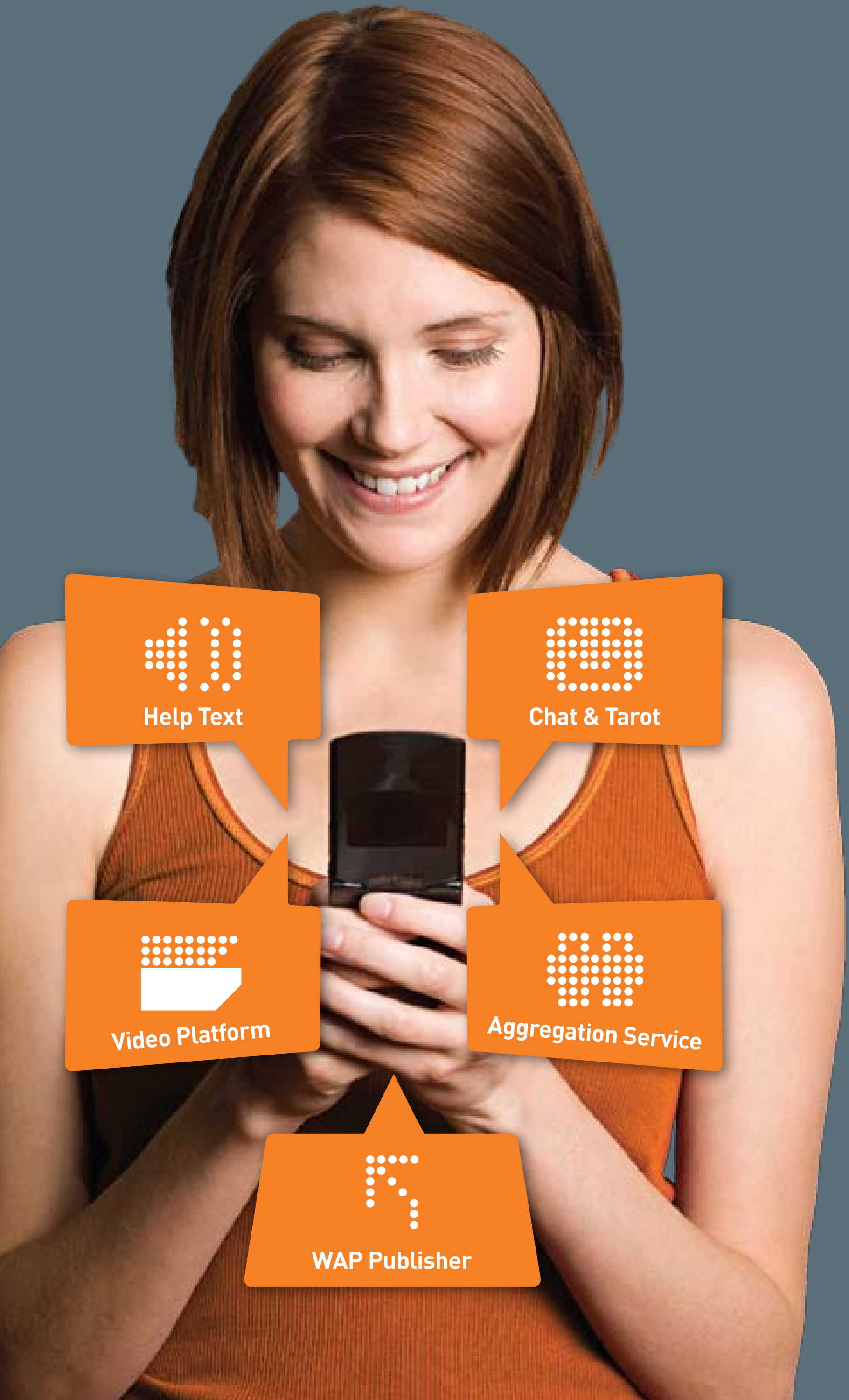
Annual Report 2008

ZAMANO PLC AND SUBSIDIARIES
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

zamano
COMPELLING MOBILE INTERACTION™

zamano is a leading provider of innovative and interactive mobile services directly to end users or jointly with our business partners



CONTENTS

HIGHLIGHTS OF THE YEAR

7th
CONSECUTIVE YEAR OF REVENUE GROWTH

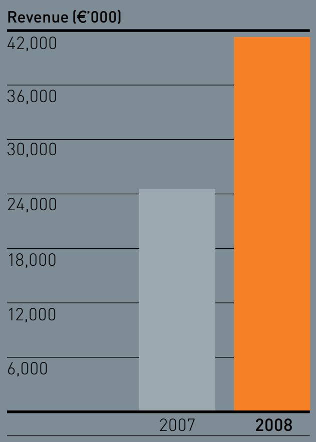
36%
INCREASE IN EBITDA TO €5.0M

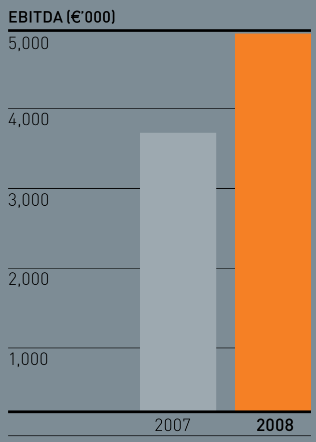
- DIRECT TO CONSUMER DIVISION OPERATING IN FIVE COUNTRIES – UK, IRELAND, AUSTRALIA, USA AND SPAIN
- ROUTES TO MARKET VIA MOBILE AND WEB PORTALS, TELEVISION AND PRINT
- BUSINESS TO BUSINESS DIVISION OPERATING IN TWO COUNTRIES – MARKET LEADER IN IRELAND AND TOP FIVE IN THE UK
- STRONG CASH FLOW BUSINESS MODEL

	2008 €'000	2007 €'000	Growth
Revenue	**41,414**	24,716	+68%
EBITDA*	**4,979**	3,671	+36%
Adjusted diluted EPS**	**4.6 cents**	4.6 cents	–

* EBITDA is earnings before interest, tax, depreciation, amortisation, goodwill impairment and IFRS 2 share-based payments expense

** Adjusted diluted EPS calculations are in note 13 to the consolidated financial statements





"IN 2008, REVENUES INCREASED BY 68% TO €41.4M AND EBITDA BY 36% TO €5.0M."

Rod A. Matthews
Chairman

CHAIRMAN'S STATEMENT
ROD MATTHEWS

↗ The Board remains confident that the Group's strategy and management's actions continue to position zamano to respond positively to the current environment

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The Group provides mobile and interactive data services, operating two business units. The Business to Business (B2B) division sells to partners who deploy the suite of zamano applications and services to support their businesses. The Direct to Consumer (D2C) division promotes mobile services sales directly to consumers in five countries (the UK, Ireland, Australia, the USA and Spain), with multiple routes to market, including print, television and an increasing emphasis on mobile and web portals. Maintaining two divisions offers the Group advantages of scale, spreads investment costs and provides end to end control over customer interactivity. As a consequence, zamano strengthened its position as the largest supplier of messaging services in Ireland, as measured by operator outpayments, while maintaining a top five position in the UK.

In 2008, revenues increased by 68% to €41.4m and EBITDA by 36% to €5.0m driven primarily by the acquisitions in 2007. The Group has maintained its focus on the three areas for strategic development highlighted during the listing in October 2006:

- identification of suitable merger and acquisition targets in order to ensure that zamano is at the forefront of the continuing consolidation of the market;
- development of the zamano technology platform to support new technologies and services; and
- identification of new key geographic markets and achieving controlled entry into those markets.

During 2008, the Group made good progress against the above, with milestones including:

- completion of the Red Circle and Eirborne integrations with the existing D2C team into a single division;
- introduction of a mobile social networking and community offering for B2B customers in the latter half of 2008;
- launch of PayforIT mobile payment solution across all UK mobile network operators; and
- entry into the Spanish D2C market in December 2008.

These achievements have been enabled by advances in the Group's technology platform.

The investment in a modular platform over the last five years continues to be beneficial to the Group, as new applications can be delivered to market quickly, robustly and efficiently. This provides the business with the flexibility to respond to new opportunities in a cost effective manner.

2008 saw considerable change for the D2C division, in particular the evolution of its routes to market, targeting online and mobile portals and moving away from traditional print and television advertising. While still at an early stage, the Board has been pleased with the profitable growth achieved in the US market and the recent entry into the Spanish market.

In response to ongoing changes in regulation in the UK market, the Board undertook a comprehensive review of compliance throughout the operation, particularly in relation to the monitoring of B2B clients. The Board implemented a more rigorous and proscriptive internal code of practice ('the Code') which is applied, without exception, to all traffic handled by zamano's platform. This Code was launched in July 2008, and is in line with best practice as per the UK regulator PhonePayPlus. Since its launch and implementation, there have been no new investigations of zamano-supported mobile premium services.

