Regulatory Story

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Company	Cupid PLC
TIDM	CUP
Headline	Final Results
Released	07:00 02-Apr-2014
Number	7995D07

RNS Number : 7995D
Cupid PLC
02 April 2014

Date:	2 April 2014
On behalf of:	Cupid plc ('Cupid', the 'Company' or the 'Group')
Embargoed until:	0700hrs

Cupid plc
Final Results for the year ended 31 December 2013

Cupid plc (AIM: CUP), the online dating operator, is pleased to announce its final results for the year ended 31 December 2013 ('FY 2013').

Results highlights based on continuing operations[1]

- Disposal of casual assets[4] will provide £26m of cash over the next three years
- Transition into traditional business 95% complete, with all of the people, the platform and processes successfully migrated
- Revenues from continuing business[1] were flat at £26.6m (FY 2012: £26.7m)
- Adjusted EBITDA[2] loss of £2.8m (FY 2012: profit £4.2m)
- Cash position of £12.6m at 31 Dec 2013 (31 Dec 2012: £14.1m)
- Adjusted Earnings per Share[3] from the continuing business was a loss of 5.03p (FY 2012: 2.91p)
- Proposed final dividend of 3.00p per share (FY 2012: 3.00p per share)
- Continued focus on improvement in product quality and customer experience now delivering improvements in key metrics
- Reduction in continuing business cost base
- Significant strengthening of senior management team

Post period highlights

- Three-year strategic vision in place to build a robust, scalable, digital technology company
- New product launches in the first quarter of 2014; initial positive signs with multiple additional enhancements scheduled for the second quarter
- Conversion and churn improved
- Expect to be cash generative in the second half of the year
- Profitability to be at a positive run rate as Cupid enters 2015

Commenting on the results, Phil Gripton, Chief Executive of Cupid plc, said:

"After a year in which the business reached an inflection point, I have personally been able to review the business at every level. After completing this assessment of the Group, I have tremendous faith in the long-term future of Cupid plc. We are turning around and implanting solid foundations to our core dating division, transforming it into a sustainable, high quality, customer centric business. This solid foundation will in turn underpin an exciting high-growth data-driven future.

"We have a three-year strategic plan - to deliver significant growth and shareholder value by becoming a robust, scalable digital technology business. The business has a unique opportunity in this attractive space: there is a growing and fragmented market for Data AdTech and Digital Services propositions. Cupid will be successful in these dynamic fields because it owns an ever-growing pool of unique first party data produced by our core dating service, which we can monetise by using our efficient and cost effective digital operation, as well as my own background in the space.

"We have a big year ahead of us, and there are on-going challenges that we are addressing, but the early positive signs are that we are on track."

[1]Continuing operations or continuing business excludes the revenues and costs associated with the casual assets and the German business.
[2]Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments, acquisition costs and restructuring costs and exceptional costs.
[3]Adjusted Earnings per Share is defined as earnings after tax but before depreciation, amortisation, share based payments, acquisition costs and restructuring costs and exceptional costs.
[4]Casual assets refers to the Company's casual dating business which included BeNaughty, Flirt and CheekyLovers.

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Notes to Editors:

- Cupid plc listed on AIM in June 2010 and is an international provider of online dating services operating market leading brands.
- Cupid plc offers a wide variety of online dating services allowing members to interact with each other and access the content available on the Group's websites. These websites are intended to appeal to dating users of diverse ages, cultures and social interest groups. The Group's most heavily visited websites include www.cupid.com, www.uniformdating.com and www.girlsdateforfree.com. The Group also promotes niche brands such as www.datingforparents.com, www.indiandating.com and www.maturedatinguk.com.
- Further information on the Company can be found at www.cupidplc.com

Chairman's statement

2013 has undoubtedly been a challenging year for Cupid, but it has also been a year of positive transformation and we emerge from that period with renewed focus and an exciting and more tightly defined strategy. Our business model and operating practices were criticised publicly early in the year. These criticisms were later categorically proven (by an independent review) to be entirely without substance. This was a deeply frustrating experience, but the business has gained strength from it.

The successful disposal of the Company's casual dating business ("casual assets") in July 2013 was the start of a transformative process. In disposing of the casual assets we have both streamlined the business and generated cash to support the evolution of the business into attractive complementary areas. The transition process following the disposal is 95% complete - during the nine months to March 2014 we migrated all of the people, the platform and processes. We have also transformed the nature of Cupid, creating a platform for the future - a focused platform which will drive sustainable growth and which is devoid of the short-termism driven by managing casual traffic and its monetisation. We have embedded a new product approach with an emphasis on improving both the overall customer experience and the long-term quality of our revenue streams. Our already experienced market-facing team has been further strengthened.

At Board level 2013 was also a year of change. Niall Stirling joined the Board as Chief Financial Officer in January 2013 following Mark Doughty's resignation to pursue his career in Australia. In December we welcomed Phil Gripton to the Board in his role as Chief Executive Officer with Bill Dobbie taking on a role as Non-Executive Director.

Under Phil's leadership our new strategy will see Cupid plc broaden into a robust, scalable international digital technology company with core competencies in digital services, data AdTech and online dating. Cupid is very well positioned to deliver this strategy due to its assets in terms of people, skills, digital development experience and importantly a large and ever-growing pool of rich first party data.

Against that background our priorities for 2014 are to complete the recovery phase for the dating business, extend the revenue streams beyond dating and start to develop and exploit our digital credentials. The recovery phase for the dating business will require significant focus given the degree of change involved but we have made good progress so far and with new product launches in the first quarter of 2014 we are already starting to see some positive signs.

Finally I would also like to take this opportunity to thank our shareholders for their support. The Board continues to value your support and we believe that the announcement of a dividend of 3.00p per share indicates our optimism for the future as well as recognising the Group's solid balance sheet.

George Elliott
Non-Executive Chairman
2 April 2014

Chief Executive Officer's review

Review of 2013

This report is our fourth as a public company and my first as CEO since succeeding Bill Dobbie in December 2013. I would like to thank Bill for his hard work and commitment in bringing us to this point and for his continuing support as a non-executive director.

2013 was a very challenging year for Cupid with the business having to navigate through a series of major events. It was certainly a year of two very different halves with the significant impact of negative press on both Cupid and the online dating industry in the first half of the year resulting in a great deal of leadership time being diverted to defend against unfounded allegations which threatened our corporate reputation. The operational teams also had to deal with extra workload arising from supporting the independent external review by KPMG.

