure that we can provide the best possible service to our clients and learners.

Net debt at the period end was £12.0m (31 March 2009: £14.4m). Capital expenditure during the first half was higher at £1.1m as a result of the academy expansion programme and we increased net debt by £0.7m to acquire Gas Logic and Logic Certification (including acquisition costs and acquired debt).

As previously stated, we will not be recommending the payment of an interim dividend as we continue to focus on re-investing for growth and paying down debt. We continue to enjoy good relationships with both our banking partners and have paid down debt ahead of their expectations.

Outlook

The business model has proved flexible, resilient and capable of sound growth in training young people.

Since the half year end, trading has been in line with market expectations and the second half is expected to be characterised by good levels of growth in young people, with some impact from the Government funding environment in the adult division.

The Board views positively the medium to long term outlook for the adult division and is actively refocusing our adult training activities to generate greater commercial revenue and reduce exposure to government funding.

Melorio is on track to meet market expectations for the full year and the Board remains positive about the Company's ability to develop its business in the current climate.

Independent review report to Melorio Plc

INDEPENDENT REVIEW REPORT TO MELORIO PLC

Introduction

We have reviewed the accompanying condensed balance sheet of Melorio plc as at 30 September 2009 and the related condensed consolidated interim income statement and interim statement of cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with applicable law. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with applicable law.

Tenon Audit Limited
Statutory Auditor
Nottingham

24 November 2009

Consolidated Income Statement

for the six months ended 30 September 2009

	Note	Period ended 30 Sep-09 £'000	Period ended 30 Sep-08 £'000
Revenue		26,202	9,297
Cost of sales		(13,343)	(3,745)
		<hr/>	<hr/>
Gross profit		12,859	5,552
Administrative expenses		(7,789)	(2,614)
Operating profit analysed between:			
Operating profit before amortisation of acquired intangible assets, exceptionals and share based payment charge		6,299	3,410
Amortisation of acquired intangible assets		(495)	(250)
Exceptional items	3	(424)	-
Share-based payment charge		(311)	(222)
Operating profit		5,069	2,938
Finance income		2	-
Finance costs		(1,036)	(285)
Profit before tax analysed between:			
Profit before tax before amortisation of acquired intangible assets, exceptionals and share based payment charge		5,265	3,125
Amortisation of acquired intangible assets		(495)	(250)
Exceptional items	3	(424)	-
Share-based payment charge		(311)	(222)
Profit before tax		4,035	2,653
Taxation		(1,289)	(842)
		<hr/>	<hr/>
Profit for the period		2,746	1,811
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the parent		2,766	1,811
Minority interest		(20)	-
		<hr/>	<hr/>
Profit for the period		2,746	1,811
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (p)	2	7.07	5.76
Diluted earnings per share (p)	2	6.74	5.57

Consolidated Balance Sheet

as at 30 September 2009

	Note	30 Sep-09 £'000	30 Sep-08 £'000	31 Mar-09 £'000
Assets				
Non-current assets				
Property, plant and equipment		2,491	226	1,402
Goodwill		59,287	31,083	58,901
Other intangible assets		3,782	1,750	4,277
		<u>65,560</u>	<u>33,059</u>	<u>64,580</u>
Current assets				
Trade and other receivables		9,182	4,294	8,540
Deferred tax asset		388	129	311
Cash and cash equivalents	5	2,331	3,073	1,272
		<u>11,901</u>	<u>7,496</u>	<u>10,123</u>
Total assets		<u><u>77,461</u></u>	<u><u>40,555</u></u>	<u><u>74,703</u></u>
Liabilities				
Current liabilities				
Financial liabilities – borrowings	6	(5,590)	(1,602)	(4,758)
Trade and other payables		(5,872)	(970)	(4,897)
Current tax liabilities		(1,394)	(859)	(1,623)
		<u>(12,856)</u>	<u>(3,431)</u>	<u>(11,278)</u>
Net current (liabilities)/assets		<u>(955)</u>	<u>4,065</u>	<u>(1,155)</u>
Non-current liabilities				
Financial liabilities – borrowings	6	(8,788)	(4,314)	(10,945)
Other financial liabilities	7	(10,094)	-	(9,829)
		<u>(18,882)</u>	<u>(4,314)</u>	<u>(20,774)</u>
Total liabilities		<u><u>(31,738)</u></u>	<u><u>(7,745)</u></u>	<u><u>(32,052)</u></u>
Net assets		<u><u>45,723</u></u>	<u><u>32,810</u></u>	<u><u>42,651</u></u>
Shareholders' equity				
Share capital	8	3,910	3,145	3,910
Share premium		32,113	26,443	32,113
Hedging reserve		(283)	(12)	(307)
Retained earnings		10,012	3,234	6,935
		<u>45,752</u>	<u>32,810</u>	<u>42,651</u>
Minority interest		(29)	-	-
Total equity		<u><u>45,723</u></u>	<u><u>32,810</u></u>	<u><u>42,651</u></u>