Furthermore, calls to our customer care centre fell by over 35% in the six months following the introduction of the Code. Although these actions did result in the disconnection of a number of clients who we did not believe to be compliant with these stringent standards, with a resulting impact on revenues, the Board believes that these actions are in the best interests of our shareholders, customers and partners.

The current global recessionary climate, combined with fluctuating currencies and more onerous regulation, have undoubtedly created an extremely challenging trading environment for the Group. The Board remains confident that the Group's strategy and management's actions continue to position zamano to respond positively to the current environment.

Finally, I would like to congratulate and thank the management team and all staff for their continued commitment and flexibility in delivering another strong performance in a difficult year.

Rod A. Matthews
Chairman

ZAMANO RANKED 2nd IN DELOITTE TECHNOLOGY FAST 50... AGAIN!!

For an unprecedented second consecutive year, zamano has come second in the Deloitte Technology Fast 50, a ranking of the 50 fastest growing technology companies in Ireland. Rankings are based on average percentage revenue growth over five years. zamano grew 1,627% during this period, having achieved 1,999% in the five years to 2007.

CEO'S STATEMENT
JOHN O'SHEA

Analysts continue to point to medium term growth in the overall mobile content market as users continue to consume more content on their mobile devices

€41.4m

REVENUE INCREASES BY 68%

FINANCIAL PERFORMANCE

Revenues grew by 68% in 2008 to €41.4m from €24.7m in 2007 primarily driven by the acquisitions. On a constant currency basis, revenue would have grown by 98% in 2008 to €48.8m, reflecting a €7.4m impact on revenue due to the decline in Sterling's value relative to the Euro in 2008.

The Group's EBITDA increased by 36% in 2008 to €5.0m from €3.7m, primarily due to top line growth and significant cost reductions in the second half of the year. On a constant currency basis EBITDA would have grown by 68% in 2008 to €6.2m reflecting a €1.2m impact on EBITDA due to currency movements. EBITDA margin of 12% represented a three percentage point decrease on that achieved in 2007. This was primarily due to a decline in gross margin by eight percentage points to 28% as a result of the substantial revenue growth, the revenue mix shifting to growth markets and lower margins in the UK and Irish markets.

Strong cost control remains a feature of the business as evidenced by operating costs at 16% of revenue, a substantial decline from 22% of revenue in 2007. In real terms operating costs grew by only 25% despite revenue growth of 68%. Further evidence of this performance is that average revenue per employee, on a constant currency basis, is up 15% to €0.75m. Adjusted diluted EPS remained steady at the 2007 level of 4.6 cents. The EBITDA growth in 2008 was balanced by an increase in the number of fully diluted shares in issue due to the acquisitions in 2007.

Net debt at year end was €7.2m and cash inflow from operating activities was €3.9m. This highlights the strong cash generative business model that underpins the activities of the Group. The net debt is 1.5 times 2008 EBITDA.

The Group has forward contracts in place for Sterling, US dollars and Australian dollars to hedge estimated cash balances through 2009.

TURN YOUR MOBILE PHONE INTO AN X-RAY SCANNER!

As a result of the changes in currency, regulation and economic conditions, the Board has taken a more conservative view of the D2C division's growth prospects for 2009 and beyond. Consequently, the Board is taking the prudent step of taking an impairment charge of €5.0m against the goodwill balance representing a 21% decline. The Board continues to believe in the value of the acquisitions both from a revenue scale perspective and the strategic benefits, including the US market position and online presence.

THE MARKET

While 2008 was clearly a difficult year in the mobile content market and 2009 will remain challenging, analysts continue to point to medium term growth in the overall mobile content market as users continue to consume more content on their mobile devices.

The market's growth is being driven by new entrants such as Apple and Nokia as well as existing competitors, presenting both challenges and opportunities for zamano. In response, zamano has recently increased the technical team headcount and has a well defined and resourced technology roadmap.

zamano has entered a number of partnerships with a view to examining new business models and accelerating growth opportunities when appropriate. Further, the Group continues to test new geographical markets to identify further regional growth opportunities.

OPERATIONAL AND DIVISIONAL REVIEW

As highlighted at the time of the Interim Results in September 2008, and in response to the current environment, the management team has taken a number of actions to reposition the Group to safeguard profitable trading and to take advantage of the next stage of growth of the industry.

D2C Division

The D2C division's external revenue grew by 141% to €29.5m, primarily driven by the two acquisitions in 2007.

As mentioned earlier, a number of key steps were identified in the Interim Results to ensure profitable trading as follows:

- adapting UK and Ireland print advertising to maximise effectiveness with appropriate value offerings;
- further investment in the Group's online and mobile portal presences;
- expanding the US team, where zamano is already experiencing profitable growth;
- entering new territories; and
- strict cost controls and cost reduction.

CEO'S STATEMENT
(CONTINUED)

The Group has made good progress against these key steps. UK and Ireland print advertising has been optimised to maximise effectiveness, and the management team continues to monitor expenditure against key metrics to ensure continued returns. The Group has increased its investment in online and mobile portal presence over the last six months, including a recent, successful advertising campaign on the new Three Mobile portal in Ireland.

The Group is at an early stage in the US market. However, significant progress has been made in building profitable market share, with customers in all 50 states. New partnerships have been established to leverage market position and to accelerate growth. zamano can now reach more than 90% of the US mobile phone market, which is forecast to grow to 250 million handsets in 2009. The division's focus now is to ensure a profitable and sustainable business while continuing to identify new profitable routes to market.

In December 2008, zamano expanded into Spain, the Group's first non-English-speaking market. Initial results from marketing campaigns in the region have been encouraging.

B2B Division

The B2B division's revenue declined by 5% to €11.9m due to the weakness of Sterling.

As previously mentioned, key initiatives were identified in September 2008 for the B2B business as follows:

- grow business within the framework of the Code;
- invest in a mobile social networking and community solution; and
- develop new billing mechanisms and applications to take advantage of the convergence of the mobile and fixed line internet.

The Group has been pleased by the positive reaction to the Code of Conduct in 2008. In particular, our customers in the UK and Ireland have worked closely with the B2B team to grow their services within the new framework. In Ireland, the team continues to build on its market leading position to win new business both within the mobile entertainment arena and from corporate customers. In the UK, the team has retained a top five position and has introduced new services to differentiate its offer to existing and potential new customers. The Group continues to create intellectual property on the technology platform and develop long term sustainable customer relationships which are expected to drive value in the B2B division.

In the UK, zamano is now generating revenues from mobile community sites operated by our B2B customers. Having invested significantly over the past 18 months in developing a scalable solution, the Group is now well positioned to take advantage of consumers' increasing levels of interest in mobile interaction within communities.

In late summer 2008, zamano launched a PayforIT solution in the UK, offering an alternative payment mechanism for consumers wishing to purchase goods and services via their mobile phones. The Group expects to be at the forefront of this technology's introduction into Ireland later in 2009.

The Group believes that its technology provides corporate clients with new revenue opportunities, service differentiation, improved customer communication and cost saving opportunities. Some recent examples include:

- Permanent TSB, offering an award winning mobile banking solution with applications including text alerts to customers to notify them of account activity; and
- Ryanair, offering a flight update service to its customers that is improving customer services and generating revenue.

CONCLUSION

Operationally, the core markets of the UK and Ireland will witness further movement from print and TV advertising to mobile and online propositions. zamano is continuing to invest in building the technical and commercial offerings to meet these changing and advancing technical needs.

There are good growth prospects in the USA. We have entered Spain and market entry in further new territories may provide additional opportunities through 2009.

The Board and management are committed to remaining focused on the key drivers which deliver ongoing profitability in a difficult trading environment. Rigorous evaluation of all operations, strict cost control, cash management and measured growth initiatives will be the core activities for the year ahead.

In conclusion, 2009 will be another challenging year, but we remain confident that the steps highlighted above will allow zamano to take advantage of opportunities in the mobile arena and to continue to perform well.

John O'Shea
CEO

BOARD OF DIRECTORS

1.

2.

3.

4.

5.

6.

1. Rod A. Matthews – Non-executive Chairman
Rod is Chairman and CEO of Keycom, a PLUS-listed provider of broadband-based communications solutions and services. Previously CEO of Scottish Telecom, Rod built the company from incorporation to deliver annual revenues of £200m and positive earnings within four years. Rod was also President and COO of Global Crossing EMEA and Chairman of AIM-listed Transcomm plc, which was sold to BT for £10m in 2004.

3. Colm Saunders – Chief Financial Officer
Colm qualified as a chartered accountant with KPMG and worked in London with CCF Charterhouse in their corporate finance group. In 2000, he moved to NCB Stockbrokers where he worked in mergers and acquisitions and fund raising for high growth Irish companies. Colm then joined Spectel, for whom he raised US$45m in both debt and equity funding.

5. Colin Tucker – Non-executive Director
Colin was Deputy Chairman of Hutchison 3G Europe between 2003 and 2007. He was a founding main board director of Orange plc and Managing Director of Hutchison 3G UK (trading as 3) between 2000 and 2003. He is a non-executive director of FTSE-listed technology company Monitise plc.