Over the past years, Cupid has increasingly invested activities towards attractive, sustainable niche and mainstream dating sites. The Board believes these areas have greater long-term potential and will deliver a more sustainable business in which to invest. We had increasingly viewed the casual products as a complex portfolio of assets characterised by non-differentiated, circular revenue streams that were very short-term in nature. These were becoming less attractive in the medium and long-term and the Board concluded that this was an inappropriate direction for a listed company. We therefore took the decision to sell the casual assets and re-focus on the Company's mainstream core dating assets with a view to extending into more attractive complementary and strategic areas.

In July we completed the disposal of the casual assets removing approximately 70% of our revenue and resulting in some 320 staff moving to Grendall, the purchaser.

The 2013 financial performance of the business reflects the impact of the disposal, the challenging year in general from a macro perspective and the consequences of restructuring the mainstream core dating assets. As further explained below, after adjusting for the elimination of cross-marketing and the effects of acquisitions, the sustainable continuing revenue was estimated to be £22.0m in 2013 (FY 2012: £28.0m) and adjusted EBITDA a loss of £7.4m (FY 2012: profit of £0.2m). In re-assessing 2012 we have identified that both poor quality traffic and weak product quality were leading to worsening conversion and increasing churn as the year progressed, which were being masked by the top-line growth in the casual dating business. Into early 2013 this trend continued but in the second half of the year we spent less on online marketing and focused on more relevant and better quality traffic. Conversion and churn improved and, with product improvements in Q1 2014 and with a large number of enhancements planned for Q2 2014, we expect this trend to continue and to begin to deliver higher-quality, long-term revenues.

Throughout 2013 we took the opportunity to re-work the business for a traditional only approach and investigated natural complementary extensions to the core subscription dating services. These extensions now form an exciting part of Cupid's future strategy.

Transition

The disposal marked the beginning of the initial six months of a transition period where the two businesses were separated, splitting human capital, the platform, hardware assets, marketing, CRM and product development, allowing the two businesses to continue to trade whilst becoming truly separate entities. We set ourselves an aggressive target of completing this within six months from the sale, which was achieved by the end of 2013. The migration, although challenging, was a success with all major changes made as planned without any disruption in services to our customers.

In mid-July 2013 we began a period of positive internal change for the continuing business in order to prepare for the future with a traditional-only focus. We embarked on a significant market and customer research project ("Cloud 9") to better understand the current demands of the traditional dating customer. This involved mapping out in detail the previously largely 'casual' processes we had deployed to address the market in terms of traffic volume and quality. This process identified the changes required to products, branding, marketing and process to ensure an engaging and valuable service for our chosen demographics and niches. The Cloud 9 project delivered both the consumer insights and new branding concepts for the re-launch of Cupid.com, Uniform Dating and a new brand to address the ever-expanding opportunity in the 45+ mature part of the market. Early 2014 will see the launch of the international brand LoveBeginsAt.com.

We completed an internal reorganisation to focus on six key markets (UK, Australia, USA, Canada, France and Germany) and four main business segments, Mainstream (focused around Cupid.com), Uniform Dating, Mature and Network (other non-core brands). This reorganisation also supported the simplification and rationalisation of the business to be 'fit for purpose' post separation. To reflect the scale of the business going forward, a rightsizing process took place in the final quarter of 2013 reducing the headcount by a third (115 heads) across the business. Non-profitable parts of the business and their associated projects were addressed with Cupid Labs, WomenWeb and Roomwise being closed down and their resources and any developed assets either being invested back into the core or divested.

We enhanced the leadership function with highly skilled and experienced talent joining us in the second half of the year. Samantha Bedford joined Cupid in September having spent six years previously with U-date and Match.com as well as time with Vodafone. Sam brings a wealth of relevant knowledge and experience and has already made a major contribution to the re-engineering and launch of our new brand offerings.

In the USA we secured Michele Don Durbin to drive our North American growth plans. Michele joined us at the end of the year having had more than fifteen successful years in the world of internet and digital marketing in global acquisition roles with eBay and Skype as well as an entrepreneurial startup.

The senior management team has invested time to more closely connect the UK and Ukraine teams and has relocated the heads of the pivotal functions to our Edinburgh headquarters. These changes are providing the catalyst for a much needed change in leadership style and are having a positive impact on our culture, driving core tenets of Teamwork, Collaboration, Respect, and Learning. We move into 2014 with a refreshed leadership team with broader digital experience, putting us in a stronger position to deliver the future strategy.

The Market

The global market for online dating continues to grow as it becomes ever more socially acceptable. We saw interesting developments throughout 2013 in terms of market growth with industry commentators describing the global market revenues for online dating heading towards $3bn p.a. in 2015.

The largest players continue to grow successfully; Facebook and Google have acknowledged online dating as a specific market segment by creating their own groups and account teams to address the main players. New entrants have made an impact in the market both in terms of capturing share and in giving more mass-market exposure to mobile dating apps. The higher level of press interest together with further integration with social media platforms has seen the market come of age.

Mobile Web, App and Tablet access continues to grow at pace in all major markets as the proliferation of mobile devices continues. Social media access is also growing and we saw a 22% increase in access to core products in the USA via social platforms in 2013. Cupid is well equipped to keep pace with this trend and capitalise with mobile and social versions of major products available in all markets.

The inevitable demand for industry regulation and control of personal data has seen the launch of the Online Dating Association (ODA) in the UK. This is a body set up by the industry to ensure that consumers of dating services receive a fair and valuable service from dating companies in the UK. We have been in dialogue with the ODA since its formation and have completed the membership application process having complied with all elements of the code of practice. Cupid will be an active supporter of this move towards self-regulation as it is a core tenet of Cupid's brand and corporate values to always offer a safe, simple, fair and trusted service to our customers whilst protecting them and their personal data**.**

Operational Review

- People
Following the recent rationalisation Cupid still has 225 employees across the globe with a presence in the UK, USA, France and Ukraine. Our teams endured a challenging and disruptive 2013 but still managed to keep the business working effectively, as well as developing for our future. My thanks go out to the teams who have worked extremely diligently and regularly beyond the contracted working week to ensure that we can put our best foot forward in 2014**.**

- Quality
Our strategy to build valuable brands in both niche and mainstream areas remains the primary focus for 2014. The need for a quality service, which seeks to maximise the user experience, has never been more important. We continue to work towards creating brands that resonate with our target audience and broaden the offer past the "matching" element of the process into facilitating the "date", by helping our customers access offers for services they may want to consume as part of their dating experience.

