Date: 24 September 2013

On behalf of: Cupid plc ('Cupid', the 'Company' or the 'Group')

Embargoed until: 0700hrs

Cupid plc

Half Yearly Report

Cupid plc (AIM: CUP), the internet dating operator, is pleased to announce its half year results for the six months ended 30 June 2013 ("H1 2013").

The sale of the casual assets[4] of the business for £45.1m took place on 15 July 2013, after the period end and therefore the H1 2013 results include the trading performance of the casual assets and exclude the gain on the sale. The results do however show the financial performance of the continuing[5] and discontinued[6] businesses separately.

Financial highlights

- Revenues increased by 12.4% to £43.4m (H1 2012: £38.6m)
- Adjusted EBITDA[1] of £2.6 m (H1 2012: £5.9m)
- Revenues from Established Markets[2] increased by 12% to £17.8m (H1 2012: £16.0m)
- Revenues from New Markets[3] increased by 9% to £24.1m (H1 2012: £22.2m)
- Marketing spend increased by 18% to £27.4m (H1 2012: £23.2m)
- Gross profit margin of 17% (H1 2012: 22%)
- Adjusted diluted Earnings per Share of 0.80p (H1 2012: 5.13 p)
- Strong cash position of £12.7m at 30 June 2013 (31 Dec 2012: £14.1m)

Post period highlights and outlook

- Successful disposal of casual assets completed in July 2013 for £45.1m further strengthens the balance sheet
- Robust continuing business which is expected to return to growth and profitability in 2014
- Reinvesting in continuing business based on product quality and customer experience
- Completed consumer research project as basis for brand investment
- Cost cutting programme being implemented to align resources with continuing business
- 2013 dividend expected to be maintained at 2012 level

[1] Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, share based payment charges, exceptional costs and acquisition related costs.
[2] Established Markets are the UK, Australia, New Zealand, South Africa and Ireland.
[3] New Markets are mainly the USA, Canada, France, Italy, Spain, Germany and any newly entered countries.
[4] The casual assets consist of a portfolio of brands based around BeNaughty, Flirt, CheekyLovers, WildBuddies, Click&Flirt and QuickFlirt and their international equivalents.
[5]Continuing business is the trading of the dating assets retained post disposal. These include Cupid, GirlsDateForFree, UniformDating, MatureDatingUK, IndianDating, Serencontrer DatingforParents and Canoodle.
[6] Discontinued business refers to the casual assets.

Commenting on the results, Bill Dobbie, Chief Executive of Cupid plc, said:

"We have had a number of distractions in the first half of 2013, however, we have commenced a streamlining and refocusing of the business, which will provide us with an excellent opportunity going forward to take more of the opportunities the sector has to offer. We have a robust business and strong brands upon which to build.

The remainder of 2013 will be a transitional period as we complete the separation of the divested casual assets and reshape our continuing business for the future. We have a strong, differentiated strategy in place, which we firmly *believe will benefit both shareholders and product users, and are focused on delivering this. We are now reinvesting our considerable experience and expertise in developing our portfolio of brands based around a distinctive positioning and the quality of the customer experience. We expect to deliver a stronger financial performance in 2014 from the foundation of a leaner more focused organisation."*

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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.maturedating.co.uk.

- Further information on the Company can be found at www.cupidplc.com.

Chief Executive Officer's Statement

The future remains positive for online dating. On both sides of the Atlantic and in developing economies we see continuing evidence of growth fuelled by an ever-growing social acceptance of the offering and the ubiquity of mobile. The UK market is now estimated at £170m, with over 5m people using online dating and one in five dates beginning online. In the US it is estimated that a third of marriages start online.

The first half of 2013 has undoubtedly been a challenging period for Cupid, but we emerge from that period with renewed focus and a more tightly defined strategy. Our business model and operating practices were criticised publicly and, as was later categorically proven by an independent review (announced 1 July 2013), without substance. This was a deeply frustrating experience, but the business has gained strength from it. However, this, coupled with the work required to achieve the successful disposal of our casual assets, was a significant drain on the resources of our management team.