2. John O' Shea – Chief Executive Officer
John joined zamano in 2002, becoming CEO in 2005. An electronics engineer, John worked with Siemens and AT&T in Germany and the USA for 11 years, before joining a web start-up in 1997, which he sold in 2000 for €10m to Horizon Technologies. John obtained an MBA from the Open Business School in 1998 and has recently completed Leadership 4 Growth, a Stanford University program.

4. Brendan Mullin – Non-executive Director
Brendan works for NCB Stockbrokers in the private equity investment division. Prior to that he was a director at Quinlan Private Capital a leading real estate and investment advisory firm in Ireland.

6. Michael Watson – Non-executive Director
Michael ('Mike') was Director of Marketing and Technical Strategy for ICL/Fujitsu, Managing Director of BICC Technologies, Director of Sales and Marketing for AEA Technology plc and Chief Executive of Tertio Ltd. He was previously a non-executive director of AIM-listed Spectrum Interactive plc, Xitec plc and OSI Group plc.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present the annual report and consolidated financial statements of zamano plc ('the Company' or 'zamano') for the year ended 31 December 2008.

Principal activities and review of the development of the business

zamano plc and its subsidiaries ('the Group') are involved in the provision of mobile data services and technology in the United Kingdom, Ireland, the United States, Australia and Spain. The Company itself is an investment holding company. Its shares are publicly traded on the Alternative Investment Market ('AIM') in the United Kingdom and the Irish Enterprise Exchange ('IEX') in Ireland.

The financial information presents the results and position of the Group for the year ended 31 December 2008. The financial information for each of the periods presented has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and their interpretations adopted by the International Accounting Standards Board that were effective at 31 December 2008.

Principal risks and uncertainties and key performance indicators

- The principal risks and uncertainties that the business faces include challenges from evolving technology, competition and regulation. The directors are of the opinion that the Group is well positioned to manage these risks.
- The key performance indicators focused on by management are gross margin, traffic volume, subscriber and retention numbers, platform uptime, message throughputs and earnings before interest, tax, depreciation and amortisation ('EBITDA').

Financial risk management policies

The Group's activities expose it to a variety of financial risks including interest rate, foreign currency and credit risks. These financial risks are managed by the Group under policies approved by the Board, as described in note 25 to the consolidated financial statements.

Results for the year, dividends and state of affairs

Group turnover increased by 67.6% to €41.4m and the Group recorded an operating loss of €2.8m compared to an operating profit of €3m in the previous year. Further details of the financial performance have been set out in the CEO's statement. The directors do not propose the payment of a dividend (2007 – €nil).

Future developments

The continued growth of mobile data services worldwide presents opportunities for the Group. It is likely that the Group will further expand the product and service offering and will also assess expansion to new territories. The Company will also actively seek further potential acquisition targets. The directors will continue to review the appropriateness of the Company's structures and finances as it grows.

Research and development

Research expenditure is charged to the income statement in the period in which it is incurred. Development costs on specific projects are capitalised when recoverability can be assessed with reasonable certainty and are amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure. Investment in research and development in the year was €691,000 (2007 – €703,000). This was primarily focused on the continued development of zamano's platform for mobile applications and content.

Subsidiaries

Information on the Group's subsidiaries is set out in note 2 to the Company's balance sheet.

Political donations

The Group and Company did not make any donations during the year disclosable in accordance with the Electoral Act 1997.

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of zamano plc is committed to achieving good standards of corporate governance, integrity and business ethics for all activities. Although, under AIM and IEX rules, the Company is not obliged to comply with the provisions of the Combined Code, it abides by many of the recommendations contained therein, particularly with regard to the audit committee and remuneration committee.

Audit committee

The audit committee consists of the non-executive directors with Michael Watson as chairman. The committee meets at least two times a year, linked to the timing of the publication of the Group's results. The committee also meets on an ad hoc basis when necessary. The external auditors attend the meetings. The committee operates within specific terms of reference which include:

- considering the appointment of external auditors;
- reviewing the relationship with external auditors;
- reviewing the financial reporting and internal control procedures;
- reviewing the management of financial matters and focusing upon the independence and objectivity of the external auditors; and
- reviewing the consistency of accounting policies both on a year to year basis and across the Group.

Remuneration committee

The remuneration committee consists of the non-executive directors with Colin Tucker as chairman. The remuneration committee reviews and determines on behalf of the Board and shareholders of the Company the pay, benefits and other terms of service of the executive directors and the broad pay strategy with respect to senior company employees.

Directors' remuneration

The particulars of directors' remuneration are as shown in note 7 to the consolidated financial statements.

Directors and secretary

The names of the persons who were directors at any time during the year ended 31 December 2008 are set out inside the back cover. All directors served throughout the year.

Rod A. Matthews and Colin Tucker retired by rotation, in accordance with the Articles of Association, at the AGM on 17 July 2008 and were subsequently re-elected.

Directors' and secretary's interests in shares

The interests of the directors and secretary in the issued share capital of the Company at the beginning and end of the year were as follows:

	31 December 2008			1 January 2008		
	Ordinary shares	Share options	Exercise price	Ordinary shares	Share options	Exercise price
Director						
Rod A. Matthews	**2,436,742**	**630,000**	**€0.134**	2,436,742	630,000	€0.134
Brendan Mullin	**2,071,126**	**350,000**	**€0.355**	2,071,126	350,000	€0.355
John O'Shea	**1,579,902**	**1,602,000**	**€0.001**	1,540,000	1,602,000	€0.001
			€0.134			€0.134
			€0.420			€0.420
Colm Saunders	**34,360**	**500,000**	**€0.350**	–	500,000	€0.350
Colin Tucker	**83,333**	**350,000**	**€0.355**	83,333	350,000	€0.355
Michael Watson	**8,333**	**350,000**	**€0.355**	8,333	350,000	€0.355
Company secretary						
Aoife Warren	**28,778**	**199,200**	**€0.001**	14,000	199,200	€0.001
			€0.134			€0.134
			€0.420			€0.420

Books of account

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. The measures taken by the directors to ensure compliance with these obligations are the use of appropriate systems and the employment of competent personnel. The books and accounting records are maintained at the Company's premises at 4 St. Catherine's Lane West, Digital Hub, Dublin 8.

Auditors

During the year, Ernst & Young resigned as independent auditors to the Company and were replaced by KPMG, Chartered Accountants. In accordance with Section 160(2) of the Companies Act 1963, KPMG will continue in office.

On behalf of the Board

John O'Shea and Colm Saunders
Directors
24 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law, and in accordance with the AIM and IEX rules, the directors have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and the parent company financial statements in accordance with Generally Accepted Accounting Practice in Ireland ('Irish GAAP'), comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Acts 1963 to 2006 provide in relation to such financial statements that references in the relevant parts of those Acts to financial statements giving a true and fair view are references to their achieving a fair presentation. The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing the financial statements of the Group and parent company, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Under applicable law and the requirements of the AIM rules issued by the London Stock Exchange and IEX rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a directors' report and reports relating to directors' remuneration and corporate governance that comply with that law and those rules.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

John O'Shea and Colm Saunders
Directors
24 March 2009

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ZAMANO PLC AND SUBSIDIARIES

We have audited the Group and parent company financial statements ('financial statements') of zamano plc for the year ended 31 December 2008 which comprise the Group income statement, the Group and Company balance sheets, the Group statement of changes in equity, the Group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The statement of directors' responsibilities on page 10 sets out the directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the EU, and for preparing the parent company financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland ('Generally Accepted Accounting Practice in Ireland').

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view in accordance with IFRS as adopted by the EU and have been properly prepared in accordance with the Companies Acts 1963 to 2006 and whether, in addition, the parent company financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland and have been properly prepared in accordance with the Companies Acts 1963 to 2006. We also report to you in our opinion:

- whether proper books of account have been kept by the Company;
- whether at the balance sheet date there exists a financial situation that requires the convening of an extraordinary general meeting of the Company; and
- whether the information given in the directors' report is consistent with the financial statements.

In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the parent company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of AIM and IEX regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the chairman's and chief executive officer's statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the parent company's affairs as at 31 December 2008; and
- the Group and parent company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2006.

