

20 May 2009

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

Preliminary Results

Melorio (AIM: MLO), the vocational training provider, is pleased to announce its results for the financial year ended 31 March 2009.

Highlights

- Consolidated results to 31 March 2009 include the trading of Zenos Limited and Zenos Learning Limited since their acquisition on 4 December 2008:
 - revenue of £31.4m (period to 31 March 2008* £7.8m)
 - EBITA** of £9.8m (period to 31 March 2008* £2.7m).
 - basic earnings per share 15.5p (period to 31 March 2008* 4.2p).

As at 31 March 2009 the Company had net debt of £14.4m.

- Successful diversification of revenues from both a sector and a funding stream perspective through the completion of two acquisitions and the launch of Logistics Learning World.
- Strong organic growth within all businesses, particularly Construction Learning World in spite of challenging trading environment for the construction industry
- Maintaining quality of delivery and achievement rates that exceed industry benchmarks; excellent job placement rates for young people on apprenticeship programmes.
- Well positioned for future growth: strong pipeline of learners from existing and new employer relationships; further development of relationships with existing and new funding partners.

* Period from incorporation to 31 March 2008, including 6 months trading of Construction Learning World Limited following its acquisition on 1 October 2007 and the admission of the Company to AIM.

** EBITA comprises operating profit (£8.6m) before amortisation of intangible assets and share-based payment charge.

Chairman’s statement

I am pleased to report that Melorio plc has had an excellent year despite difficult times for the industries that we service and for the economy. We have delivered training to greater numbers of young people and adults than anticipated, exceeded market expectations, and the very high quality of the services we deliver continues to be endorsed by our clients, inspection bodies, and funding agencies.

Revenue for the year was £31.4m (FY2008: reported £7.8m (6 months trading); pro-forma 12 months* £14.2m) generating EBITA** of £9.8m (FY2008: reported £2.7m; pro-forma 12 months* £4.9m), and profit after tax of £5.2m (FY2008: £1.0m).

Basic earnings per share were 15.5p, diluted EPS 15.0p, and 17.9p before share based payment charges and amortisation of intangible assets (4.2p, 4.1p and 6.6p respectively for the six months to 31 March 2008).

We believe that we were able to deliver good results over the last year, and are well positioned for the future as a result of:

- continuous focus on industry and learner requirements where underlying demand for training and assessment is strong in spite of tough market conditions;

- maintaining quality of delivery and achievement rates at the highest possible levels, which enhances the service to our clients, and provides excellent value for money to our funding partners;
- ongoing development of effective business models and operational processes that help to differentiate our offering and add further value to all our stakeholders;
- monitoring public policy closely and seeking to meet its objectives where these fit with our expertise and the demand from our clients; and
- the continuing development of a capable management team with good depth.

Stakeholders

The UK workforce needs constant up-skilling. We are now the largest, focused national private sector training organisation in each of our three current vertical markets:

- information and communications technology;
- construction and infrastructure; and
- supply chain and logistics.

We work very hard to serve three hugely important categories of stakeholders across each of our markets:

- the companies that we serve, understanding their future needs and partnering with them to help deliver the skills, training and qualifications that they require. A number of our key sectors continue to face considerable challenges and we strive to help them improve the performance and competitiveness of their businesses;
- the learners for whom we bespoke our training and assessment, and provide support for their progression through training and education as they play a growing role in rebalancing the country's economy. We focus our delivery to provide the real skills that people need to obtain jobs and to develop their careers, and a very high proportion of our learners obtain the qualification that they work towards with our support; and
- the UK through assisting the evolving matrix of agencies, skills councils and public bodies who work hard to improve the UK's skill base, productivity and the career prospects for its people. We operate in key sectors of the economy, delivering training and assessment from entry level skills (literacy and numeracy) through to advanced apprenticeships and beyond.

Assisting in economic recovery

Up-skilling the UK workforce will be a vital contributor to economic recovery, and Melorio is well placed to assist in this.

Over the last year, we assisted into careers a very high proportion of the young people who completed IT and construction apprenticeships with us on our academy programmes:

- 86% of those completing our IT academy Advanced Apprenticeship (and available for placement) went into jobs or higher/further education; and
- 68% of those young people completing an Apprenticeship in our construction academies went on to full employment in a difficult year.