Review of the first half

The sale of the casual assets for £45.1m was announced on 15 July 2013, after the period end. Therefore the H1 2013 results include the trading performance of the casual assets and exclude the impact of the sale. The second half results will include a substantial gain on the disposal of the casual assets.

I am pleased to announce that the interim results are marginally ahead of guidance provided in our last trading update in June 2013, with an Adjusted EBITDA of £2.6m.

Financial results of continuing business

Following the disposal of the casual assets the following results illustrate the performance of the continuing business:

- Revenue of £16.5m, an increase of 32% (H1 2012: £12.4m).
- AGL and Uniform Dating contributed new revenue of £4.3m.
- Marketing investment increased to £9.4m (H1 2012: £5.5m). Of this £3.1m was invested in AGL and Uniform Dating, with an increase of 15% on the underlying business.
- Other direct costs increased by 43% to £3.6m (H1 2012: £2.5m) due to higher volumes of traffic, an expanded customer support team, investment in product tools and the inclusion of AGL and Uniform Dating.
- Gross profit of £3.5m (H1 2012: £4.4m) giving a margin of 21%.
- Administrative expenses increased to £4.0m, £0.8m of which is non-recurring, as we expanded our operations overseas and made provision against non-recoverable debtors.
- Strong net cash position of £12.7m at 30 June 2013 (31 Dec 2012: £14.1m) after share buy-back of £3m.

Disposal of casual assets

Earlier this year we took the strategic decision to sell the casual assets. It was clear that they did not fit well with our mainstream sites, where customers are demanding increasingly higher quality products and levels of service. We believe that focusing on meeting these needs will generate better longer-term returns and sustainable value for our shareholders, as well as providing what our customers want. Additionally it was evident that the casual business was much less attractive to public company investors. Having created an opportunity to divest, we achieved a good price for the business based on market comparables.

On 15 July we successfully completed the sale of this portion of our business to Grendall Investments for £45.1m. The disposal strengthens our balance sheet considerably. Deferred consideration of £28.5m is due in monthly instalments (of which £2.5m is due in 2013, £7m in 2014, £10m in 2015 and £9m in 2016). At the date of disposal both mainstream and casual assets were held in one database and operating platform. It is anticipated that the separation of the database and platform will be completed by the end of Q1 2014.

Cupid following the disposal

The successful disposal of the casual assets gives us the resources and focus to execute our strategy for the growth of our retained business. The drivers of that success will be operational effectiveness (based on our proven and scalable platform and skill base); the quality of our product offering and how well we serve our customers; a highly differentiated mainstream dating product; a number of strong niche offerings; and well targeted acquisitions to broaden our base and fill gaps in our capability.

Our business is now focused on four key product areas; Cupid (Cupid.com and related mainstream sites), Uniform Dating, Mature Dating and a network of niche sites. Our six key markets are the UK, US, France, Canada, Australia and Germany which together account for 90% of our monthly revenue.

Our priorities over the next six to nine months are to successfully complete the separation of the casual assets and to complete the reshaping of the retained businesses to deliver more profitable growth. We will realign the cost base to accurately reflect the scale of the continuing business and, to that end, a cost reduction programme is already underway. This will support reinvestment in our brands and the product offering and will generate positive returns for shareholders. In addition this will allow us to position ourselves to leverage our skills and assets in other related attractive markets.

To help successfully implement the strategy, the Group is keen to improve the strength in depth of employees in key areas of our operations and we have recruited a new senior management team in the UK as a first step in this process.

Our brands

The consumer research we undertook earlier this year clearly illustrated that our current and potential members are looking for a relevant and differentiated product, whether that be in the mainstream or in niche offerings. Quality of service, a feeling of security and a sense of community are important to them.