OTHER MATTERS

We have obtained all the information and explanations which we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet on page 39, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which under Section 40 (1) of the Companies (Amendment) Act 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG
Chartered Accountants
Registered Auditor
Dublin
24 March 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 €'000	2007 €'000
Revenue	6	41,414	24,716
Cost of sales		(29,936)	(15,863)
Gross profit		11,478	8,853
Other administrative expenses		(6,671)	(5,335)
Depreciation		(136)	(94)
Amortisation of intangible assets		(2,435)	(394)
Impairment of goodwill		(5,000)	–
Total administrative expenses		(14,242)	(5,823)
Operating (loss)/profit	7	(2,764)	3,030
Finance income	9	254	366
Finance expense	9	(1,112)	(315)
(Loss)/profit before tax		(3,622)	3,081
Income tax expense	10	(182)	(468)
(Loss)/profit for the year attributable to equity holders of the parent		(3,804)	2,613
(Loss)/earnings per share			
– basic	12	(€0.047)	€0.038
– diluted	12	(€0.045)	€0.036

John O'Shea and Colm Saunders
Directors
24 March 2009

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Notes	2008 €'000	2007 €'000
Assets			
Non-current assets			
Property, plant and equipment	14	262	174
Intangible assets	15	21,397	28,608
Deferred tax asset	10	45	27
		21,704	28,809
Current assets			
Trade and other receivables	17	5,943	9,180
Income tax recoverable		15	–
Cash and cash equivalents	18	5,744	12,104
		11,702	21,284
Total assets		33,406	50,093
Equity			
Equity share capital	19	81	81
Share premium		11,156	11,155
Capital conversion reserve		1	1
Other reserves	19	344	233
Retained earnings		1,031	4,835
Total equity		12,613	16,305
Liabilities			
Non-current liabilities			
Loans and borrowings	22	10,703	12,416
Deferred tax liability	10	268	569
		10,971	12,985
Current liabilities			
Trade and other payables	20	6,232	9,429
Business combination accrual	21	1,373	8,410
Loans and borrowings	22	2,211	2,534
Income tax payable		6	430
		9,822	20,803
Total liabilities		20,793	33,788
Total equity and liabilities		33,406	50,093

John O'Shea and Colm Saunders
Directors
24 March 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to equity holders of the parent					
	Equity share capital €'000	Share premium €'000	Capital conversion reserve €'000	Retained earnings €'000	Other reserves €'000	Total equity €'000
At 1 January 2008	81	11,155	1	4,835	233	16,305
Foreign currency translation	–	–	–	–	(61)	(61)
Loss for the year	–	–	–	(3,804)	–	(3,804)
Total recognised income and expense for the year	–	–	–	(3,804)	(61)	(3,865)
Issue of share capital	–	1	–	–	–	1
Share-based payments expense	–	–	–	–	172	172
At 31 December 2008	**81**	**11,156**	**1**	**1,031**	**344**	**12,613**

	Attributable to equity holders of the parent					
	Equity share capital €'000	Share premium €'000	Capital conversion reserve €'000	Retained earnings €'000	Other reserves €'000	Total equity €'000
At 1 January 2007	68	6,367	1	2,222	99	8,757
Foreign currency translation	–	–	–	–	(19)	(19)
Profit for the year	–	–	–	2,613	–	2,613
Total recognised income and expense for the year	–	–	–	2,613	(19)	2,594
Issue of share capital	13	4,788	–	–	–	4,801
Share-based payments expense	–	–	–	–	153	153
At 31 December 2007	**81**	**11,155**	**1**	**4,835**	**233**	**16,305**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 €'000	2007 €'000
Cash flows from operating activities		
(Loss)/profit before tax	(3,622)	3,081
Adjustments to reconcile (loss)/profit for the year to net cash inflow from operating activities		
Depreciation	136	94
Amortisation of intangible assets	2,435	394
Impairment of goodwill	5,000	–
Share-based payments expense	172	153
Foreign exchange	(61)	(19)
Loss on disposal of property, plant and equipment	5	–
Decrease/(increase) in trade and other receivables	3,211	(1,910)
(Decrease)/increase in trade and other payables	(3,270)	2,917
Finance income	(254)	(366)
Finance expense	1,112	315
Cash generated from operations	4,864	4,659
Interest paid	(12)	(9)
Income tax paid	(903)	(535)
Net cash inflow from operating activities	**3,949**	**4,115**
Cash flows from investing activities		
Payment of deferred consideration on acquisition of subsidiaries	(7,296)	(14,532)
Purchase of property, plant and equipment	(229)	(81)
Purchase of intangible assets	(17)	(166)
Interest received	279	326
Net cash outflow from investing activities	**(7,263)**	**(14,453)**
Cash flows from financing activities		
Proceeds from issue of share capital	1	1
Proceeds from drawdown of debt	–	14,950
Repayment of debt	(3,047)	–
Net cash (outflow)/inflow from financing activities	**(3,046)**	**14,951**
Net (decrease)/increase in cash and cash equivalents	(6,360)	4,613
Cash and cash equivalents at 1 January	12,104	7,491
Cash and cash equivalents at 31 December	**5,744**	**12,104**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1 REPORTING ENTITY

zamano plc ('the Company') is a company domiciled in the Republic of Ireland. The address of the Company's registered offices is 4 St. Catherine's Lane West, Digital Hub, Dublin 8.

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries ('the Group').

The Company's shares are publicly traded on the London Alternative Investment Market ('AIM') and the Irish Enterprise Exchange ('IEX') in Dublin.

The principal activities of the Group are the provision of mobile data services and technology.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and effective as at 31 December 2008. A summary of pronouncements that came into effect after that date and the likely impact of these on the Group are set out in note 5. The consolidated financial statements were authorised for issue by the Board of directors on 24 March 2009.

(b) Basis of measurement

The consolidated financial statements for the year ended 31 December 2008 have been prepared on a historical cost basis, with the exception of share-based payments, which are stated at grant date fair value, and goodwill, which is stated at cost less impairment.

(c) Functional and presentation currency

These consolidated financial statements are presented in Euros ('€') which is the functional currency of the majority of the Group's entities. All financial information presented in Euros has been rounded to the nearest thousand.

(d) Basis of consolidation

The consolidated financial statements consolidate the financial statements of zamano plc and all its subsidiaries up to 31 December 2008. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group attains control.

All subsidiaries have a financial year end of 31 December except for Red Circle Technologies Limited which had a year end of 31 May. This has been amended to 31 December.

The cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are initially measured at their fair value at acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

As permitted by IFRS 1 (First Time Adoption of International Financial Reporting Standards), the Group has elected not to apply IFRS 3 (Business Combinations) retrospectively to business combinations that took place before 1 January 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

Intangible assets other than goodwill

Intangible assets other than goodwill are carried at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be estimated reliably.

The Group's intangible assets are amortised over the useful life of the related asset on a straight line basis as follows:

Customer lists	2 years
Content management system	3 years
Web portal	3 years
Software	3 years

Impairment

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

For intangible assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

Goodwill

Goodwill arising on acquisition is capitalised and classified as an asset on the balance sheet. Goodwill is reviewed annually for impairment and is carried at cost less accumulated impairment.

If a subsidiary or business is subsequently sold or closed, the attributable amount of goodwill is taken into account in determining the profit or loss on sale or closure.

Impairment of goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying value an impairment loss is recognised. Impairment losses arising in respect of goodwill are not reversed once recognised. The Group performs its annual impairment test of goodwill as at 31 December.

Deferred contingent consideration

Deferred contingent consideration relating to acquisitions represents the liability associated with a performance related target as evaluated by management, taking into account the terms of the earn out. If the effect of the time value of money is material, the deferred and contingent consideration is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the deferred and contingent consideration due to the passage of time is recognised as a finance expense.

Any revision in the deferred contingent consideration provision is accounted for by an adjustment to the carrying value of goodwill.

Revenue recognition

Revenue represents the amount (excluding Value Added Tax) derived from the provision of services to customers. Revenue from the provision of mobile data services is recognised on the basis of receipted transactions with the ultimate end user. Where the Group acts as a principal supplier of mobile phone content, entertainment and other services, revenue is recorded before the deduction of revenue share payments to network operators. Where the Group acts as a service provider to third parties, turnover is recorded net of revenue share payments to third parties and network operators.

Project revenue is recognised by reference to the stage of completion. Where the project outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Fee-based income from the provision of other services is recognised on delivery of the service to the customer.

Finance income is recognised as interest accrues using the effective interest rate method.

Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Research and development

Expenditure on research (or the research phase of an internal project) is written off as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefit, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Any expenditure carried forward is amortised over the asset's useful life.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

Pension costs

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from the Group in independently administered funds. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Deferred tax

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Depreciation

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Computer hardware and equipment	3 years
Leased equipment	3 years
Fixtures and fittings	3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at each balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The asset is recorded at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the finance lease. The capital elements of future obligations under leases are included in liabilities in the balance sheet and analysed between current and non-current amounts. The interest element of the rental obligations is charged to the income statement over the periods of the leases and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term.

Foreign currencies

The consolidated financial statements are presented in Euro, which is the Group's presentation currency and the functional currency of many of the Group's entities, including the parent company. Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are recognised in the income statement.

The functional currency of the Group's principal foreign operation, zamano Limited, is Sterling. As at the reporting date, the assets and liabilities of this subsidiary are translated into the presentation currency of zamano plc (the Euro) at the rate of exchange ruling at the balance sheet date, and the income statement is translated at exchange rates representative of actual rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

Cumulative translation differences on foreign operations were deemed to be zero at 1 January 2006. Any gains and losses recognised in the consolidated income statement on subsequent disposals of foreign operations will therefore exclude translation differences arising prior to this date.