We continue to invest in technology and processes that improve service for our users, speeding up the authentication of profiles, approval of photographs and processing their requests for support. We actively measure our service using Net Promoter Score as a benchmark and constantly seek feedback from customers.

- Brands
We are excited about the opportunity to re-launch and refresh our brands in 2014 and in doing so will rebalance our marketing significantly, reducing our dependence on affiliate partners and using multiple channels to market our brands. We will look to maximise usage of social platforms and search engines as well as emerging opportunities in display media with targeted real time bidding ("RTB") and native advertising solutions.

The decision taken during 2013 to develop our "brand management function" means we now have owners of each brand whose focus is to ensure that the brands deliver the best possible experience for our users at every touch-point, from sign-up right through payment processing and into the customer support centre. We will deliver a consistent quality feel that our customers will associate with our brands.

Our marketing will continue to be largely digital-based however we will, where appropriate, use offline methods to promote particular brands or campaigns. During 2013 the marketing spend on the sustainable continuing business was 3% lower than 2012 on a comparable basis. The change in marketing sources and the need to drive higher quality traffic for the continuing business will mean a stronger focus on marketing efficiency and the need to drive more organic unpaid traffic through brand searches and social mentions.

- Innovation
We believe that the "matching" part of the online dating world can be built upon with smart management of customers in the dating cycle. Cupid can extend this to offer services sourced from partners that are relevant to the "date" that follows. We have the advantage of in-house technology that allows us to develop methods to offer these services to customers in 2014, opening new revenue sources to increase ARPU. We expect to see the first of these services come to market in the first half of 2014.

- Focus
In 2014 we will be focused on ensuring that the underlying basics of the service are optimised and from that foundation we will push hard to grow subscriber numbers and ARPU. The delivery of a successful core dating business is of paramount importance, as we will leverage it to gain traction for our new strategic initiatives**.**

Strategy

Our three-year strategic vision is to build upon our dating foundations to transform Cupid into a robust, scalable, digital technology company, delivering significant and profitable growth.

From a successful and growing core dating business we will push forward our development of a complementary Data AdTech opportunity. The initial elements of this will be in place in the first half of 2014 allowing us to utilise the first party data assets our business produces from the core service to create anonymised customer audience segments that are tradable in the RTB marketplace. We will also develop our ability to bring outbound marketing campaigns to our extensive membership base, bringing them value add offers from partners.

These extensions offer us an exciting opportunity to grow the company in new and interesting ways and take advantage of a larger and growing addressable market. Over the next three years we will take advantage of the core assets, skills and resources we have developed to become a technology company with core competencies in Dating, Data AdTech and Digital Service delivery.
Cupid has a challenging road ahead as we position our business into a more customer focused traditional dating and data services company. We have an exciting and enviable opportunity to develop the business in new directions.

Financial Review

Group Profit

At a headline level our revenues including discontinued operations fell 31% to £56.1m (FY 2012: £80.9m) and adjusted EBITDA fell to £0.5m (FY 2012: £16.4m). Depreciation and amortisation increased to £6.9m (FY 2012: £5.9m) reflecting a full year charge for both Assistance General Logiciel ("AGL") in France and NSI (Holdings) Limited ("Uniform Dating") and higher website development amortisation. Exceptional costs incurred are in relation to legal and other costs associated with investigating and addressing the accusations made against the Company's operating practices in the early part of 2013, a provision for patent infringement costs and employee tribunal costs.

The pre-tax gain on disposal of £23.4m reflects both the sale of the casual assets to Grendall in July 2013 as well as the disposal of the German business. The value of the consideration from the sale of the casual assets has been discounted by £3.9m in accordance with IFRS 13. This discount is expected to unwind over time as the terms of the deferred consideration payments are fulfilled.

Continuing business

Stripping out the discontinued operations, revenue for the continuing business was flat at £26.6m (FY 2012: £26.7m).

Continuing business	**H1 2013**	**H2 2013**	**2013**	**2012**
	£m	**£m**	**£m**	**£m**
Revenue	16.2	10.4	26.6	26.7
Direct marketing	(9.4)	(6.0)	(15.4)	(11.7)
Other direct costs	(3.3)	(3.1)	(6.4)	(5.5)
Gross profit	**3.5**	**1.3**	**4.8**	**9.5**
GP%	*22%*	*13%*	*18%*	*36%*
Admin expenses	(4.0)	(3.6)	(7.6)	(5.3)
Adjusted EBITDA	**(0.5)**	**(2.3)**	**(2.8)**	**4.2**

To get a complete picture of the underlying trend it is also necessary to adjust for the effect of casual cross-marketing. Historically, around 20% of new subscribers were generated through referrals from casual sites, this ceasing in September 2013. These non-continuing revenues are estimated at £4.6m in 2013, (FY 2012: £4.7m). Adjusting 2012 for a full year of AGL and Uniform Dating and eliminating cross marketing revenue:

Sustainable business	**H1 2013**	**H2 2013**	**2013**	**2012**
	£m	**£m**	**£m**	**£m**
Revenue	12.6	9.4	22.0	28.0
Direct marketing	(9.4)	(6.0)	(15.4)	(15.8)
Other direct costs	(3.3)	(3.1)	(6.4)	(6.6)
Gross profit	**(0.1)**	**0.3**	**0.2**	**5.6**
Contribution %	*25%*	*36%*	*30%*	*44%*
GP%	*-1%*	*3%*	*1%*	*20%*
Admin expenses	(4.0)	(3.6)	(7.6)	(5.4)
Adjusted EBITDA	**(4.1)**	**(3.3)**	**(7.4)**	**0.2**

Revenue fell from H1 to H2 due to a combination of marketing under-investment and a fall in conversion as we tightened up registration procedures in H1. Contribution after marketing fell from 44% in 2012 to 30% in 2013. As we exited 2012 we could see that the sources of traffic and weak product quality were leading to poorer conversion and increasing churn. This trend continued into 2013 and conversion fell further.

Our 2013 direct costs also include Cupid Labs costs in the second half: these will not continue. 2014 however will see investment in user experience and the marketing team.

Administrative expenses costs are £2.2m higher in 2013. This is due to an additional £0.8m of non-recurring costs, £0.2m in respect of our French office, £0.4m of legal & professional fees, and new US office costs. Directors' costs were also higher for most of the year. The second half of 2013 also showed the impact of £0.6m of forex losses due to the rapidly strengthening pound. Administrative expenses going forward will be in line with 2012.

