

VITESSE MEDIA PLC

UNAUDITED PRELIMINARY FINAL RESULTS FOR THE YEAR ENDING 31 JANUARY 2011

CHAIRMAN'S REPORT

HIGHLIGHTS FOR THE YEAR ENDING 31 JANUARY 2011

- Pre-tax profit* trebled for 2010/11 to £151,071 against 2009/10 pre-tax profit* of £49,258.
- Strong growth in gross profit margin to 71.8% (2009/10 66.5%)
- Further reductions in overhead costs of around 6%
- Revenues for the two websites *SmallBusiness* and *GrowthBusiness* increased by 14% over the previous year.

KEY PERFORMANCE INDICATORS

The Group reviews revenue, gross profit percentage and pre-tax profit when analysing the business. Non-financial key performance indicators include web traffic and usage statistics, competitive reviews, staff turnover and major client retention.

	2011	2010
Revenue	£3,313,036	£3,635,148
Gross profit percentage	71.8%	66.5%
Profit before tax*	£151,071	£49,258

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PERFORMANCE DURING THE FINANCIAL YEAR 2010/11

We are delighted with the continued improvements in profitability, particularly the rise in gross profit margin. While we have continued to negotiate hard on costs, the single biggest contributory factor leading to the improvement in margins continues to be the revenue switch to digital from print. These revenues tend to be lower but deliver a higher profitability.

Our online revenues continued to deliver a strong performance during the year, with our two major business websites, *SmallBusiness* and *GrowthBusiness*, showing an average growth of 14% in revenues, with increases in organic traffic (that is traffic not generated by advertising on search engines) outstripping that improvement, meaning that these sites delivered bigger contributions to the overall group. Towards the end of the financial year, we relaunched new versions of two of our sites, *TaxGuide* and *WhatInvestment*.

As expected, the print titles continued to experience a difficult trading background, with *Information Age* the most affected, a downturn in revenues for the magazine beginning in the second quarter of 2010. Conversely, print advertising revenues for *What Investment* stabilised during the year. However, the process of switching from print to digital copies for all the titles began during this last financial year, with *Information Age* leading the way, so that by the end of the year around 20% of the circulation was delivered digitally. It is anticipated that by the end of the current financial year the proportion of digital delivery will be 60% for *Information Age* and *Business XL*.

Some competing titles have closed, and unlike some remaining competitors our magazines have maintained their audited circulation with ABC. This bolsters both the brands and competitive market positions with agencies.

Our events all remained profitable during the period, although some suffered small declines in revenues, mainly because of lower table sales. However, towards the end of the financial year this began to ease. During the current financial year, we expect to see increases in both table sales and sponsorships.

UPDATE FOR THE FIRST QUARTER

The current year started extremely well, with both February and March delivering strong performances across the board, including small like-for-like increases in revenues and above-budget profits. April, as anticipated, was poor due to the high number of bank holidays during the month.

Forward bookings are healthy and the management team expects to recoup some of the lost April revenue. It is anticipated that for the six months to 31 July 2011 profits are likely to be in line with the Board's expectation.

OUTLOOK FOR THE YEAR AHEAD

We expect that the business will show further improvements in profitability, although the extent of these will depend on whether confidence and growth return to the economy.

The switch to digital from print will continue, if not accelerate, such that at the end of the financial year we expect that we will report our income segments as Business and Investment, dropping the segmental information on Print, Online and Events as it is no longer relevant to the management of the business.

Further investments will be made in our database, our digital offerings (both existing and new) and our Research activities during the year, funded out of cash flow.

The Directors remain confident that the business is being reshaped in the medium term with the intention of becoming a high-quality digital, data, events and research market leader, serving two very high-net-worth communities – business decision-makers and investors, both professional and private. We expect this transformation increasingly to be reflected in our results and are working to achieve this for the benefit of all shareholders.