In the months following the completion of the disposal we have been severing all marketing links with the casual sites and preparing to relaunch our brands with a new personality and a brand promise that sets out what consumers should expect from us. Severing the casual links will have a negative impact on our revenue in the short term but will allow us to build a strong, principled business with good long term financial merits. Each of the core areas, Cupid.com, Uniform Dating and a revitalised mature product, will feature a new brand image and enhancements to content and product features that will create a clearly defined proposition, higher levels of engagement and ultimately a higher customer life time value. We also expect to broaden our marketing mix; we will place less emphasis on online affiliate-based marketing and more on offline marketing, PR and more effective SEO (search engine optimisation). We will also produce a new set of KPIs that allows us to track the quality as well as quantity of our membership.

Operations

The Group has invested heavily to improve the customer experience. In 2013 we have enhanced the measures we take to detect and deter scammers by requiring added levels of verification. We have also pioneered what we call "Safe Mode" which allows members to restrict their communication to other fully verified members. The Group has invested in building enhanced anti-fraud measures. We have also upgraded our terms and conditions to make them more transparent and to encourage a positive opt in from consumers. We are fully committed to making online dating safer, simpler, fairer and trusted.

Dividend

Against this background I am pleased to announce that the directors have decided to maintain the 2013 dividend at the 2012 level. Accordingly, when the full year results are announced, we anticipate declaring a dividend of 3p per share, to be paid in the summer of 2014.

Looking ahead

We have a busy period ahead of us but I am confident that we remain well positioned to become a significant player in the growing online dating market. The Group is well funded; it has a flexible and accomplished team and new management with additional skills being added in the UK. We are now reinvesting in a business based on product quality and customer experience. Building on these robust foundations I am confident that the continuing business will deliver growth and profitability in 2014 and our balance sheet will allow us to investigate more growth opportunities in our dating business and related online activities.

Bill Dobbie
Chief Executive Officer

Cupid plc
Interim results FY2013
Consolidated interim statement of comprehensive income
for the six months ended 30 June 2013
Unaudited

	Notes	Continuing operations H1 2013 £000	Discontinued operations H1 2013 £000	**Total H1 2013 £000**	Continuing operations H1 2012 £000	Discontinued operations H1 2012 £000	**Total H1 2012 £000**
Revenue	2	16,454	26,906	**43,360**	12,435	26,179	**38,614**
Cost of sales		(12,958)	(23,095)	**(36,053)**	(8,047)	(21,979)	**(30,026)**
Gross profit		3,496	3,811	**7,307**	4,388	4,200	**8,588**
Administrative expenses		(4,034)	(645)	**(4,679)**	(2,294)	(422)	**(2,716)**
Adjusted EBITDA		(538)	3,166	**2,628**	2,094	3,778	**5,872**
Depreciation of plant and equipment		(200)	(164)	**(364)**	(123)	(97)	**(220)**
Amortisation of intangible assets		(1,298)	(2,984)	**(4,282)**	(495)	(1,066)	**(1,561)**
Acquisition and restructuring costs		(50)	-	**(50)**	(280)	-	**(280)**
Exceptional costs	3	(389)	(254)	**(643)**	-	-	**-**
Share based payments		(71)	(30)	**(101)**	(130)	(56)	**(186)**
Operating (loss)/profit		(2,546)	(266)	**(2,812)**	1,066	2,559	**3,625**
Finance income		43	-	**43**	25	-	**25**
(Loss)/ profit before taxation		(2,503)	(266)	**(2,769)**	1,091	2,559	**3,650**
Taxation credit/(charge)	5	635	1	**636**	(114)	(632)	**(746)**
(Loss)/profit for the period		(1,868)	(265)	**(2,133)**	977	1,927	**2,904**
Other comprehensive income:							
Foreign exchange translation differences – equity accounted investments		117	-	**117**	-	-	**-**
(Loss)/profit for the period and total comprehensive income all attributable to equity holders of the parent		(1,751)	(265)	**(2,016)**	977	1,927	**2,904**
Basic and diluted earnings per share	7						
Basic (p per share)		(2.23)	(0.32)	**(2.55)**	1.20	2.37	**3.57**
Diluted (p per share)		(2.23)	(0.32)	**(2.55)**	1.17	2.31	**3.48**