Share-based payments – equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by the directors using a binomial model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). No expense is recognised for awards that do not ultimately vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in other reserves.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoiced value, which approximates fair value, and recoverable amount. Provision is made when there is objective evidence that the Group may not be able to recover balances in full. The amount of the provision is recognised in the income statement. Balances are written off the gross receivable and the related provision is eliminated when the probability of recovery is assessed as being remote.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and in hand and short term deposits with a maturity of less than three months.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

Segmental reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services ('business segment'), or in providing products or services within a particular economic environment ('geographical segment'), which is subject to risks and returns different to those of other segments. Stemming from the Group's internal organisational and management structure and its system of internal financial reporting, segmentation by business is regarded as being the predominant source and nature of the risks and returns facing the Group and is thus the primary segment. Geographical segmentation is therefore the secondary segment.

Financial liabilities – loans and borrowings
All loans and borrowings are initially recorded at fair value less directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value-in-use' of the cash-generating units to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of goodwill at 31 December 2008 was €19,054,000 (2007 – €23,847,000). Further details are provided in notes 15 and 16.

Share-based payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair values requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model, including the expected life of the options, volatility and dividend yield, and making assumptions about them. The assumptions and models used are disclosed in note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective:

IFRS 2 (Share-based Payment – Vesting Conditions and Cancellations)

In January 2008, the IASB issued Amendments to IFRS 2 (Share-based Payment – Vesting Conditions and Cancellations). The amendments clarify that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendments will apply for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect that the application of the amendments will have a significant impact on the Group's financial position or results of operations.

IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements)

In January 2008, the IASB published the revised standards IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements). Under IFRS 3 (revised 2008), business combinations continue to be accounted for by the purchase method. IAS 27 (revised 2008) contains rules for the consolidation and treatment of changes in ownership interests. IFRS 3 (revised 2008) and IAS 27 (revised 2008) are to be applied for the first time in annual periods beginning on or after 1 July 2009. The Group is currently evaluating the impact that the application of these revised standards may have on future business combinations and the presentation of the consolidated financial statements.

IFRS 8 (Operating Segments)

In November 2006, the IASB published IFRS 8 (Operating Segments), which will replace IAS 14 (Segment Reporting), the existing standard in this area. IFRS 8 is to be applied for the first time for annual periods beginning on or after 1 January 2009. Under IFRS 8, segment reporting must be based on the information used internally by management to identify operating segments and to evaluate their performance. The Group does not believe that the application of this standard will have a significant impact on the presentation of its segment reporting.

IAS 1 (Presentation of Financial Statements)

In September 2007, the IASB issued amendments to IAS 1 (Presentation of Financial Statements). These include proposals for renaming certain sections of the financial statements, the obligation to publish an opening balance sheet for the previous financial year in certain circumstances, separate presentation of changes in equity arising from transactions with owners and with non-owners, separate disclosure by component of amounts removed from shareholders' equity and recognised in income, and disclosure of the related income tax effect by component in the statement of recognised income and expense. This interpretation is to be applied for annual periods beginning on or after 1 January 2009. The Group is currently evaluating the impact that the application of the amendments may have on the presentation of the Group's financial statements.

IAS 23 (Borrowing Costs)

A revised IAS 23 (Borrowing Costs) was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs where such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group has no qualifying assets and hence this amendment is not expected to have an impact on the Group.

IAS 32 (Financial Instruments: Presentation)

In February 2008, the IASB issued amendments to IAS 32 (Financial Instruments: Presentation). These refer particularly to the distinction between equity and debt in accounting for company capital to which cancellation rights are attached (puttable financial instruments). The amendments are to be applied for the first time for annual periods beginning on or after 1 January 2009. The Group does not issue puttable financial instruments and hence this amendment is not expected to have an impact on the Group.

6 SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services provided. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services.

Business segments

The Group facilitates communication and interaction between businesses and consumers on mobile phones through a range of value added mobile applications ('B2B'). The Group also develops, promotes and distributes mobile content and interactive services directly to consumers ('D2C').

The following tables present revenue and profit/(loss) and certain assets and liability information regarding the Group's business segments.

Year ended 31 December 2008

	B2B €'000	D2C €'000	Total €'000
Revenue			
Sales to external customers	11,945	29,469	41,414
Results			
Segment results before amortisation and impairment of goodwill	2,259	5,956	8,215
Segment results	2,259	(1,448)	811
Unallocated expenses			(3,575)
Operating loss			(2,764)
Net finance expense			(858)
Loss before tax			(3,622)
Income tax expense			(182)
Net loss for year			**(3,804)**

As at 31 December 2008

	B2B €'000	D2C €'000	Total €'000
Segment assets	2,892	24,091	26,983
Unallocated assets			6,423
Total assets			**33,406**
Segment liabilities	2,863	17,148	20,011
Unallocated liabilities			782
Total liabilities			**20,793**

Other segment information

	B2B €'000	D2C €'000	Unallocated €'000	Total €'000
Capital expenditure				
Property, plant and equipment	–	–	229	229
Intangible assets	–	–	17	17
Depreciation	–	–	136	136
Amortisation	–	2,404	31	2,435
Impairment of goodwill	–	5,000	–	5,000
Share-based payments expense	12	26	134	172

The unallocated assets balance principally relates to cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

Year ended 31 December 2007

	B2B €'000	D2C €'000	Eliminations €'000	Total €'000
Revenue				
Sales to external customers	12,513	12,203	–	24,716
Inter-segment sales	38	1,566	(1,604)	–
Total revenue	12,551	13,769	(1,604)	24,716
Results				
Segment results before amortisation	3,036	3,653		6,689
Segment results	3,036	3,259		6,295
Unallocated expenses				(3,265)
Operating profit				3,030
Net finance income				51
Profit before tax				3,081
Income tax expense				(468)
Net profit for year				**2,613**

As at 31 December 2007

	B2B €'000	D2C €'000	Total €'000
Segment assets	4,068	32,932	37,000
Unallocated assets			13,093
Total assets			**50,093**
Segment liabilities	3,719	24,644	28,363
Unallocated liabilities			5,425
Total liabilities			**33,788**

Other segment information

	B2B €'000	D2C €'000	Unallocated €'000	Total €'000
Capital expenditure				
Property, plant and equipment	–	–	81	81
Property, plant and equipment on acquisition of subsidiaries	–	–	22	22
Intangible assets	–	166	–	166
Intangible assets on acquisition of subsidiaries	–	27,724	–	27,724
Depreciation	–	–	94	94
Amortisation	–	394	–	394
Share-based payments expense	12	18	123	153

The unallocated assets balance principally relates to cash.

Geographical segments

The following tables present revenue, assets and capital expenditure information regarding the Group's geographical segments.

Year ended 31 December 2008

	Europe €'000	Rest of world €'000	Total €'000
Revenue			
Sales to external customers	**36,340**	**5,074**	**41,414**
Other segment information			
Segment assets	32,479	881	33,360
Unallocated assets			46
Total assets			**33,406**
Capital expenditure			
Property, plant and equipment	229	–	229
Intangible assets	17	–	17

Year ended 31 December 2007

	Europe €'000	Rest of world €'000	Total €'000
Revenue			
Sales to external customers	**24,248**	**468**	**24,716**
Other segment information			
Segment assets	49,584	482	50,066
Unallocated assets			27
Total assets			**50,093**
Capital expenditure			
Property, plant and equipment	81	–	81
Property, plant and equipment on acquisition of subsidiaries	22	–	22
Intangible assets	166	–	166
Intangible assets on acquisition of subsidiaries	27,724	–	27,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 OPERATING (LOSS)/PROFIT

	2008 €'000	2007 €'000
This is arrived at after charging:		
Directors' remuneration:		
– Emoluments	**404**	297
– Fees	**137**	143
– Pension contributions	**19**	9
– Other	**109**	91
Depreciation	**136**	94
Amortisation	**2,435**	394
Impairment of goodwill	**5,000**	–
Auditor's remuneration:		
– Audit services	**70**	104
– Other services	**40**	39
Research and development expenditure	**691**	703
Operating lease rentals	**249**	170

The aggregate emoluments of the highest paid director amounted to €248,000 (2007 – €279,000).

In 2007 the then auditors, Ernst and Young, also provided services in connection with the Company's acquisition of Eirborne Text Promotions Limited for which they were paid €26,000. This amount was included in the cost of acquisition of Eirborne Text Promotions Limited.