ESM Williams

Chairman

*Pre-share option expense figures

BUSINESS REVIEW

There are two teams managing the group activities, which are split according to the markets we serve: the first is business decision-makers (**Business**) and the second is professional/private investors and the advisory community (**Investment/Advisory**). Revenue streams within these two groups consist of advertising, sponsorship, business development services and research. **Business** also derives revenue from event management and **Investment/Advisory** from subscriptions and table sales at our events.

BUSINESS

Our Business brands include www.SmallBusiness.co.uk, www.GrowthBusiness.co.uk, *Business XL*, www.TaxGuide.co.uk, *Information Age* (including events), www.information-age.com and www.MandAdeals.co.uk.

During the year under review, Business contributed 65% of the group's revenues, and fell around 5% compared with the previous financial year of 2009/10. However, the gross margin on these activities rose from 68% to 75%.

Themes during the year included:

- Growth in digital revenues and a switch from print
- Greater interest from customers in our business development and business targeting services.

The two large Business websites, www.SmallBusiness.co.uk and www.GrowthBusiness.co.uk, showed an average increase in revenues of 14%, along with strong organic growth in traffic, which meant that the contribution from these sites increased by more than 18%.

There was greater interest among customers for data analysis, such as targeting customers, and also research-based work, thus expanding digital revenues away from pure advertising.

The financial year 2010/11 saw a continued downward trend in print advertising, the most affected product being *Information Age*. That trend continued in the first quarter of 2011/12, but, based on current trading, we expect this to be reversed for the remainder of the year.

During the year and the first quarter of 2011/12, one competitor of *Business XL* ceased publication and a second is to be published quarterly rather than monthly. A competitor of *Information Age* dropped its circulation audit. This leaves *Business XL* as the market leader and strengthens *Information Age* in its premier position.

For the past six months the board has been carrying out a major review of strategy for the whole group with a view to establishing three- and five-year plans. If fully achieved, these would deliver substantial and growing profitability for the 2013/14 financial year. While the review is not yet complete, decisions have already been made in relation to our magazines.

We have experimented with offering enhanced digital versions of our business titles and we have found significant acceptability among readers, which bodes well for the future of these titles in terms of the mix of media platforms we can offer advertisers, profit margin enhancement and our ability to grow revenues. Similarly, it is our intention to expand the digital and mobile platforms served by our core business websites.

Lastly, during the year in question, www.TaxGuide.co.uk was relaunched, with a target market of 100,000 users and utilising our high-quality tax content. While starting at a very low base, the growth in users is very satisfying.

INVESTMENT/ADVISORY

Our Investment brands include *Growth Company Investor* (online www.GrowthCompany.co.uk), *What Investment* (online www.WhatInvestment.co.uk) and exploitation of the AIM databases built through *The AIM Guide*. For operational reasons, the Investment team is also responsible for the sale and marketing of all Vitesse-owned events as well as the M&A pages within *Business XL*.

Revenues attached to *Growth Company Investor*, *What Investment* and the AIM database accounted for 35% of the group's total, and fell around 15% compared with the previous year. The gross margin on these activities rose to 67%, compared with 64% the previous year.

Themes during the year included:

- Stabilisation of advertising revenues for *What Investment*
- An uneven performance in subscriptions for both brands
- A fall in attendance at events – however, this is being reversed so far during the current financial year.

During the year under review, a new version of www.WhatInvestment.co.uk was launched, providing a much broader range of content.

The team successfully ran a number of events during the year, particularly *The New Energy Awards*, *The Quoted Company Awards* and *Investor AllStars*. Revenues for *The M&A Awards* are expected to show an increase during the current financial year.

While revenues for all the *Growth Company Investor* activities are expected to make a small improvement in the current financial year, a full recovery will not occur until there is a more significant improvement in confidence for small-cap companies.

As with the Business division, the next six months will see the team launch versions of the Investment division's products for tablet computers, e-readers and smartphone devices.