Cupid plc
Interim results FY2013
Consolidated interim balance sheet at 30 June 2013
Unaudited

	Notes	H1 2013	H1 2012 (restated – note 1)	FY 2012
		£000	£000	£000
Non-current assets				
Intangible assets	6	6,682	13,082	24,674
Plant and equipment		709	1,017	1,062
		7,391	14,099	25,736
Current assets				
Trade and other receivables	8	2,451	11,028	10,481
Taxation		38	-	-
Cash and cash equivalents		12,716	7,666	14,127
Assets classified as held for sale	10	20,441	-	-
		35,646	18,694	24,608
Total assets		43,037	32,793	50,344
Non-current liabilities				
Other interest-bearing loans and borrowings		-	2	-
Deferred taxation		713	249	2,506
		713	251	2,506
Current liabilities				
Trade and other payables		3,901	7,444	12,913
Other interest-bearing loans and borrowings		2	21	13
Taxation		-	579	1,417
Liabilities classified as held for sale	10	10,256	-	-
		14,159	8,044	14,343
Total liabilities		14,872	8,295	16,849
Net assets		28,165	24,498	33,495
Equity attributable to equity holders of the parent				
Called up share capital	9	2,085	2,045	2,127
Share premium account		18,026	13,255	18,021
Share options reserve		1,113	1,321	1,447
Foreign currency translation reserve		(256)	6	(373)
Merger reserve		(1,261)	(1,261)	(1,261)
Capital redemption reserve		42	-	-
Retained earnings		8,200	8,916	13,318
Equity attributable to the equity holders of the parent		27,949	24,282	33,279
Non-controlling interests		216	216	216
Total equity		28,165	24,498	33,495

Cupid plc
Interim results FY2013
Consolidated interim statement of changes in equity for the six months ended 30 June 2013
Unaudited

	Share capital	Share premium	Share options reserve	Retained earnings	Foreign currency translation reserve	Merger reserve	Capital redemption reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2012 (restated – note 1)	2,028	13,183	1,161	7,849	-	(1,261)	-	22,960
Share based payments	-	-	186	-	-	-	-	186
Retained profit for period	-	-	-	2,904	-	-	-	2,904
Dividend	-	-	-	(1,837)	-	-	-	(1,837)
Issue of ordinary shares	17	72	-	-	-	-	-	89
Deferred tax on share based payments	-	-	(26)	-	-	-	-	(26)
Exchange rate differences	-	-	-	-	6	-	-	6
At 30 June 2012 (restated – note 1)	2,045	13,255	1,321	8,916	6	(1,261)	-	24,282
Share based payments	-	-	242	-	-	-	-	242
Retained profit for period	-	-	-	4,402	-	-	-	4,402
Issue of ordinary shares	82	4,766	-	-	-	-	-	4,848
Deferred tax on share based payments	-	-	(116)	-	-	-	-	(116)
Exchange rate differences	-	-	-	-	(379)	-	-	(379)
At 31 Dec 2012	2,127	18,021	1,447	13,318	(373)	(1,261)	-	33,279
Share based payments	-	-	101	-	-	-	-	101
Loss for period	-	-	-	(2,133)	-	-	-	(2,133)
Options exercised	-	5	-	-	-	-	-	5
Share buybacks	(42)	-	-	(2,985)	-	-	42	(2,985)
Deferred tax on share based payments	-	-	(435)	-	-	-	-	(435)
Exchange rate differences	-	-	-	-	117	-	-	117
At 30 June 2013	2,085	18,026	1,113	8,200	(256)	(1,261)	42	27,949