Employees and remuneration

The average weekly number of employees was:

	2008	2007
B2B division	**8**	7
D2C division	**27**	9
Research and development	**19**	13
Management and administration	**11**	9
	65	**38**

Staff costs comprise:

	2008 €'000	2007 €'000
Wages and salaries	**4,129**	2,838
Social welfare	**409**	298
Pension costs	**131**	50
Healthcare	**30**	16
Share-based payments expense	**172**	153
Employment grant income	**(338)**	(76)
	4,533	**3,279**

During the year, the Group offered its employees the option of taking an element of salary in the form of shares in the Company by way of an approved profit sharing scheme. The Group has no further obligations in relation to any shares acquired by employees under this arrangement and the associated costs are incorporated within wages and salaries as noted above. Shares in the scheme are held in trust for the employees. The number of shares held in trust at 31 December 2008 was 265,375.

8 SHARE-BASED PAYMENTS

Share option plan

The Board may offer to grant share options to any director, employee or consultant of the Group and these are usually granted at the market price of the Group's shares at the date of grant. The following rules apply:

- options cannot be exercised within a year of or more than seven years after the grant date;
- options granted to executive directors, employees and consultants prior to October 2006 vest over a period of three years;
- options granted to executive directors and employees since October 2006 vest three years after the grant date; and
- options granted to non-executive directors on admission to AIM vest three years after the date of admission.

The following table sets out the number of, and movements in, share options during the year and the price per share at which options are exercisable.

	2008		2007	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at 1 January	**7,123,800**	**€0.179**	5,885,600	€0.108
Granted during the year	**–**	**–**	2,270,000	€0.353
Exercised during the year	**(267,871)**	**€0.004**	(515,667)	€0.001
Lapsed on resignation	**(138,329)**	**€0.275**	(516,133)	€0.121
Outstanding at 31 December	**6,717,600**	**€0.184**	**7,123,800**	**€0.179**

The weighted average fair value of options granted during the year was €nil (2007 – €0.158).

The weighted average market price of the Company's shares at the date options were exercised was €0.280 (2007 – €0.437).

All of the options granted are deemed to be equity-settled and the income statement charge associated with options during the year was €172,000 (2007 – €153,000).

The following table sets out the grant date, number of and exercise price of share options exercisable at 31 December.

	2008		2007	
Date(s) of grant	Shares	Exercise price	Shares	Exercise price
February 2004 – November 2005	**2,065,000**	**€0.001**	2,352,000	€0.001
August 2006	**1,622,600**	**€0.134**	1,661,800	€0.134
November 2006	**1,050,000**	**€0.355**	1,050,000	€0.355
March 2007	**1,030,000**	**€0.420**	1,110,000	€0.420
October 2007	**600,000**	**€0.350**	600,000	€0.350
December 2007	**350,000**	**€0.360**	350,000	€0.360
	6,717,600		7,123,800	
Exercisable at 31 December	**3,146,733**		2,878,867	
Weighted average remaining life	**4.34 years**		5.33 years	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 SHARE-BASED PAYMENTS (CONTINUED)

The fair value of equity-settled options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. Set out below are the principal inputs to the model for the most recent options granted.

	2007
Dividend yield	0%
Expected share price volatility	30%
Risk-free interest rate	4%
Expected life of options (years)	7

9 FINANCE INCOME AND FINANCE EXPENSE

	2008 €'000	2007 €'000
Finance income		
Bank interest receivable	**254**	**366**
Finance expense		
Bank interest and charges	**11**	10
Interest on long term borrowings	**919**	56
Interest on deferred consideration	**145**	249
Amortisation of debt issue costs	**37**	–
	1,112	**315**

10 INCOME TAX EXPENSE

	2008 €'000	2007 €'000
(a) Analysis of charge for the year:		
Current tax:		
Irish corporation tax	**480**	497
Foreign tax	**7**	46
Under provision in prior year	**14**	2
	501	545
Deferred tax:		
Movement in deferred tax amounts for the year (note 10(c))	**(319)**	(77)
Income tax expense (note 10 (b))	**182**	**468**

(b) Factors affecting tax charge for the year
The tax assessed for the year is higher than the standard rate of corporation tax in the Republic of Ireland of 12.5%. The differences are explained below.

	2008 €'000	2007 €'000
(Loss)/profit on ordinary activities before taxation	**(3,622)**	3,081
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5% (2007 – 12.5%)	**(453)**	385
Effects of:		
Items not deductible for tax purposes	**637**	41
Passive income taxed at a higher rate	**31**	35
Tax credits	**(50)**	–
UK income taxed at a higher rate	**3**	27
Utilisation of tax losses	**–**	(22)
Under provision in prior year	**14**	2
Income tax expense (note 10 (a))	**182**	**468**

(c) Deferred tax
Deferred tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2008 €'000	2007 €'000	2008 €'000	2007 €'000
Deferred tax liability				
Arising on intangible assets	**(268)**	(569)	**301**	50
	(268)	(569)	**301**	50
Deferred tax asset				
Arising on property, plant and equipment	**45**	27	**18**	27
	45	27	**18**	27
Deferred tax income			**319**	**77**
Net deferred tax liabilities	**(223)**	**(542)**		

At 31 December 2008, there was no recognised deferred tax liability (2007 – €nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 LOSS FOR THE FINANCIAL YEAR ATTRIBUTABLE TO GROUP SHAREHOLDERS

	2008 €'000	2007 €'000
Loss on ordinary activities after tax in the holding company amounted to	**(4,958)**	**(20)**

The loss on ordinary activities after tax for the current year is inclusive of an impairment charge to the carrying value of financial fixed assets of €5m.

The Company is availing of the exemption set out in Section 148 (8) of the Companies Act 1963 from presenting its individual profit and loss account.

12 (LOSS)/EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted (loss)/earnings per share computations:

	2008 €'000	2007 €'000
Net (loss)/profit attributable to equity holders of the parent	**(3,804)**	**2,613**

	2008 Thousands	2007 Thousands
Basic weighted average number of shares	81,778*	69,567
Dilutive potential ordinary shares:		
Employee share options	3,300	3,868
Deferred consideration	–	45
Diluted weighted average number of shares	**85,078**	**73,480**

* includes shares to be issued associated with a historical business combination.

13 ADJUSTED EARNINGS PER ORDINARY SHARE

The following reflects earnings per share based on adjusted net income:

	2008 €	2007 €
Adjusted basic EPS	0.048	0.049
Adjusted diluted EPS	**0.046**	**0.046**

Adjusted net income is calculated as:

	2008 €'000	2007 €'000
(Loss)/profit after tax	**(3,804)**	2,613
Share-based payments expense	**172**	153
Interest on deferred consideration	**145**	249
Amortisation	**2,435**	394
Impairment of goodwill	**5,000**	–
	3,948	**3,409**

14 PROPERTY, PLANT AND EQUIPMENT

	Computer hardware and equipment €'000	Leased equipment €'000	Fixtures and fittings €'000	Total €'000
Cost:				
At 1 January 2007	438	80	62	580
Additions	71	–	10	81
On acquisition of subsidiaries	22	–	–	22
At 1 January 2008	531	80	72	683
Additions	223	–	6	229
Disposals	(3)	–	(30)	(33)
At 31 December 2008	**751**	**80**	**48**	**879**
Depreciation:				
At 1 January 2007	295	80	40	415
Charge	83	–	11	94
At 1 January 2008	378	80	51	509
Charge	119	–	17	136
Disposals	(2)	–	(26)	(28)
At 31 December 2008	**495**	**80**	**42**	**617**
Net book value:				
At 31 December 2008	**256**	**–**	**6**	**262**
At 31 December 2007	153	–	21	174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 INTANGIBLE ASSETS

	Goodwill €'000	Software €'000	Other €'000	Total €'000
Cost:				
At 1 January 2007	1,112	–	–	1,112
Arising on acquisitions (note 21)	22,735	–	4,989	27,724
Additions	–	166	–	166
At 1 January 2008	23,847	166	4,989	29,002
Additions	207	17	–	224
Impairment of goodwill (note 16)	(5,000)	–	–	(5,000)
At 31 December 2008	**19,054**	**183**	**4,989**	**24,226**
Amortisation:				
At 1 January 2007	–	–	–	–
Charge	–	–	394	394
At 1 January 2008	–	–	394	394
Charge	–	31	2,404	2,435
At 31 December 2008	**–**	**31**	**2,798**	**2,829**
Carrying value:				
At 31 December 2008	**19,054**	**152**	**2,191**	**21,397**
At 31 December 2007	23,847	166	4,595	28,608

Goodwill additions in 2008 relate to adjustments made to deferred consideration and the fair value of acquired liabilities for additional matters which have come to the directors' attention during the course of the Red Circle integration.

16 IMPAIRMENT OF GOODWILL

Goodwill arising from business combinations in prior years (note 21) has been allocated in its entirety to the D2C cash-generating unit and reviewed for impairment. Based on this review, the directors have written the previous goodwill carrying value down to €19m resulting in an impairment charge of €5m in the year. Details regarding the underlying assumptions are laid out below.

D2C cash-generating unit

The recoverable amount of the D2C unit has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a one year period which have been rolled on for a further four years. The pre-tax discount rate applied to cash flow projections is 15%.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the D2C cash-generating unit is most sensitive to the following assumptions:

- discount rates;
- projected EBITDA during the next year's budget period; and
- the growth rate used to extrapolate cash flows for five years.