Tax charge

The effective tax rate is 8.7% (FY 2012: 20.9%). The key reason for the reduced effective tax rate is the allowable gain on sale whereby the proportion of the gain attributable to the sale of two Cypriot entities is not taxable.

Balance sheet

The reduction of £20m in the value of intangibles is largely down to the disposal of the casual assets with 70% of all intangibles removed on disposal or written off giving a lower burden going forward. This has been partially offset by web development additions with internal development costs of £2.5m capitalised in the year compared to £2.8m in 2012.

The Grendall debtor after discounting in line with IFRS 13 is £22m. All payments due to date under the sale have been received in line with the agreed schedule. The fall in trade and other receivables is due in part to the repayment of related parties balances during the period. Trade receivables are also lower due to the reduced revenue for the final six months of the year. Overall, trade and other payables have decreased by £5m. The deferred consideration in respect of the acquisition of Uniform Dating has now been fully paid. There were also reductions in the levels of deferred income and marketing and staff bonus accruals.

Reserves are reduced by £3m in respect of the shares repurchased and subsequently cancelled and a further £9m in respect of shares returned as part of the consideration for the disposal and now held as treasury shares. Non-controlling interests disappear following the German disposal.

Cash flow

Our closing cash position remains strong at £12.6m (FY 2012: £14.1m). We successfully managed our reduced working capital and consequently operating cash flow is positive at £3.6m (FY 2012: £15.1m). Disposal proceeds reflect the money received to date from Grendall less costs of the disposal. £0.6m was invested in computer hardware and other assets. £5.5m has been returned to shareholders in share buyback and dividend payments.

Trading KPIs for the continuing operations

The key trading metrics covering the second half of 2012 and 2013 are set out below:

KPIs	*H2 2012*	*H1 2013*	*H2 2013*
Registrations '000 [1]	8,699	12,539	4,371
£ per registration [2]	£0.48	£0.57	£1.33
New subscribers '000 [3]	293	278	135
Conversion [4]	3.4%	2.2%	3.1%
ARPU [5]	£20.76	£21.14	£21.01
Churn [6]	50%	44%	33%
Closing subscribers '000 [7]	113	102	69

[1] *Registrations is the total number of new registered users in the period*

[2] *£ per registration is the direct marketing cost per new registration*

[3] *New subscribers is the total number of new paying subscribers in the period*

[4] *Conversion is the proportion of new registrations that convert to paying subscribers*

[5] *ARPU is average monthly revenue (net of VAT) per subscriber*

[6] *Churn is the number of cancelled subscribers divided by average monthly subscribers*

[7] *Closing subscribers is the total number of paying subscribers at the end of the period*

Registrations increased in H1 2013 in response to higher marketing investment. As previously mentioned the poor quality of traffic led to falling conversion. To reassure our customers we implemented barriers to registration to deter scammers and, as a result, conversion fell further. In the second half of 2013 online marketing was restricted to £6.0m while our products were redesigned for their 2014 launch, but focused on more relevant and better quality traffic. Registration numbers declined and cost per registration increased to £1.33 but with higher quality we saw better conversion and lower churn. ARPU fell in the second half due to price repositioning. Churn fell to 33% in the second half and exited December at its lowest point for two years. Despite the better conversion and lower churn, subscriber numbers fell to 69,000.

Dividend

The directors propose a final ordinary dividend in respect of the current financial year of 3.00p per share (FY 2012: total dividend of 3.00p per share). This has not been included within creditors, as it was not approved before the year-end. Subject to approval at the Annual General Meeting on 20 June 2014, the final dividend will be paid on 4 July 2014 to shareholders on the register on 6 June 2014.

The level of dividend is intended to deliver a yield the directors believe is appropriate for a company of this size and nature, as well as demonstrating the optimism for our business model going forward. The Board intends to continue with a progressive dividend policy based on the Group's retained annual earnings. The level of distributions will, however, be subject to the Group's working capital requirements and the ongoing needs of the business.

Trading Update and Outlook for 2014

Though it is still early in the financial year and the full effects of our new product launches have yet to be seen we are already seeing improvements in our key metrics. We have also been re-addressing the marketing mix to ensure we can continue to raise the quality of traffic. Improvements in search engine optimisation ("SEO") for example now mean that Uniform Dating is ranking in the 'Top 3' for key search terms.

The dating market was highly competitive in the first quarter and ahead of our product launches in Q2 2014 we will be holding our marketing spend at a little over the H2 2013 level. It is our view that revenues will start to improve in Q2 2014 following the launch of Cupid.com, LoveBeginsAt and Uniform Dating in the UK. Progressively these will roll out to Australia and the USA, with the latter on a new platform. In line with the stated strategy, we continue to focus on turning the business round in the first half and look to show further evidence of the recovery in the second half. Accordingly we expect revenue to be lower in the first half of the year compared to H2 2013 on a sustainable basis and even after allowing for the reduction in direct costs and administrative expenses this will have a negative impact on EBITDA.

As marketing spend is increased we expect subscriber numbers and then revenue to grow. As part of our three-year strategy, we will also bring on stream our data proposition in the second half of the year and begin to grow our non-subscription revenue. We expect to be cash generative in the second half of the year and our profitability to be at a positive run rate as we enter 2015. This is all part of the evolution to provide the platform upon which to grow in 2015 and beyond.