Cupid plc
Interim results FY2013
Consolidated interim cashflow statement for the six months ended 30 June 2013
Unaudited

	H1 2013	H1 2012	FY 2012
	£000	£000	£000
(Loss)/ profit for the period	(2,133)	2,904	7,306
Amortisation and depreciation	4,646	1,781	5,891
Financial income	(43)	(25)	(61)
Decrease/ (increase) in trade receivables	3,550	(1,417)	36
Increase in trade payables	2,190	1,986	1,852
Equity settled share-based payment expenses	101	186	428
Taxation	(636)	746	1,925
Other reserve movements	117	-	(373)
Cash flow from operations	7,792	6,161	17,004
Taxation paid	(1,408)	(762)	(1,901)
Net cash from operating activities	6,384	5,399	15,103
Cash flow from investing activities			
Interest received	43	25	61
Acquisition of plant and equipment	(602)	(566)	(835)
Acquisition of subsidiary/balance of consideration, net of cash acquired	(2,300)	-	(5,275)
Capitalised development expenditure	(1,873)	(1,256)	(2,822)
Acquisition of other intangible assets	(72)	(1,954)	(2,961)
Net cash used in investing activities	(4,804)	(3,751)	(11,832)
Cash flows from financing activities			
(Share buyback)/ Issue of shares (net)	(2,980)	89	4,937
Payment of finance lease liabilities	(11)	(11)	(21)
Dividends paid	-	(1,837)	(1,837)
Net cash used in financing activities	(2,991)	(1,759)	3,079
Net (decrease)/ increase in cash and cash equivalents	(1,411)	(111)	6,350
Cash and cash equivalents at 1 January 2013	14,127	7,777	7,777
Cash and cash equivalents at 30 June 2013	12,716	7,666	14,127

The net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented in note 10.

Cupid plc
Interim results FY2013
Notes to the accounts

1. Basis of preparation

The condensed interim financial statements set out above contain the interim financial information of Cupid plc (the "Company") for the six month period ended 30 June 2013.

These interim financial statements were authorised for issue by the Board of Directors on 24 September 2013. A copy of this half-yearly financial report is available on the Company's website at www.cupidplc.com.

The comparative figures for the financial year ended 31 December 2012 do not constitute the Company's statutory accounts for that financial year. The auditors have reported on those accounts and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The interim financial information for the six month period ended 30 June 2013 is unaudited but has been reviewed by the auditors and their report to the Company is set out at the end of the statement.

The Group's projections, taking into account all risks and uncertainties outlined in note 11 to the interim statement indicate that the Group will continue to be self-funding. As a result, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Restatement of certain prior year comparatives

The directors have restated the reported Group and Company comparatives for the six months ended 30 June 2012 in respect of the acquisition of the trade and assets of Easydate Limited ("the Easydate Acquisition") by the Company and the Group in 2009. In the 2009 financial statements, goodwill of £1,261,000 was recognised in respect of the Easydate Acquisition. This represented the difference between the value of the shares issued by the Company as consideration and the book value of the net assets acquired. This acquisition was a common control transaction effected through the insertion of a new holding company and the directors have concluded that it is appropriate to restate the comparatives in respect of this acquisition on the basis that the Company and Group have applied book value accounting in respect of the Easydate Acquisition. Consequently, the goodwill of £1,261,000 has been eliminated and the excess between the consideration paid and the book value of the net assets acquired has been recognised in a Merger Reserve. The impact of this as at 1 January 2012 and 30 June 2012 is to reduce intangible assets and net assets by £1,261,000.

Cupid plc
Interim results FY2013
Notes to the accounts cont'd

2. Accounting Policies

The Financial Statements have been prepared in accordance with the accounting policies set out in the Annual Report and Accounts for the twelve months to 31 December 2012. Where new policies have been applied these are set out below.