During the coming year we expect to help and train approximately:

- 1,300 young people who will participate in and complete an intensive IT Advanced Apprenticeship course and business preparedness training, usually including a Microsoft qualification;

- 350 young people who will be under formal apprenticeships for construction trades, in addition to those on preparatory programmes to enter careers in construction; and
- 14,000 people across a range of key trades and industries to enhance their skills and obtain qualifications that directly help them to become more productive, safer, and more employable.

Operational focus and quality

To deliver an excellent, added value service to our stakeholders, and to grow and develop at the rate that we have, we have to be financially and commercially sound. We manage the business on performance measures throughout, we control its quality rigorously (we are proud of our external evaluation results) and we control it financially with conservative rigour. Our efficiency and focus allows us to deliver great results for our clients, learners and the UK economy as well as the financial results that we report today.

Achievement rates for the last year have been amongst the very best in the country and we are proud that over 80% of those embarking on our training programmes achieved the outcome that they were working towards.

In terms of our own standards, our OFSTED grades remain high with Learning World graded 2 ("Good") and Zenos graded 1 ("Outstanding"). In addition, Learning World obtained the Training Quality Standard with "Excellence in Construction". Our principal focus is to be simply the best; the best for our learners from all ages and walks of life.

Financial overview

The results for the year to 31 March 2009 are pleasing and we have grown both organically and by acquisition (with each new business continuing to grow post acquisition) in tough, uncertain times.

As noted above, our reported revenue has grown to £31.4m from £7.8m (for 6 months trading in FY2008, pro-forma 12 months* £14.2m). Our EBITA was £9.8m (FY2008: reported £2.7m; pro-forma 12 months* £4.9m), and profit after tax was £5.2m (FY2008: £1.0m). The current run rate revenue of the business, based on a pro-forma consolidation of companies acquired in the year is £42.8m.

Basic earnings per share were 15.5p, diluted EPS 15.0p, and adjusted diluted EPS of 17.9p before share based payment charges and amortisation of intangible assets (4.2p, 4.1p and 6.6p respectively for the six months to 31 March 2008).

Broadly speaking, we applied our profit and cash generation to paying down debt following the two acquisitions made during the year. We have a sound balance sheet with net debt of £14.4m and shareholders' equity of £42.7m.

We concentrate on being financially sound in everything that we do: when we expand organically we aim to do so successfully and when we acquire we aim to pay down any borrowings ahead of expectations. We are commercially sound, have a great spirit of enthusiasm for what we do, our people are proud of what they do and staff turnover is low.

We are investing heavily in developing our offering. Our greatest investment is in taking the time to listen to and understand our clients so that we can invest in new trades, new sectors and the people to build our business and help clients and learners in those sectors, with national coverage.

We do not pay a dividend as for now we are building and re-investing to be the best that we can possibly be.

Overview by vertical market

Construction and Infrastructure (56% of run-rate revenue) – during the year we have worked hard to reshape the business to respond to the changing demands of our clients, with lower demand in

house-building offset by increased activity in infrastructure and new segments. We grew revenues from our existing business by 30% organically, before the acquisition of HB Group during the year.

ICT and Business Services (36% of run-rate revenue) – demand from clients and learners for our work based and academy training offering continues to be strong and we now have 17 academies. On a pro-forma basis, revenue grew by 40% year on year, although our reported results only include four months of trading since the acquisition of Zenos.

Logistics and Supply Chain (8% of run-rate revenue) – we started this business a year ago and are very pleased with the progress from start-up to being the leading national provider. We have built a strong platform for future growth and have an excellent pipeline of clients and learners, from whom there is significant demand for our services.

Our people

I would like to thank all our people. You have to be dedicated and totally attuned to training, to the client and to the learner to do what we do. Life in this industry is not 9 to 5: some industries, such as construction and logistics, require our services in the evenings or at weekends. Fortunately, our clients, learners and funding partners recognise that we are good at what we do.