Discount rates

Discount rates reflect management's estimate of the risks specific to the D2C cash-generating unit. In determining the appropriate discount rate, management has considered the yield on a five year government bond and has adjusted this by an estimate of the risks inherent in this type of business and related to its capital and debt structure.

Growth and EBITDA rate

Growth rate and EBITDA estimates are principally based on management's experience of the D2C business line, coupled with published economic research.

The principal assumption used within the cash flows is that D2C net cash flows will be flat to 2012, reflecting the current uncertain economic outlook.

17 TRADE AND OTHER RECEIVABLES

	2008 €'000	2007 €'000
Trade receivables	**5,285**	8,313
Prepayments	**472**	628
VAT recoverable	**186**	239
	5,943	**9,180**

Trade receivables are non-interest-bearing and are generally on 30 day terms. The amounts above represent the maximum credit exposure of the Group to customers.

As at 31 December 2008, there was an impairment provision of €23,000 (2007 – €2,000) charged against the trade receivables balance. Movements in the provision for impairment of receivables were as follows:

	2008 €'000	2007 €'000
At 1 January	**2**	5
Charge for the year	**29**	12
Utilised	**(8)**	(15)
At 31 December	**23**	**2**

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total €'000	Neither past due nor impaired €'000	< 30 days €'000	30-60 days €'000	60-90 days €'000	> 90 days €'000
2008	**5,285**	**4,382**	**446**	**25**	**24**	**408***
2007	8,313	7,029	754	256	105	169

* Amounts due over 90 days at December 2008 have been collected in full since the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents are comprised of the following:

	2008 €'000	2007 €'000
Cash at bank and deposits of less than 3 months	5,744	12,104

19 ISSUED CAPITAL AND OTHER RESERVES

	2008 €'000	2007 €'000
Authorised:		
3,600,000,000 ordinary shares of €0.001 each	3,600	3,600

	Thousands	€'000
Issued and fully paid:		
At 1 January 2007	67,838	68
Issued on 18 April 2007 for cash on exercise of share options	337	–
Issued on 20 April 2007 as part consideration in respect of Eirborne Text Promotions Limited	1,133	2
Issued on 1 August 2007 for cash on exercise of share options	182	–
Issued on 13 December 2007 as part consideration in respect of Red Circle Technologies Limited	11,316	11
At 1 January 2008	80,806	81
Issued on 25 July 2008 for cash on exercise of share options	268	–
At 31 December 2008	81,074	81

	Foreign currency translation reserve €'000	Share-based payment reserve €'000	Other reserves total €'000
At 1 January 2007	–	99	99
Movements	(19)	153	134
At 1 January 2008	(19)	252	233
Movements	(61)	172	111
At 31 December 2008	(80)	424	344

20 TRADE AND OTHER PAYABLES

	2008 €'000	2007 €'000
Trade payables and accruals	**5,927**	8,720
PAYE/PRSI	**158**	307
VAT	**147**	346
Loan interest	**–**	56
	6,232	**9,429**

21 BUSINESS COMBINATIONS

Acquisition of Red Circle Technologies Limited and Eirborne Text Promotions Limited

Red Circle Technologies Limited ('Red Circle') and Eirborne Text Promotions Limited are both unlisted companies based in Ireland specialising in mobile content and entertainment. The fair value of the identifiable assets and liabilities of each of these entities was provided in detail in the 2007 Annual Report; however, certain summary details of the acquisitions are set out below.

					Discharged by		
	Book value of net assets acquired €'000	Fair value of net assets acquired €'000	Goodwill arising on acquisition €'000	Total cost €'000	Shares €'000	Cash and costs €'000	Net present value of deferred consideration €'000
Red Circle[1]	924	4,148	15,348	19,496	4,300	13,400	1,796
Eirborne Text Promotions[2]	254	972	7,387	8,359	500	1,453	6,406
Interest cost in 2007							249
Interest cost in 2008							145
Adjustments arising to deferred consideration							(423)
Payment of deferred consideration due							(6,800)
Business combination accrual at 31 December 2008							**1,373**

[1] Net assets acquired in 2007 principally comprised customer lists, intangible assets and cash. The Company contributed €106,000 to the Group's profits in the prior year. In 2008, further adjustments arose to the provisional values attributed to the business and have been deducted from deferred consideration due, as permitted by the terms of the purchase arrangement.

[2] Net assets acquired in 2007 principally comprised customer lists, technology and cash. In 2008 the Company paid all deferred consideration due in full, in accordance with the terms of the purchase arrangement.

22 LOANS AND BORROWINGS

	2008			2007		
	Effective interest rate %	**Maturity**	**Loan balance**	Effective interest rate %	Maturity	Loan balance
Current	**6.697%**	**2009**	**2,211**	6.953%	2008	2,534
Non-current	**6.697%**	**2010-2013**	**10,703**	6.953%	2009-2013	12,416

This loan is repayable in quarterly instalments of €640,000 since March 2008. The loan is secured by a first debenture over the property, assets and undertaking of zamano plc and each material subsidiary. Further details are set out in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 COMMITMENTS AND CONTINGENCIES

Interest bearing loans and borrowings (€12,914,000 – note 22) may become repayable in the event that certain loan covenants are breached. The Group was compliant with these covenants at year end.

Government grants of €637,000 (2007 – €91,000) may become repayable in the event that certain grant conditions are not adhered to.

At 31 December 2008, the Group had commitments of €nil (2007 – €47,000) relating to the acquisition and installation of software from a third party supplier.

The Group leases certain facilities under cancellable and non-cancellable lease agreements that expire at various dates through to May 2011.

The future minimum rental commitments for operating leases with non-cancellable terms in excess of one year are as follows:

	2008 €'000	2007 €'000
Less than one year	138	92
Between one and five years	196	–
	334	92

24 RELATED PARTY DISCLOSURES

Included in revenue are service fees of €5,044 (2007 – €19,330) charged to Deisecom Limited, a company owned by Niall McKeon who is a former director of the Company.

Compensation of key management

	2008 €'000	2007 €'000
Short term employee benefits	1,606	1,521
Share-based payments	154	128
Pension benefits	59	27
	1,819	1,676

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and include the executive directors.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise bank loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets, such as trade receivables and cash, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies for managing each of these risks are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. The Group's policy is to manage its interest expense using a mix of fixed and variable debt rates. To manage this, the Group has fixed €8.7m of its long term borrowings at 31 December 2008. Details of debt balances held are set out in note 22.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no impact on the Group's equity.

	Increase/ decrease in basis points	Effect on profit before tax €'000
2008	**+15**	**(22)**
	-15	**22**
2007	+15	(1)
	-15	1

Foreign currency risk

As a result of its presence in the United Kingdom, the Group's balance sheet can be affected significantly by movements in the Sterling/Euro exchange rate. The Group also has transactional currency exposures arising from sales or purchases in currencies other than the Group's presentation currency. To minimise this exposure, costs and the related revenue are incurred in the same currency, where this is practical.

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling exchange rate, with all other variables held constant, of the Group's profit before tax and equity.

	Increase/ decrease in Sterling rate	Effect on profit before tax €'000	Effect equity €'000
2008	**+10%**	**614**	**633**
	-10%	**(609)**	**(628)**
2007	+10%	68	86
	-10%	(68)	(86)

Credit risk

Credit exposures for the Group's financial assets are explained in notes 17 and 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds by monitoring of the maturity of its financial assets, principally trade receivables and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand €'000	Less than 12 months €'000	1 to 5 years €'000	Greater than 5 years €'000	Total €'000
At 31 December 2008					
Interest-bearing loans and borrowings	**–**	**3,387**	**11,890**	**–**	**15,277**
Trade payables and accruals	**5,927**	**–**	**–**	**–**	**5,927**
Business combination accrual	**–**	**1,373**	**–**	**–**	**1,373**
	5,927	**4,760**	**11,890**	**–**	**22,577**
At 31 December 2007					
Interest-bearing loans and borrowings	–	3,518	12,305	2,644	18,467
Interest on long term borrowings	–	56	–	–	56
Trade payables and accruals	8,720	–	–		8,720
Business combination accrual	–	8,410	–	–	8,410
	8,720	11,984	12,305	2,644	35,653

Fair value

The Group's trade receivables, cash and trade payables amounts, because of their short term nature, are considered to approximate fair value. The fair value of the Group's loan approximates its carrying value as market rate reductions have been offset by increased credit premiums.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Group monitors capital on the basis of the net debt ratio, i.e. the ratio of net debt to equity. Net debt is calculated as long term borrowings less cash and cash equivalents. All components of equity are included in the denominator of the calculation.

At 31 December 2008, the net debt ratio was 56.85% (2007 – 17.45%).