The condensed interim financial statements are prepared applying the recognition and measurement requirements of IFRSs as adopted by the EU. The Company has elected not to prepare the interim statement in accordance with IAS 34 as adopted by the EU.

The interim statement does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2012 which were prepared in accordance with IFRS as adopted by the EU.

Although there have been a number of new interpretations and amendments to existing standards in the period, these are not applicable to the Group and therefore have not had any impact on the net assets or results.

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the condensed interim financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the interim financial statements. The most critical of these accounting judgement and estimation areas were noted in the Company's consolidated financial statements for the year ended 31 December 2012.

Exceptional costs

The Group has disclosed additional information in respect of exceptional items on the face of the consolidated statement of comprehensive income in order to aid understanding of the Group's financial performance. An item is treated as exceptional if it is considered that by virtue of its nature, scale, or incidence it is of such significance that separate disclosure is required for the financial statements to be properly understood. These items are not part of the Group's normal ongoing operations.

Assets classified as held for sale

A non-current asset or group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally though sale rather than through continuing use, it is available for immediate sale and a sale is highly probable within one year. On initial classification as held for sale, non-current assets or components of a disposal group are measured at the lower of previous carrying amount and fair value less costs to sell, with any adjustments taken to profit and loss. The same applies to gains and losses on subsequent remeasurement.

2. Accounting policies cont'd

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

3. Exceptional Costs

Exceptional costs relating to continuing operations consist of legal and professional fees incurred following allegations made against the Group (£289,000) and the costs of an employee tribunal case (£100,000). Exceptional costs relating to discontinued operations consist of legal and professional fees associated with the disposal of the Group's casual websites as announced on 15 July 2013.

4. 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 and 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 transitioned to this basis of assessing progress from the previous basis due to the increasing volume of countries in which the Group operates, 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. The segment information is prepared using accounting policies consistent with those of the Group as a whole.

The assets and liabilities of the Group are not reviewed by the CEO on a segment basis. Therefore none of the Group's assets and liabilities are segmental assets and liabilities and all are unallocated for

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Interim results FY2013
Notes to the accounts cont'd

4. Segmental analysis cont'd

segmental disclosure purposes. Segmental assets and liabilities are not presented to the CEO and therefore 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.

June 2013	Established Markets	New Markets	Developing Territories	Total
	£000	£000	£000	£000
Revenue	17,850	24,052	1,458	43,360
Direct marketing costs	(10,049)	(16,254)	(1,065)	(27,368)
Revenue less direct marketing cost	7,801	7,798	393	15,992
Other direct costs				(8,685)
Gross profit				7,307
Administrative expenses				(4,679)
Adjusted EBITDA				2,628
Depreciation, amortisation, share based payments, acquisition costs and exceptional costs				(5,440)
Operating loss				(2,812)
Finance income				43
Loss before tax				(2,769)

June 2012	Established Markets	New Markets	Developing Territories	Total
	£000	£000	£000	£000
Revenue	15,991	22,159	464	38,614
Direct marketing costs	(8,456)	(14,465)	(246)	(23,167)
Revenue less direct marketing cost	7,535	7,694	218	15,447
Other direct costs				(6,859)
Gross profit				8,588
Administrative expenses				(2,716)
Adjusted EBITDA				5,872
Depreciation, amortisation, share based payments and acquisition costs				(2,247)
Operating profit				3,625
Finance income				25
Profit before tax				3,650

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Notes to the accounts cont'd

5. Taxation

Recognised in the income statement	Unaudited H1 2013 £000	Unaudited H1 2012 £000
Current tax (credit)/expense		
Current year	(17)	625
Adjustments for prior years	(30)	61
Current tax (credit)/ expense	(47)	686
Deferred tax expense		
Deferred tax (credit)/expense	(589)	60
Total tax (credit)/expense	(636)	746