Future prospects

The demand for skill training and qualification in industrial trades and key services is very high. To meet that demand competently requires dedicated focus. We believe that we can service much of that demand as we can recruit, train and develop high quality staff, experienced in the relevant trades.

Given the complexity of the contracting and funding arrangements, we believe that the goodwill that the public sector funding agencies hold towards us should differentiate us and enable us to succeed as one of the UK's leading training providers.

If we can maintain the flow of support from the matrix of agencies that matches the demand for skills from the industries that we serve, then we would expect to deliver significantly more training and skills in FY2010 than we did in FY2009.

Trading since the year end continues to be strong and in line with expectations.

* Pro-forma results are presented on the basis of 12 months of CLW trading to 31 March 2008 and pro-forma 12 months of plc costs for the same period

** EBITA comprises operating profit (£8.6m) before amortisation of intangible assets and share-based payment charge

Consolidated Income Statement

for the year ended 31 March 2009

| | Note | Year ended 31 Mar-09 £'000 | Period ended 31 Mar-08 £'000 |
|--|------|----------------------------------|------------------------------------|
| Revenue | | 31,420 | 7,826 |
| Cost of sales | | (14,403) | (2,872) |
| Gross profit | | 17,017 | 4,954 |
| Administrative expenses | | (8,376) | (2,909) |
| Operating profit analysed between: | | | |
| Operating profit before amortisation of acquired intangible assets and share based payment charge | | 9,790 | 2,739 |
| Amortisation of acquired intangible assets | | (663) | (500) |
| Share based payments | | (486) | (194) |
| Operating profit | | 8,641 | 2,045 |
| Finance income | | 69 | 41 |
| Finance costs | | (1,086) | (358) |
| Profit before tax analysed between: | | | |
| Profit before tax before amortisation of acquired intangible assets and share based payment charge | | 8,773 | 2,422 |
| Amortisation of acquired intangible assets | | (663) | (500) |
| Share based payments | | (486) | (194) |
| Profit before tax | | 7,624 | 1,728 |
| Taxation | 2 | (2,376) | (721) |
| Profit for the year/period | | 5,248 | 1,007 |
| Basic earnings per share (p) | 3 | 15.5 | 4.2 |
| Diluted earnings per share (p) | 3 | 15.0 | 4.1 |

Consolidated Balance Sheet

as at 31 March 2009

| | Note | 2009 £'000 | 2008 £'000 |
|---|------|-----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,402 | 43 |
| Goodwill | 4 | 58,901 | 31,083 |
| Other intangible assets | 4 | 4,277 | 2,000 |
| | | <u>64,580</u> | <u>33,126</u> |
| Current assets | | | |
| Trade and other receivables | | 8,540 | 4,266 |
| Deferred tax asset | | 311 | 78 |
| Cash and cash equivalents | 5 | 1,272 | 1,314 |
| | | <u>10,123</u> | <u>5,658</u> |
| Total assets | | <u>74,703</u> | <u>38,784</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Financial liabilities – borrowings | 6 | (4,758) | (844) |
| Trade and other payables | | (4,897) | (1,611) |
| Current tax liabilities | | (1,623) | (683) |
| | | <u>(11,278)</u> | <u>(3,138)</u> |
| (Net current liabilities)/net current assets | | <u>(1,155)</u> | <u>2,520</u> |
| Non-current liabilities | | | |
| Financial liabilities – borrowings | 6 | (10,945) | (5,023) |
| Other financial liabilities | 7 | (9,829) | - |
| | | <u>(20,774)</u> | <u>(5,023)</u> |
| Total liabilities | | <u>(32,052)</u> | <u>(8,161)</u> |
| Net assets | | <u>42,651</u> | <u>30,623</u> |
| Shareholders' equity | | | |
| Share capital | 8 | 3,910 | 3,145 |
| Share premium | 9 | 32,113 | 26,311 |
| Hedging reserve | 9 | (307) | (34) |
| Retained earnings | 9 | 6,935 | 1,201 |
| Total shareholders' equity | | <u>42,651</u> | <u>30,623</u> |