Consolidated Cash Flow Statement

for the six months ended 30 September 2009

		Period ended 30 Sep-09 £'000	Period ended 30 Sep-08 £'000
Cash flows from operating activities			
Cash generated from operations	9	6,632	2,636
Finance income received		2	-
Finance costs on bank loans and overdrafts		(535)	(94)
Taxation paid		(1,670)	(717)
Net cash inflow from operating activities		4,429	1,825
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,122)	(217)
Proceeds from disposal of property, plant and equipment		2	-
Acquisition of subsidiaries – net of cash acquired		(223)	-
Net cash outflow from investing activities		(1,343)	(217)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		-	135
Share issue costs		-	88
Proceeds from borrowings		1,000	-
Loan arrangement costs		-	(72)
Repayment of borrowings		(2,878)	-
Repayment of finance lease liabilities		(149)	-
Net cash (outflow)/inflow from financing activities		(2,027)	151
Net increase in cash and cash equivalents		1,059	1,759
Cash and cash equivalents at beginning of the period		1,272	1,314
Cash and cash equivalents at end of the period	5	2,331	3,073

Consolidated Statement of Changes in Equity

As at 30 September 2009

	Share capital £'000	Share Premium £'000	Hedging reserve £'000	Retained Earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 April 2008	3,145	26,311	(34)	1,201	30,623	-	30,623
Profit for the period	-	-	-	1,811	1,811	-	1,811
Gain on cash flow hedge	-	-	30	-	30	-	30
Deferred tax on gain on cash flow hedge	-	-	(8)	-	(8)	-	(8)
Recognition of share based payments	-	-	-	222	222	-	222
Other adjustments	-	132	-	-	132	-	132
At 30 September 2008	3,145	26,443	(12)	3,234	32,810	-	32,810
Profit for the period	-	-	-	3,437	3,437	-	3,437
Loss on cash flow hedge	-	-	(409)	-	(409)	-	(409)
Deferred tax on loss on cash flow hedge	-	-	114	-	114	-	114
Recognition of share based payments	-	-	-	264	264	-	264
Issue of shares	765	5,735	-	-	6,500	-	6,500
Costs of share issue	-	(65)	-	-	(65)	-	(65)
At 31 March 2009	3,910	32,113	(307)	6,935	42,651	-	42,651
Acquisition of subsidiary	-	-	-	-	-	(9)	(9)
Profit for the period	-	-	-	2,766	2,766	(20)	2,746
Gain on cash flow hedge	-	-	33	-	33	-	33
Deferred tax on gain on cash flow hedge	-	-	(9)	-	(9)	-	(9)
Recognition of share based payments	-	-	-	311	311	-	311
At 30 September 2009	3,910	32,113	(283)	10,012	45,752	(29)	45,723

Notes to the interim results for the six month period ended 30 September 2009

1. Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 September 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The interim financial statements are unaudited and do not comprise statutory accounts for the purposes of section 434 of the Companies Act 2006. Details of the accounting policies under IFRS as adopted by the European Union are available on the Group's website (www.melorio.com). The Group's statutory accounts for the year ended 31 March 2009 have been filed with the Registrar of Companies. The auditors, Tenon Audit Limited, reported on those accounts and their report was unqualified, did not include an emphasis of matter and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The accounting policies adopted in this report are consistent with those of the financial statements for the year ended 31 March 2009, as described in those financial statements

2. Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

Options were in issue over 4,276,002 of the Company's ordinary shares, and warrants were in issue over 3,774,000 of the Company's ordinary shares as at 30 September 2009.