Tax recognised directly in equity	Unaudited H1 2013 £000	Unaudited H1 2012 £000
Current tax recognised directly in equity	-	-
Deferred tax recognised directly in equity	(435)	(26)
Total tax recognised directly in equity	(435)	(26)

Reconciliation of effective tax rate	Unaudited H1 2013 £000	Unaudited H1 2012 £000
(Loss)/profit for the year	(2,133)	2,904
Total tax (credit)/expense	(636)	746
(Loss)/profit before taxation	(2,769)	3,650
Tax using the UK corporation tax rate of 23.25% (2012: 24.5%)	(644)	894
Non-deductible expenses	81	22
Timing differences	(1)	11
(Over)/Under provided in prior years	(29)	61
Share option relief	-	(242)
Difference due to profit taxed overseas	(43)	-
Total tax (credit)/expense	(636)	746

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6. Intangible assets	Internally generated R&D £000	Goodwill £000	Intellectual property £000	Customer Databases £000	Total £000
Cost					
Balance at 1 January 2012 (restated – note 1)	2,487	4,029	6,036	3,717	16,269
Acquisitions – externally purchased	-	-	637	1,502	2,139
Internally generated	1,256	-	-	-	1,256
Balance at 30 June 2012	3,743	4,029	6,673	5,219	19,664
Acquisitions – externally purchased	-	-	458	201	659
Internally generated	1,566	-	-	-	1,566
Acquisitions through business combinations	-	1,610	3,643	7,999	13,252
Balance at 31 December 2012	5,309	5,639	10,774	13,419	35,141
Acquisitions – externally purchased	-	-	72	-	72
Internally generated	1,873	-	-	-	1,873
Deferred consideration adjustment	-	(285)	-	-	(285)
Classified as held for sale	(5,006)	(3,732)	(7,560)	(9,353)	(25,651)
Balance at 30 June 2013	2,176	1,622	3,286	4,066	11,150
Amortisation					
Balance at 1 January 2012	898	-	1,836	2,287	5,021
Amortisation charge	197	-	616	748	1,561
Balance at 30 June 2012	1,095	-	2,452	3,035	6,582
Amortisation charge	796	-	952	2,137	3,885
Balance at 31 December 2012	1,891	-	3,404	5,172	10,467
Amortisation charge	773	-	1,752	1,757	4,282
Classified as held for sale	(1,857)		(3,594)	(4,830)	(10,281)
Balance at 30 June 2013	807	-	1,562	2,099	4,468
Net book value					
At 30 June 2013	1,369	1,622	1,724	1,967	6,682
At 31 December 2012	3,418	5,639	7,370	8,247	24,674
At 30 June 2012	2,648	4,029	4,221	2,184	13,082

No impairment charges have been booked.

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7. Earnings per share

Continuing operations	**Earnings H1 2013**	**Weighted average no. of shares H1 2013**	**Earnings per share Pence H1 2013**	**Earnings H1 2012**	**Weighted average no. of shares H1 2012**	**Earnings per share Pence H1 2012**
Basic earnings per share	(1,868)	83,683	(2.23)	977	81,286	1.20
Dilution for options		400	0.01		2,194	(0.03)
Diluted earnings per share	(1,868)	84,083	(2.22)	977	83,480	1.17
Diluted earnings per share capped			(2.23)			-
Adjustments:						
Amortisation of intangible assets (ex R&D)	1,064			432		
Acquisition and restructuring costs	50			280		
Share based payments	71			130		
Tax impact of adjusted items	(276)			(206)		
Adjusted earnings for the period	(959)			1,613		
Adjusted basic earnings per share	(959)	83,683	(1.15)	1,613	81,286	1.98
Adjusted diluted earnings per share	(959)	84,083	(1.14)	1,613	83,480	1.93
Adjusted diluted earnings per share capped			(1.15)			-