Consolidated Cash Flow Statement
for the year ended 31 March 2009

| | Year ended 31 Mar-09 £'000 | Period ended 31 Mar-08 £'000 |
|---|----------------------------------|------------------------------------|
| Cash flows from operating activities | | |
| Cash generated from operations | 10 9,347 | 2,226 |
| Finance income received | 69 | 41 |
| Finance costs on bank loans and overdrafts | (842) | (276) |
| Taxation paid | (2,488) | (1,300) |
| Net cash inflow from operating activities | <u>6,086</u> | <u>691</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (544) | (24) |
| Acquisition of subsidiaries – net of cash acquired | (14,715) | (30,757) |
| Net cash outflow from investing activities | <u>(15,259)</u> | <u>(30,781)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of ordinary share capital | 405 | 27,545 |
| Share issue costs | (65) | (1,950) |
| Proceeds from borrowings | 15,000 | 6,500 |
| Loan arrangement costs | (855) | (441) |
| Repayment of borrowings | (5,250) | (250) |
| Repayment of finance lease liabilities | (104) | - |
| Net cash inflow from financing activities | <u>9,131</u> | <u>31,404</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(42)</u> | <u>1,314</u> |
| Cash and cash equivalents at beginning of the period | 1,314 | - |
| Cash and cash equivalents at end of the period | 5 <u><u>1,272</u></u> | <u><u>1,314</u></u> |

Notes to the preliminary results for the year ended 31 March 2009 (continued)

1. Basis of preparation

The financial information contained in this unaudited preliminary announcement does not constitute accounts as defined by section 240 of the Companies Act 1985. The financial information for the 8 month period ended 31 March 2008 is derived from the statutory accounts for that period which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either section 237 (2) or section 237 (3) of the Companies Act 1985. The statutory accounts for the year ended 31 March 2009 will be finalised based on the information in this unaudited preliminary announcement and will be delivered to the Registrar of Companies following the annual general meeting to be held on 23 July 2009. The Group has prepared its consolidated financial statements for the year ended 31 March 2009 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

2. Taxation

Tax charged in the income statement

| | Year ended 31 Mar-09 £'000 | Period ended 31 Mar-08 £'000 |
|---|----------------------------------|------------------------------------|
| Current tax – UK corporation tax | 2,511 | 785 |
| Deferred tax – Credit for the year/period | (135) | (64) |
| Tax on profit on ordinary activities | 2,376 | 721 |

The tax rate is higher than the standard UK corporation tax rate of 28% principally as a result of expenses not deductible for tax purposes, the most significant of which is the amortisation of intangible assets.

Notes to the preliminary results for the year ended 31 March 2009 *(continued)*

3. 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 3,880,372 of the Company's ordinary shares, and warrants were in issue over 3,774,000 of the Company's ordinary shares as at 31 March 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:

| | Year ended 31-Mar-09 Reported | Period ended 31-Mar-08 Reported |
|--|--|--|
| Earnings attributable to ordinary shareholders (£'000) | 5,248 | 1,007 |
| Post-tax amortisation of acquired intangible assets (£'000) | 663 | 500 |
| Post-tax share based payment charge (£'000) | 350 | 137 |
| | <hr/> | <hr/> |
| Adjusted profit on ordinary activities after taxation (£'000) | 6,261 | 1,644 |
| Weighted average number of shares – basic | 33,922,202 | 24,129,464 |
| Weighted average number of shares – diluted | 34,970,100 | 24,889,306 |
| Basic earnings per share (pence) | 15.48 | 4.17 |
| Amortisation of acquired intangible fixed assets (pence) | 1.95 | 2.07 |
| Cost of share based payments (pence) | 1.03 | 0.57 |
| | <hr/> | <hr/> |
| Adjusted basic earnings per share (pence) | 18.46 | 6.81 |
| Diluted earnings per share (pence) | 15.01 | 4.05 |
| Adjusted diluted earnings per share (pence) | 17.90 | 6.61 |

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 preliminary results for the year ended 31 March 2009 *(continued)*