Phil Gripton
Chief Executive Officer
2 April 2014

Consolidated statement of comprehensive income

for the year ended 31 December 2013

Unaudited

	Note	Continuing operations £000	Discontinued operations £000	Total 2013 £000	Continuing operations £000	Discontinued operations £000	Total 2012 £000
Revenue	2	**26,603**	**29,457**	**56,060**	26,700	54,209	80,909
Cost of sales		**(21,778)**	**(25,438)**	**(47,216)**	(17,157)	(40,917)	(58,074)
Gross profit		**4,825**	**4,019**	**8,844**	9,543	13,292	22,835
Administrative expenses		**(7,627)**	**(742)**	**(8,369)**	(5,365)	(1,037)	(6,402)
Adjusted EBITDA		**(2,802)**	**3,277**	**475**	4,178	12,255	16,433
Acquisition and restructuring costs		**(80)**	**-**	**(80)**	(944)	-	(944)
Share based payments		**(142)**	**(33)**	**(175)**	(300)	(128)	(428)
Depreciation of plant and equipment		**(378)**	**(169)**	**(547)**	(236)	(209)	(445)
Amortisation of intangible assets		**(2,959)**	**(3,359)**	**(6,318)**	(3,698)	(1,748)	(5,446)
Exceptional costs	3	**(1,070)**	**(254)**	**(1,324)**	-	-	-
Operating (loss)/profit		**(7,431)**	**(538)**	**(7,969)**	(1,000)	10,170	9,170
Finance income		**70**	**-**	**70**	61	-	61
(Loss)/profit before taxation		**(7,361)**	**(538)**	**(7,899)**	(939)	10,170	9,231
Taxation credit (charge)	4	**1,725**	**(244)**	**1,481**	(175)	(1,750)	(1,925)
(Loss)/profit for the period after taxation		**(5,636)**	**(782)**	**(6,418)**	(1,114)	8,420	7,306
Gain on disposal of discontinued activities net of tax	11	**-**	**20,508**	**20,508**	-	-	-
Profit/(loss) for the period		**(5,636)**	**19,726**	**14,090**	(1,114)	8,420	7,306
Other comprehensive income:							
Foreign exchange translation differences - equity accounted investments		**203**	**-**	**203**	(373)	-	(373)
Profit for the period and total comprehensive income all attributable to equity holders of the parent		**(5,433)**	**19,726**	**14,293**	(1,487)	8,420	6,933
Basic and diluted earnings per share	5						
Basic (p per share)		**(7.24)p**	**25.34p**	**18.10p**	(1.36)p	10.25p	8.89p
Diluted (p per share)		**(7.24)p**	**25.34p**	**18.10p**	(1.33)p	10.06p	8.73p

Consolidated balance sheet

at 31 December 2013

Unaudited

	Note	2013 £000	2012 £000
Non-current assets			
Property, plant and equipment		**447**	1,062
Intangible assets	6	**4,718**	24,674
Trade and other receivables	7	**15,564**	-
		20,729	25,736
Current assets			
Trade and other receivables	7	**8,690**	10,481
Cash and cash equivalents		**12,607**	14,127
		21,297	24,608
Total assets		**42,026**	50,344
Current liabilities			
Other interest-bearing loans and borrowings		**-**	13
Trade and other payables	8	**7,938**	12,913
Tax payable		**383**	1,417
		8,321	14,343
Non-current liabilities			
Deferred tax liabilities		**644**	2,506
		644	2,506
Total liabilities		**8,965**	16,849

Net assets		**33,061**	33,495
Equity attributable to equity holders of the parent			
Share capital	*9*	**2,084**	2,127
Share premium	*9*	**18,025**	18,021
Share options reserve	*9*	**635**	1,447
Capital redemption reserve	*9*	**43**	-
Retained earnings	*9*	**13,705**	13,318
Foreign currency translation reserve	*9*	**(170)**	(373)
Merger reserve	*9*	**(1,261)**	(1,261)
Equity attributable to the equity holders of the parent		**33,061**	33,279
Non-controlling interests		**-**	216
Total Equity		**33,061**	33,495

Statements of changes in equity

Unaudited	Share capital	Share premium	Share options reserve	Capital redemption reserve	Retained earnings	Foreign currency translation reserve	Merger reserve	Total
	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1 January 2012	2,028	13,183	1,161	-	7,849	-	(1,261)	**22,960**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	7,306	-	-	**7,306**
Exchange rate differences	-	-	-	-	-	(373)	-	**(373)**
Transactions with owners recorded directly in equity								
Charge for the year	-	-	428	-	-	-	-	**428**
Dividends paid	-	-	-	-	(1,837)	-	-	**(1,837)**
Deferred tax on share based payments	-	-	(142)	-	-	-	-	**(142)**
Issue of ordinary shares	99	4,838	-	-	-	-	-	**4,937**
Balance at 31 December 2012	**2,127**	**18,021**	**1,447**	**-**	**13,318**	**(373)**	**(1,261)**	**33,279**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	14,090	-	-	**14,090**
Exchange rate differences	-	-	-	-	-	203	-	**203**
Transactions with owners recorded directly in equity								
Charge for the year	-	-	175	-	-	-	-	**175**
Dividends paid	-	-	-	-	(2,502)	-	-	**(2,502)**
Deferred tax on share based payments	-	-	(175)	-	-	-	-	**(175)**
Cancellation of options	-	-	(812)	-	812	-	-	**-**
Issue of ordinary shares	-	4	-	-	-	-	-	**4**
Share buyback	(43)	-	-	43	(2,985)	-	-	**(2,985)**
Shares held in treasury	-	-	-	-	(9,028)	-	-	**(9,028)**
Balance at 31 December 2013	**2,084**	**18,025**	**635**	**43**	**13,705**	**(170)**	**(1,261)**	**33,061**

Cash flow statement

for year ended 31 December 2013

Unaudited	*Note*	**2013**	2012
		£000	£000

Cash flows from operating activities			
Profit for the year		**14,090**	7,306
Adjustments for:			
Depreciation and amortisation		**6,865**	5,891
Financial income		**(70)**	(61)
Equity settled share-based payment expenses		**175**	428
Taxation		**1,406**	1,925
Gain on disposal of assets		**(23,395)**	-
Other reserve movements		**203**	(373)
		(726)	15,116
Decrease in trade and other receivables		**8,351**	36
(Decrease)/increase in trade and other payables		**(1,276)**	1,852
		6,349	17,004
Tax paid		**(2,704)**	(1,901)
Net cash from operating activities		**3,645**	15,103
Cash flows from investing activities			
Interest received		**70**	61
Acquisition of subsidiary, net of cash acquired		**(3,416)**	(5,275)
Acquisition of property, plant and equipment		**(635)**	(835)
Capitalised development expenditure	*6*	**(2,535)**	(2,822)
Acquisition of other intangible assets	*6*	**(72)**	(2,961)
Proceeds from sale of discontinued operations	*11*	**6,652**	-
Proceeds from sale of property, plant and equipment		**267**	-
Net cash from investing activities		**331**	(11,832)
Cash flows from financing activities			
Proceeds from the issue of share capital		**-**	4,937
Payment of finance lease liabilities		**(13)**	(21)
Share buy-back	*9*	**(2,981)**	-
Dividends paid	*9*	**(2,502)**	(1,837)
Net cash from financing activities		**(5,496)**	3,079
Net (decrease)/ increase in cash and cash equivalents		**(1,520)**	6,350
Cash and cash equivalents at 1 January 2013		**14,127**	7,777
Cash and cash equivalents at 31 December 2013		**12,607**	14,127

The net cash flows attributable to the operating, investing, and financing activities of discontinued operations are presented in note 11.