Total Group	**Earnings H1 2013**	**Weighted average no. of shares H1 2013**	**Earnings per share Pence H1 2013**	**Earnings H1 2012**	**Weighted average no. of shares H1 2012**	**Earnings per share Pence H1 2012**
Basic earnings per share	(2,133)	83,683	(2.55)	2,904	81,286	3.57
Dilution for options		400	0.01		2,194	(0.09)
Diluted earnings per share	(2,133)	84,083	(2.54)	2,904	83,480	3.48
Diluted earnings per share capped			(2.55)			-
Adjustments:						
Amortisation of intangible assets (ex R&D)	3,509			1,364		
Acquisition and restructuring costs	50			280		
Share based payments	101			186		
Tax impact of adjusted items	(851)			(448)		
Adjusted earnings for the period	676			4,286		
Adjusted basic earnings per share	676	83,683	0.81	4,286	81,286	5.27
Adjusted diluted earnings per share	676	84,083	0.80	4,286	83,480	5.13

The measure of adjusted earnings per share, as calculated above, is a non-statutory measure which we believe is useful to investors and is commonly used to evaluate the performance of businesses where M&A activity is significant. The calculation of adjusted earnings per share for H1 2012 has been restated to exclude amortisation on internally generated R&D on the same basis as FY 2012.

8. Related parties

Included in trade and other receivables is a balance due from related parties amounting to £107,000. This includes cash that was processed through one of the payment gateways of Interactive Dating and Entertainment Ltd (formerly Amorix Ltd) as this was deemed the most effective method for ensuring a high collection rate. The corresponding figures for December 2012 and June 2012 are £2,228,000 and £2,527,000 respectively.

9. Called up share capital

	30 June 2013 Number	30 June 2013 £000	30 June 2012 Number	30 June 2012 £000	31 Dec 2012 Number	31 Dec 2012 £000
Authorised						
Equity share capital						
Ordinary shares of 2.5p each	108,866,736	2,722	108,866,736	2,722	108,866,736	2,722
Allotted, called up and fully paid						
Equity share capital						
Ordinary shares of 2.5p each	83,371,971	2,085	81,777,260	2,045	85,091,971	2,127

10. Assets and liabilities classified as held for sale

On 30 June 2013, the casual websites met the criteria for classification as a non-current asset held for sale under IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. As such, the relevant carrying values have been reclassified to *Assets classified as held for sale* or *Liabilities classified as held for sale* from the following categories (the table below shows the effect of the discontinuing operation on the financial position):

Category	30 June 2013 £000
Plant & equipment	591
Intangible assets	15,370
Trade and other receivables	4,480
Assets classified as held for sale	**20,441**
Deferred Taxation	(1,639)
Trade and other payables	(8,617)
Liabilities classified as held for sale	**(10,256)**
Net assets classified as held for sale	**10,185**

10. Assets and liabilities classified as held for sale cont'd

Cash Flows from discontinued operations

Category	H1 2013	H1 2012
	£000	£000
Net cash from operating activities	5,717	3,518
Net cash used in investing activities	(3,296)	(2,494)
	2,421	**1,024**

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

11. Principal risks and uncertainties

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

Staff

As with any service organisation the Group is dependent on the skill, 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 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 and Germany.

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. As the business has been growing rapidly there has been significant investment in customer relationship systems and customer service staffing to meet the growing business demands.

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11. Principal risks and uncertainties cont'd

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 wherever it is viable to do so.

12. Post balance sheet events

On 15 July 2013 it was announced that the Group had entered in to an agreement to sell its casual websites to Grendall Investment Limited, for a total consideration of £43.1m. The Group also entered in to a separate software licensing agreement with Grendall Investment Limited worth £2.0m, bringing the total value of the transaction to £45.1m.

INDEPENDENT REVIEW REPORT TO Cupid PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2013 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) 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 condensed set of financial statements in the half-yearly report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

Bruce Marks
For and on behalf of KPMG Audit Plc
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ
24 September 2013