To understand the underlying trading performance, the Directors consider it appropriate to disclose earnings per share before and after amortisation of acquired intangible assets and the costs of share based payments. The calculation of adjusted earnings per share is set out below:

	Period ended 30 Sep-09	Period ended 30 Sep-08
Earnings attributable to ordinary shareholders (£'000)	2,766	1,811
Post-tax amortisation of acquired intangible assets (£'000)	495	250
Post-tax exceptional items (£'000)	305	-
Post-tax share based payment charge (£'000)	224	160
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Adjusted profit on ordinary activities after taxation (£'000)	3,790	2,221
Weighted average number of shares – basic	39,097,061	31,450,002
Weighted average number of shares – diluted	41,036,897	32,492,641
Basic earnings per share (pence)	7.07	5.76
Amortisation of acquired intangible fixed assets (pence)	1.27	0.79
Exceptional items (pence)	0.78	-
Cost of share based payments (pence)	0.57	0.51
Adjusted basic earnings per share (pence)	9.69	7.06
Diluted earnings per share (pence)	6.74	5.57
Adjusted diluted earnings per share (pence)	9.24	6.84

Diluted earnings per share are calculated by adjusting for the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

Notes to the interim results for the six month period ended 30 September 2009
(continued)

3. Exceptional items

Exceptional costs incurred during the period relate to the restructuring of acquired businesses

4. Business combinations

On 20 May 2009 the Company acquired 50.05% of the entire share capital of Gas Logic Limited and Logic Certification Limited for a consideration of £200,000. On the same date the Company entered into a loan agreement with Gas Logic Limited whereby the Company loaned £100,000 to Gas Logic Limited. The Company has an option to acquire the balance of the entire issued share capital of Gas Logic Limited and Logic Certification Limited at a value subject to performance and time conditions. The fair value of assets, liabilities, and hence related goodwill have been estimated and are expected to be finalised at the year end.

5. Cash and cash equivalents

	30 Sep-09 £'000	30 Sep-08 £'000	31 Mar-09 £'000
Bank balances	2,331	3,073	1,272
Cash and cash equivalents per cash flow statement	2,331	3,073	1,272

6. Financial liabilities – borrowings

	30 Sep-09 £'000	30 Sep-08 £'000	31 Mar-09 £'000
Current			
Bank loans	5,358	1,602	4,522
Other loans	54	-	-
Finance lease liabilities	178	-	236
	<u>5,590</u>	<u>1,602</u>	<u>4,578</u>
Non-current			
Bank loans	8,481	4,314	10,848
Other loans	238	-	-
Finance lease liabilities	69	-	97
	<u>8,788</u>	<u>4,314</u>	<u>10,945</u>
Total borrowings	14,378	5,916	15,703

Notes to the interim results for the six month period ended 30 September 2009
(continued)

7. Other financial liabilities

Other financial liabilities include £9,897,000 which represents the present value of the deferred and contingent consideration for Zenos Limited that was recognised at 30 September 2009 (31 March 2009: £9,663,000, 30 September 2008: nil).

8. Authorised and issued share capital

	30 Sep-09 £'000	30 Sep-08 £'000	31 Mar-09 £'000
Authorised			
1,000,000,000 ordinary shares of 10p	100,000	100,000	100,000
Allotted, issued and fully paid			
39,097,061 (2008: 31,000,002) ordinary shares of 10p	3,910	3,115	3,910
Allotted, issued and partly paid			
Nil (2008: 450,000) ordinary shares of 10p	-	30	-

The Company has one class of ordinary shares which carry equal voting rights, and no right to fixed income.

In December 2008, the Company issued 7,647,059 fully paid ordinary shares for total consideration of £6,500,000 to the previous owners of Zenos Limited ("Zenos") as part of the total consideration for the purchase of the company.

9. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Period ended 30 Sep-09 £'000	Period ended 30 Sep-08 £'000
Operating profit	5,069	2,938
Depreciation and other non-cash items:		
Depreciation	357	34
Amortisation of intangible assets	495	250
Gain on disposal of property, plant and equipment	(1)	-
Share based payments	311	222
	<hr/>	<hr/>
Operating cash flow before movements in working capital	6,231	3,444
Changes in working capital:		
Increase in receivables	(154)	(295)
Increase in payables	555	(513)
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Cash generated from operations	6,632	2,636
	<hr/> <hr/>	<hr/> <hr/>