4. Intangible assets

| | Goodwill £'000 | Acquired Intangible assets £'000 | Total £,000 |
|---|-------------------|---|----------------|
| Cost | | | |
| At 1 April 2008 | 31,083 | 2,500 | 33,583 |
| Additions | 27,818 | 2,940 | 30,758 |
| At 31 March 2009 | 58,901 | 5,440 | 64,341 |
| Amortisation | | | |
| At 1 April 2008 | - | (500) | (500) |
| Charge for the year | - | (663) | (663) |
| At 31 March 2009 | - | (1,163) | (1,163) |
| Net book amount at 31 March 2009 | 58,901 | 4,277 | 63,178 |
| Net book amount at 31 March 2008 | 31,083 | 2,000 | 33,083 |

Acquired intangible assets represent non-monetary assets separately identifiable from goodwill and represent the value of customer relationships. They are amortised over their useful economic lives, ranging from one to five years, matching the amortisation to the expected generation of profit from the asset.

No impairment of goodwill or acquired intangible assets has taken place in the year.

5. Reconciliation of cash and cash equivalents

| | 2009 £'000 | 2008 £'000 |
|----------------------------------|---------------|---------------|
| Bank balances | 1,272 | 1,314 |
| Cash and cash equivalents | 1,272 | 1,314 |

Notes to the preliminary results for the year ended 31 March 2009 *(continued)*

6. Financial liabilities – borrowings

| | 2009 £'000 | 2008 £'000 |
|---------------------------|----------------------|---------------------|
| Current | | |
| Bank loans | 4,522 | 844 |
| Finance lease liabilities | 236 | - |
| | <u>4,758</u> | <u>844</u> |
| Non-current | | |
| Bank loans | 10,849 | 5,023 |
| Finance lease liabilities | 96 | - |
| | <u>10,945</u> | <u>5,023</u> |
| Total borrowings | <u><u>15,703</u></u> | <u><u>5,867</u></u> |

7. Other financial liabilities

Other financial liabilities include £9,663,000 which represents the present value of the deferred consideration for Zenos Limited that was recognised at 31 March 2009.

8. Authorised and issued share capital

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 1,000,000,000 ordinary shares of 10p | 100,000 | 100,000 |
| Allotted, issued and fully paid | | |
| 39,097,061 (2008: 31,000,002) ordinary shares of 10p | 3,910 | 3,100 |
| Allotted, issued and partly paid | | |
| Nil (2008: 450,000) ordinary shares of 10p | - | 45 |
| | <u>3,910</u> | <u>3,145</u> |

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

Notes to the preliminary results for the year ended 31 March 2009 *(continued)*

9. Capital and reserves

| | Share capital £'000 | Share Premium £'000 | Hedging reserve £'000 | Retained Earnings £'000 | Total £'000 |
|---|---------------------------|---------------------------|-----------------------------|-------------------------------|----------------|
| At 1 April 2008 | 3,145 | 26,311 | (34) | 1,201 | 30,623 |
| Total recognised income and expense | - | - | - | 5,248 | 5,248 |
| Recognition of share based payments | - | - | - | 486 | 486 |
| Loss on cash flow hedge | - | - | (379) | - | (379) |
| Deferred tax on loss on cash flow hedge | - | - | 106 | - | 106 |
| Issue of shares | 765 | 5,735 | - | - | 6,500 |
| Costs of share issue | - | (65) | - | - | (65) |
| Other adjustments | - | 132 | - | - | 132 |
| At 31 March 2009 | 3,910 | 32,113 | (307) | 6,935 | 42,651 |

During the year, 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.

10. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

| | Year ended 31 Mar-09 £'000 | Period ended 31 Mar-08 £'000 |
|--|----------------------------------|------------------------------------|
| Operating profit | 8,641 | 2,045 |
| Depreciation and other non-cash items: | | |
| Depreciation | 245 | 15 |
| Amortisation of intangible assets | 663 | 500 |
| Loss on disposal of property, plant and equipment | 2 | - |
| Share based payments | 486 | 194 |
| Operating cash flow before movements in working capital | 10,037 | 2,754 |
| Changes in working capital: | | |
| Increase in receivables | (1,551) | (1,152) |
| Increase in payables | 861 | 624 |
| Cash generated from operations | 9,347 | 2,226 |