Notes

(forming part of the financial statements)

1 Background and basis of preparation

Cupid plc is a company incorporated and domiciled in the UK. Its registered office is at 7 Castle Street, Edinburgh EH2 3AH.

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31 December 2013 or 2012. The financial information for 2012 is derived from the statutory accounts for 2012 which have been delivered to the registrar of companies. The auditor has reported on the 2012 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2013 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

2 Segmental analysis

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") of the Company. The CEO reviews the Group's internal reporting in order to assess performance and to allocate resources. The Company has determined its operating segments based on these reports. The Group currently has three reportable segments, which are based upon geographical territories. The location of the user is the basis for determining the segment.

The three segments are:

- **Established Markets** (UK, Australia, New Zealand, Ireland, South Africa)
- **New Markets** (USA, Canada, France, Italy, Spain, Germany plus any newly entered countries)
- **Developing Territories** (Brazil, India)

Each of the three segments has different performance characteristics within its Key Performance Indicators as they are at different levels of maturity and critical mass for the Group. The CEO uses this basis of assessing progress due to the volume of countries in which the Group operates increasing, and the characteristics being better aligned by maturity rather than international region.

Information regarding the operation of the reportable segments is included below. The CEO assesses the performance of the business at the operating segment level based on revenue and revenue less direct marketing costs, which gives a measure of the effectiveness and contribution after deduction of direct marketing costs. The segment information is prepared using accounting policies consistent with those of the Group as a whole.

None of the Group's assets and liabilities are segmental assets and liabilities and all are unallocated for segmental disclosure purposes. Segmental assets and liabilities are not presented to the CEO and on this basis the Group has not disclosed details of segmental assets and liabilities. All segments are presented on a basis consistent with the prior year. No customer accounts for more than 10% of external revenues. There are no inter-segment transactions.

2013	**Established Markets**	**New Markets**	**Developing Territories**	**Total**
	£000	£000	£000	£000
Revenue	23,461	30,913	1,686	56,060
Direct marketing costs	(13,801)	(19,592)	(1,142)	(34,535)
Revenue less direct marketing costs	9,660	11,321	544	21,525
Other direct costs				(12,681)
Gross profit				8,844
Operating expenses (excluding depreciation, amortisation, share based payments, acquisition and restructuring costs, and exceptional costs)				(8,369)
Adjusted EBITDA				475
Depreciation, amortisation, share based payments, acquisition and restructuring costs and exceptional costs				(8,444)
Operating loss				(7,969)
Finance income				70
Loss before tax and gain on disposal of discontinued operations				(7,899)

2012	**Established Markets**	**New Markets**	**Developing Territories**	**Total**
	£000	£000	£000	£000
Revenue	34,943	44,804	1,162	80,909
Direct marketing costs	(15,793)	(26,613)	(574)	(42,980)
Revenue less direct marketing costs	19,150	18,191	588	37,929

Other direct costs	(15,094)
Gross profit	22,835
Operating expenses (excluding depreciation, amortisation, share based payments, and acquisition and restructuring costs)	(6,402)
Adjusted EBITDA	16,433
Depreciation, amortisation, share based payments and acquisition and restructuring costs	(7,263)
Operating profit	9,170
Finance income	61
Profit before tax	9,231

The CEO assesses the performance of the Operating Segments before deduction of Other Direct Costs. Other Direct Costs are shown above to provide reconciliation to reported Gross Profit.

Revenues generated in UK for the year ended 31 December 2013 were £19.7m *(2012: £22.5m)*.

3 Exceptional Costs

Exceptional costs relating to continuing operations consist of legal and professional fees incurred following allegations made against the Group (£0.3m), a provision for costs associated with patent infringement claims (£0.5m), and employee contract termination costs (£0.2m). The patent infringement claims relate to a summons served on the Company in May 2012 by a business called Unified Messaging Solutions alleging patent infringement for web methods of storing, delivering and managing messaging. This allegation is being vigorously defended by the Company. Exceptional costs relating to discontinued operations consist of a share of legal and professional costs in relation to the allegations made against the Group.

4 Taxation

Recognised in the income statement	**2013**	2012
	£000	£000
Current tax expense		
Current year	**1,503**	2,124
Adjustments for prior years	**173**	277
Current tax expense	**1,676**	2,401
Deferred tax credit	**(270)**	(476)
Total tax expense	**1,406**	1,925
Tax expense on sale of discontinued operations	**2,887**	-
Total tax (credit)/expense before tax on sale of discontinued operations	**(1,481)**	**1,925**

Tax recognised directly in equity (i.e. not in comprehensive income)

	2013	2012
	£000	£000
Current tax recognised directly in equity	**-**	-
Deferred tax recognised directly in equity	**(175)**	(142)
Total tax recognised directly in equity	**(175)**	(142)

Reconciliation of effective tax rate

	2013	2012
	£000	£000
Profit for the year	**14,090**	7,306
Total tax expense	**1,406**	1,925
Profit before taxation	**15,496**	9,231
Tax using the UK corporation tax rate of 23.25% *(2012: 24.5%)*	**3,603**	2,262
Non-deductible expenses	**52**	49
Under provided in prior years	**173**	277
Share option relief	**(22)**	(544)
Difference due to profit taxed overseas	**(311)**	(108)
Income not taxable (gain on disposal)	**(2,556)**	-
Deferred tax credits written off	**460**	-
Other differences	**7**	(11)
Total tax expense	**1,406**	1,925

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

5 Earnings per share

Continuing operations	Earnings 2013 £000	Weighted average no. of shares 2013 '000	Earnings per share 2013	Earnings 2012 £000	Weighted average no. of shares 2012 '000	Earnings per share 2012
Basic earnings per share	(5,636)	77,862	(7.24)p	(1,114)	82,203	(1.36)p
Dilution for options		2	-		1,448	0.03p
Diluted earnings per share		77,864	(7.24)p		83,651	(1.33)p
Diluted earnings per share capped						(1.36)p
Amortisation of intangible assets (ex R&D)	2,021			3,395		
Acquisition and restructuring costs	80			944		
Share based payments	142			300		
Tax impact of adjusted items	(521)			(1,137)		
Adjusted earnings for the period	(3,914)			2,388		
Adjusted basic earnings per share		77,862	(5.03)p		82,203	2.91p
Adjusted diluted earnings per share		77,864	(5.03)p		83,651	2.86p