Consolidated statement of comprehensive income for the year ended 31 January 2011

	2011 £	2010 £
Revenue	3,313,036	3,635,148
Cost of sales	(934,532)	(1,216,603)
Gross profit	<u>2,378,504</u>	<u>2,418,545</u>
Administrative expenses	(2,216,127)	(2,336,900)
Share-based payments	(71,134)	(12,552)
Operating profit	<u>91,243</u>	<u>69,093</u>
Finance costs	(11,310)	(33,870)
Finance income	4	1,483
Profit before tax	<u>79,937</u>	<u>36,706</u>
Tax expense	-	-
Profit for the year attributable to owners of the parent	<u>79,937</u>	<u>36,706</u>
Total comprehensive income for the year attributable to owners of the parent	<u><u>79,937</u></u>	<u><u>36,706</u></u>

Consolidated statement of financial position at 31 January 2011

	2011	2010
	£	£
NON-CURRENT ASSETS		
Goodwill	1,025,806	1,025,806
Other intangible assets	1,448,451	1,467,806
Property, plant and equipment	40,272	87,685
Trade and other receivables	21,139	21,139
	<u>2,535,668</u>	<u>2,602,436</u>
CURRENT ASSETS		
Inventories	26,216	18,992
Trade and other receivables	803,930	679,927
Cash and cash equivalents	67,064	-
	<u>897,210</u>	<u>698,919</u>
TOTAL ASSETS	<u><u>3,432,878</u></u>	<u><u>3,301,355</u></u>
EQUITY		
Share capital	2,610,379	2,560,379
Share premium account	2,831,523	2,427,617
Share option reserve	143,044	86,013
Other reserves	103,904	103,904
Retained earnings	(3,557,485)	(3,651,525)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>2,131,365</u>	<u>1,526,388</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases	-	3,948
	<u>-</u>	<u>3,948</u>
CURRENT LIABILITIES		
Trade and other payables	977,177	1,237,028
Borrowings	320,388	523,814
Obligations under finance leases	3,948	10,177
	<u>1,301,513</u>	<u>1,771,019</u>
TOTAL LIABILITIES	<u>1,301,513</u>	<u>1,774,967</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,432,878</u></u>	<u><u>3,301,355</u></u>

Consolidated statement of cash flows for the year ended 31 January 2011

	2011 £	2010 £
Profit/(loss) before tax	79,937	36,706
Adjustments for:		
Finance income	(4)	(1,483)
Finance costs	11,310	33,870
Amortisation	40,395	50,269
Depreciation of property, plant and equipment	54,493	73,380
Loss on disposal of property, plant and equipment	4,686	-
Provisions on loans released	-	-
Onerous lease provision	-	(61,289)
Share-based payment charge	71,134	12,552
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Operating cash flows before movements in working capital	261,951	144,005
Increase in inventories	(7,224)	(1,791)
(Increase)/decrease in receivables	(124,003)	151,113
Decrease in payables	(259,851)	(372,897)
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CASH FLOWS USED IN OPERATING ACTIVITIES	(129,127)	(79,570)
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CASH FLOWS FROM OPERATING ACTIVITIES	(129,127)	(79,570)
Interest received	4	1,483
Interest paid	(11,310)	(33,870)
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NET CASH USED IN OPERATING ACTIVITIES	(140,433)	(111,957)
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INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(11,766)	-
Purchases of intangible assets	(21,040)	(5,000)
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NET CASH USED IN INVESTING ACTIVITIES	(32,806)	(5,000)
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FINANCING ACTIVITIES		
Proceeds from issue of share capital	475,000	-
Share issue costs	(21,094)	-
Repayment of obligations under finance leases	(10,177)	(28,737)
(Repayment)/proceeds from short-term borrowings	(170,000)	170,000
(Repayment)/drawdown on invoice discounting facility	(1,548)	5,312
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NET CASH GENERATED FROM FINANCING ACTIVITIES	272,181	146,575
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NET INCREASE IN CASH AND CASH EQUIVALENTS	98,942	29,618
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(31,878)	(61,496)
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CASH AND CASH EQUIVALENTS AT END OF YEAR	67,064	(31,878)
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