Total Group	Earnings 2013 £000	Weighted average no. of shares 2013 '000	Earnings per share 2013	Earnings 2012 £000	Weighted average no. of shares 2012 '000	Earnings per share 2012
Basic earnings per share	14,090	77,862	18.10p	7,306	82,203	8.89p
Dilution for options		2	-		1,448	(0.16)p
Diluted earnings per share		77,864	18.10p		83,651	8.73p
Amortisation of intangible assets (ex R&D)	4,735			4,453		
Acquisition and restructuring costs	80			944		
Share based payments	175			428		
Gain on disposal	(23,395)			-		
Tax impact of adjusted items	1,727			(1,427)		
Adjusted earnings for the period	(2,588)			11,704		
Adjusted basic earnings per share		77,862	(3.32)p		82,203	14.24p
Adjusted diluted earnings per share		77,864	(3.32)p		83,651	13.99p

Basic earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of £14,090,000 *(2012: £7,306,000)* and a weighted average number of ordinary shares outstanding of 77,862,287 *(2012: 82,203,131)* calculated as follows:

Weighted average number of ordinary shares

	2013 Number	2012 Number
Issued ordinary shares at start of year	**85,091,971**	81,106,108
Effect of share options exercised	**72,719**	643,324
Effect of shares issued in September 2012	**-**	453,699
Effect of share buyback	**(1,570,538)**	-
Effect of shares held in treasury	**(5,731,865)**	-
Weighted average number of ordinary shares at 31 December	**77,862,287**	82,203,131

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2013 was based on profit attributable to ordinary shareholders of £14,090,000 *(2012: £7,306,000)* and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 1,630 *(2012: 1,448,116)*, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013 Number	2012 Number

Weighted average number of ordinary shares (basic)	**77,862,287**	82,203,131
Effect of share options on issue	**1,630**	1,448,116
Weighted average number of ordinary shares (diluted) at 31 December	**77,863,917**	83,651,247

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. The measure of adjusted earnings per share, as calculated above, is a non-statutory measure that we believe is useful to investors and is commonly used to evaluate the performance of businesses where M&A activity is significant.

6 Intangible assets

	Development costs £000	Goodwill £000	Intellectual property £000	Customer databases £000	Total £000
Cost					
Balance at 1 January 2012	2,487	4,029	6,036	3,717	16,269
Acquisitions through business combinations	-	1,610	3,643	7,999	13,252
Other additions - internally developed	2,822	-	-	-	2,822
Other additions - externally purchased	-	-	1,095	1,703	2,798
Balance at 31 December 2012	5,309	5,639	10,774	13,419	35,141
Balance at 1 January 2013	5,309	5,639	10,774	13,419	35,141
Acquisitions through business combinations	-	(284)	-	-	(284)
Other additions - internally developed	2,535	-	-	-	2,535
Other additions - externally purchased	-	-	72	-	72
Disposals	(5,114)	(4,386)	(7,826)	(9,492)	(26,818)
Balance at 31 December 2013	2,730	969	3,020	3,927	10,646
Amortisation and impairment					
Balance at 1 January 2012	898	-	1,836	2,287	5,021
Amortisation for the year	993	-	1,568	2,885	5,446
Balance at 31 December 2012	1,891	-	3,404	5,172	10,467
Balance at 1 January 2013	1,891	-	3,404	5,172	10,467
Amortisation for the year	1,583	-	3,641	1,094	6,318
On disposals	(1,954)	-	(4,790)	(4,113)	(10,857)
Balance at 31 December 2013	1,520	-	2,255	2,153	5,928
Net book value					
At 1 January 2012	1,589	4,029	4,200	1,430	11,248
At 31 December 2012 and 1 January 2013	3,418	5,639	7,370	8,247	24,674
At 31 December 2013	**1,210**	**969**	**765**	**1,774**	**4,718**

Development costs are costs incurred in relation to the creation of new products, systems, and processes which help to drive future revenue generation. Only specific costs incurred on specific projects that meet the capitalisation criteria specified in accounting standards are capitalised.

Intellectual property relates mainly to web domains. Any other component of this balance is not considered sufficiently material as to require separate disclosure.

Other externally purchased intangibles include the acquisition of other web domains and customer databases.

Amortisation charge

The amortisation charge is recognised in the following line item in the consolidated statement of comprehensive income:

	2013 £000	2012 £000
Amortisation of intangible assets	**6,318**	5,446

No impairment charges have been booked.

Impairment testing

Goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill	Goodwill

	2013 £000	2012 £000
Established markets	**408**	1,783
New markets	**544**	3,801
Developing territories	**17**	55
	969	5,639

The recoverable amount of goodwill has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2013	2012
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond approved forecast period to revenues and costs	**5%**	5%
Average discount rate (pre-tax)	**15%**	15%

Forecasts used for the 2014 to 2018 years reflect internal management forecasts for the Group based on past performance and the experience of growth rates. The key assumptions applied during this five year period are as follows; revenue decline in 2014 across all segments as business turnaround is completed; double digit growth in revenue across 2015 as marketing investment grows and subscriber base increases; and modest single digit growth in the years 2016-2018.

The growth rates used in the value in use calculation beyond 2018 reflect the average growth rate experienced by the online dating industry in North America and the UK.

Based on an analysis of the impairment calculation's sensitivities to changes in key parameters (growth rate, discount rate and pre-tax cash flows) there are no probable scenarios where the CGU's recoverable amount would fall below its carrying amount.

7 Trade and other receivables

	2013 £000	2012 £000
Non-current		
Deferred consideration on disposal of discontinued operations	**15,564**	-
	15,564	-
Current		
Deferred consideration on disposal of discontinued operations	**6,562**	-
Trade receivables due from related parties	**-**	2,228
Prepayments and other debtors	**1,198**	1,708
Other trade receivables	**930**	6,545
	8,690	10,481

8 Trade and other payables

	2013 £000	2012 £000
Current		
Trade payables due to related parties	**35**	-
Other trade payables	**1,122**	2,162
Non-trade payables and accrued expenses	**6,781**	10,751
	7,938	12,913

9 Capital and reserves

Share capital

	Number
At 1 January 2012	81,106,108
Issued on placing of shares	1,800,000
Issued on exercise of share options	2,185,863
In issue at 31 December 2012 - fully paid	85,091,971
At 1 January 2013	85,091,971
Share buyback	(1,725,000)
Issued on exercise of share options	5,000
In issue at 31 December 2013 - fully paid	83,371,971

	2013	2012

	£	£
Authorised		
A Ordinary shares of 2.5p	**2,721,668**	2,721,668
Allotted, called up and fully paid		
A Ordinary shares of 2.5p	**2,084,299**	2,127,299
Shares classified in shareholders' funds	**2,084,299**	2,127,299

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

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and the level of dividends to ordinary shareholders.

1,725,000 shares were repurchased in January and February 2013. 5,000 shares were issued as a result of staff exercise of options during the year. The result is that the Company has 83,371,971 ordinary shares issued and fully paid up as at the closing Balance Sheet date of 31 December 2013. As at that date the authorised share capital was 108,866,736 shares of 2.5p.

No further new ordinary shares have been issued since the end of the financial year to the date of this report.

Share premium account

	£000
At 1 January 2013	18,021
Share premium on exercise of options	4
At 31 December 2013	18,025

Reserves

Cupid plc has five reserves other than share capital, namely the foreign currency translation reserve, share options reserve, capital redemption reserve, retained earnings, and merger reserve (where the difference between the consideration paid and the capital of the acquiree on any common control transaction is reflected).

	Foreign currency translation reserve	**Share options reserve**	**Capital redemption reserve**	**Retained earnings**	**Merger reserve**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 January 2012	-	1,161	-	7,849	(1,261)	7,749
Profit for the year	-	-	-	7,306	-	7,306
Dividends paid	-	-	-	(1,837)	-	(1,837)
Charge for the year	-	428	-	-	-	428
Deferred tax on share based payments	-	(142)	-	-	-	(142)
Exchange rate differences	(373)	-	-	-	-	(373)
At 31 December 2012	**(373)**	**1,447**	**-**	**13,318**	**(1,261)**	**13,131**
Profit for the year	-	-	-	14,090	-	14,090
Dividends paid	-	-	-	(2,502)	-	(2,502)
Charge for the year	-	175	-	-	-	175
Deferred tax on share based payments	-	(175)	-	-	-	(175)
Share buyback	-	-	43	(2,985)	-	(2,942)
Shares held in treasury	-	-	-	(9,028)	-	(9,028)
Transfer to profit and loss reserve	-	(812)	--	812	-	-
Exchange rate differences	203	-	-	-	-	203
At 31 December 2013	**(170)**	**635**	**43**	**13,705**	**(1,261)**	**12,952**

Dividends

The following dividends were recognised during the period:

	2013 £000	2012 £000
2011 final dividend	**-**	1,837
2012 final dividend	**2,502**	-
Total	**2,502**	1,837

The proposed final dividend for 2013 of 3.00p per share (estimated total payable £2.1m) is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these accounts.

10 Principal risks and uncertainties

The directors believe that the principal risks and uncertainties of the business are:

Staff

As with any service organisation the Group is dependent on the skills, experience and commitment of its employees and especially a relatively small number of senior staff. The Group seeks to recruit and retain suitably skilled and experienced staff by offering a challenging and rewarding work environment. This includes competitive and innovative reward packages, including stock option plans and a strong commitment to training and development.

With a large volume of Cupid operational staff concentrated in two locations in Ukraine, there is an added risk to the Group should there be any adverse impact from any political, environmental, economic or fiscal changes within Ukraine. The Group continues to identify key Ukraine based staff and has a policy of encouraging their development, e.g. transfers to other Group offices, such as the UK.

Datacentre operation

Any downtime experienced at our datacentres would immediately have an impact on the Group's ability to provide customers with the level of service they demand. The Group's continuing investment in preventative maintenance and lifecycle replacement programme ensures its datacentres continue to deliver operational efficiency and effectiveness.

Reputation

The Group operates a number of dating sites which are mainly marketed through the internet. In the event of the reputation of one or all of the sites being damaged, this would have an impact on consumer confidence in the Group's products and the Group's ability to generate revenues. There has been significant investment in customer relationship systems and customer service staffing to meet the changing demands of the business.

Credit card processing

The Group relies on recurring billing for ongoing generation of revenue from customers via credit cards. Changes to credit card billing rules could impact upon the Group's ability to automatically rebill these customers. The Group has revenue in a wide range of countries which mitigates some of this risk should changes be made in specific countries. This risk affects many internet subscription services.

Key suppliers

The Group is dependent on certain key suppliers for the continued generation of internet marketing. The Group actively seeks to maintain good relationships with these suppliers. The Group also seeks to maintain an increasingly diversified range of other marketing partners to mitigate some of this risk.

Banking relationships

The Group relies on relationships with credit card processing companies, banks and other payment processors to enable it to continue to receive customer payments. The Group actively manages these relationships through a dedicated in-house team and has a wide spread of payment processing relationships to mitigate the risk of reliance on any particular provider.

Community

The Group seeks to be a good corporate citizen respecting the laws of the countries in which it operates and adheres to best social practice where feasible. It aims to be sensitive to the local community's cultural, social and economic needs.

Environment

The Group recognises that the nature of its business has inherently limited impact on the environment. However, every effort is made to ensure the environmental impact of the Group's operational practices is kept to a minimum, including strict adherence to all statutory requirements. To this end, a policy of minimising and recycling waste and conserving energy is pursued.

11 Discontinued operations

On 15 July 2013, the casual dating division of the business was disposed of.

The assets disposed of were as follows:

	£000
Intangible assets	15,206
Property, plant and equipment	627
Deferred taxation	(1,751)
Net identifiable assets and liabilities	14,082
Consideration received, satisfied in cash	7,770
Expenses of sale	(1,118)
Net proceeds	6,652
Net cash inflow in respect of disposals	6,652
Net proceeds cash	6,652
Net proceeds shares	9,062
Deferred consideration	26,000
Discounting of future cash flows	(3,874)
	37,840

Gain on disposal (before tax)	23,758

The German business, Womenweb GmbH, was disposed of on 31 December 2013, resulting in a loss before tax of £363,000.

The total tax charge attributable to the disposal of all discontinued operations amounts to £2,887,000.

The income statement, including comparatives, has been restated to show the discontinued activities separately from continuing activities.

Cash flows from discontinued operations

The net cash flows attributable to the operating, investing, and financing activities of discontinued operations are as follows:

	2013 £000	2012 £000
Net cash from operating activities	**6,122**	12,246
Net cash used in investing activities	**(2,859)**	(8,325)
	3,263	3,921

All cash flows from financing activities are attributable to continuing operations.

12 Posting of report and accounts

The Report and Accounts will be published around 25 April 2014 on the Company's website:

www.cupidplc.com/investors/overview

This information is provided by RNS
The company news service from the London Stock Exchange

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