	2008 €'000	2007 €'000
Loans and borrowings	**12,914**	14,950
Cash and cash equivalents	**(5,744)**	(12,104)
Net debt	**7,170**	2,846
Equity	**12,613**	16,305
Net debt ratio	**56.85%**	**17.45%**

26 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of directors on 24 March 2009.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2008

	Note	2008 €'000	2007 €'000
Fixed assets			
Financial assets	2	24,937	29,813
Current assets			
Debtors – within one year	3	94	228
– after more than one year	3	1,951	407
Cash at bank		4,016	7,721
		6,061	8,356
Creditors (amounts falling due within one year)	4	(3,602)	(11,620)
Net current assets/(liabilities)		2,459	(3,264)
Total assets less current liabilities		27,396	26,549
Creditors (amounts falling due after more than one year)	5	(21,016)	(15,384)
Net assets		6,380	11,165
Capital and reserves			
Called-up share capital	7	81	81
Share premium	7	11,156	11,155
Capital conversion reserve	7	1	1
Profit and loss account	7	(5,282)	(324)
Share-based payment reserve	7	424	252
Shareholders' funds – equity	7	6,380	11,165

John O'Shea and Colm Saunders
Directors
24 March 2009

NOTES TO THE COMPANY BALANCE SHEET

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with the Companies Acts 1963 to 2006 and Generally Accepted Accounting Practice in the Republic of Ireland ('Irish GAAP'), comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland. The Company has availed of the exemption not to prepare a company-only profit and loss account as the consolidated financial statements present the Group income statement. Details of the company-only loss for the year are disclosed in note 11 to the consolidated financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company financial statements.

Investments in subsidiaries

Fixed asset investments, including investments in subsidiaries, are stated at cost and are reviewed for impairment if there are indications that the carrying value may not be recoverable.

Foreign currencies

The reporting currency of the Company is the Euro. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date with a corresponding charge or credit to the profit and loss account.

Cash flow statement

Under FRS 1 (Cash Flow Statements), the Company is exempt from preparing a cash flow statement as its cash flows are included in the Group cash flow statement, as presented in the consolidated financial statements.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current taxation is provided on the Company's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses of taxable profits in periods different from those in which they are recognised in the financial statements.

Share-based payments

The accounting policy for share-based payments stated in the consolidated financial statements is applicable to the Company also, except that share options granted to employees of subsidiary entities are treated as an increase in the Company's investment in that entity.

2 FINANCIAL FIXED ASSETS

	2008 €'000	2007 €'000
Investments in Group companies		
As at 1 January	**29,813**	1,804
Acquired in year	**–**	27,856
Adjustments	**(48)**	–
Share options issued to employees of subsidiaries	**172**	153
Impairment charge	**(5,000)**	–
As at 31 December	**24,937**	**29,813**

Company name	Shares held	Principal activity	Registered office
Zamano Solutions Limited	100%	Provision of mobile data value added services and technology	1
Zamano Limited	100%	Provision of mobile messaging and consultancy services	2
Red Circle Technologies Limited	100%	Provision of digital environment to mobile devices	1
Eirborne Text Promotions Limited	100%	Dormant	1
Enabletel Limited	100%	Dormant	1
M-isphere Telecommunications Limited	100%**	Dormant	1
Megastar.Co.UK Limited	100%*	Dormant	2
Eirborne Corporation	100%*	Dormant	3
Red Circle Inc.	100%*	Dormant	3

* Shares held indirectly through a subsidiary undertaking
** Including all preference shares issued by the Company

1 4 St. Catherine's Lane West, Digital Hub, Dublin 8
2 17–19 Bedford Street, Covent Garden, London, WC2E 9HP
3 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808

3 DEBTORS

	2008 €'000	2007 €'000
Amounts falling due within one year		
Trade debtors and prepayments	14	42
VAT recoverable	80	186
	94	228
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	1,951	407
	2,045	635

Amounts owed by subsidiary undertakings are interest free and repayable after more than one year.

NOTES TO THE COMPANY BALANCE SHEET (CONTINUED)

4 CREDITORS – AMOUNTS DUE WITHIN ONE YEAR

	2008 €'000	2007 €'000
Trade creditors and accruals	**16**	549
Acquisition accrual	**1,373**	8,410
Corporation tax	**2**	71
Interest on long term borrowings	**–**	56
Long term borrowings (note 6)	**2,211**	2,534
	3,602	**11,620**

The acquisition accrual is detailed in note 21 to the consolidated financial statements.

5 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 €'000	2007 €'000
Amounts owed to subsidiary undertakings	**10,313**	2,968
Long term borrowings (note 6)	**10,703**	12,416
	21,016	**15,384**

Amounts owed to subsidiary undertakings are interest free and repayable after more than one year.

6 LONG TERM BORROWINGS

The long term borrowings are secured by a first debenture over the property, assets and undertaking of zamano plc and each material subsidiary. All other relevant details on the loan are set out in notes 22 and 25 to the consolidated financial statements.

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital €'000	Share premium €'000	Capital conversion reserve €'000	Profit and loss account €'000	Share-based payment reserve €'000	Total shareholders' funds €'000
At 1 January 2008	81	11,155	1	(324)	252	11,165
Shares issued	–	1	–	–	–	1
Loss for the year	–	–	–	(4,958)	–	(4,958)
Share-based payments expense	–	–	–	–	172	172
At 31 December 2008	**81**	**11,156**	**1**	**(5,282)**	**424**	**6,380**

8 COMMITMENTS, CONTINGENCIES AND RELATED PARTIES

Details of Company related commitments and contingencies are set out in note 23 to the consolidated financial statements. Related party transactions are set out in notes 3 and 5 to the Company balance sheet and in the Directors' Report.

9 APPROVAL OF FINANCIAL STATEMENTS

The Company financial statements were approved and authorised for issue by the Board of directors on 24 March 2009.

BUSINESS AT ANNUAL GENERAL MEETING
TO BE HELD ON 16 JULY 2009

ORDINARY BUSINESS

Resolution 1 – Financial statements
The Directors' Report and financial statements for the year ended 31 December 2008 accompany this notice of meeting.

Resolution 2 – Directors
The Board recommends the election of Michael Watson, retiring by rotation. Further information about Michael Watson is given on page 7.

Resolution 3 – Directors
The Board recommends the election of Brendan Mullin, retiring by rotation. Further information about Brendan Mullin is given on page 7.

Resolutions 4 and 5 – Auditors' reappointment and remuneration
The resolutions relating to auditors' reappointment and remuneration are usual business for the Annual General Meeting.

SPECIAL BUSINESS

Resolution 6 – Allotment authority
This is an Ordinary Resolution authorising the directors to allot relevant securities up to the nominal value of the authorised but unissued share capital. This authority will expire at the conclusion of the next Annual General Meeting following this meeting or on 16 September 2010, whichever is the earlier.

Resolution 7 – Dis-application of pre-emption rights
This is a Special Resolution authorising the directors to issue equity securities:

(a) in connection with any offer of securities by way of rights, open offer of securities or otherwise in favour of ordinary shareholders and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company;
(b) in connection with the exercise of any options or warrants to subscribe for shares granted by the Company; and
(c) for cash on a non-pre-emptive basis up to an aggregate nominal value equal to 35% of the issued share capital of the Company at the date of the meeting.

This will allow the Board to allot shares from time to time as it deems appropriate without recourse to the shareholders so that it can move quickly to conclude transactions and take advantage of any improved share prices. This authority will expire at the conclusion of the next Annual General Meeting following this meeting or on 16 September 2010, whichever is the earlier.

ANNUAL GENERAL MEETING

A Form of Proxy for use at the meeting is enclosed. Please complete and sign the Form of Proxy and return it to the Registrar so as to arrive no later than 48 hours before the time fixed for the meeting.

The return of the Form of Proxy will not, however, prevent you from attending the meeting and voting in person should you wish to do so.

RECOMMENDATION

The Board consider that each of the Resolutions is in the best interests of the Company and they unanimously recommend to shareholders that they should vote in favour of each of them, as the directors intend to do in respect of their beneficial shareholdings (save where they are restricted from voting in respect of their own reappointment), which together amount to 6,213,796 ordinary shares comprising 7.7% of the issued ordinary share capital of the Company.

ZAMANO PLC
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of zamano plc will be held at 11.00am on 16 July 2009 at the Conrad Hotel, Earlsfort Terrace, Dublin 2 to consider and, if thought fit, pass the following Resolutions, of which 1 to 6 will be proposed as Ordinary Resolutions and Resolution 7 will be proposed as a Special Resolution.

1. To receive and adopt the financial statements for the year ended 31 December 2008 and the reports of the directors and auditors thereon.
2. To re-elect as a director Michael Watson, who retires by rotation in accordance with article 84 of the Articles of Association.
3. To re-elect as a director Brendan Mullin, who retires by rotation in accordance with article 84 of the Articles of Association.
4. To reappoint KPMG as auditors of the Company.
5. To authorise the directors to fix the remuneration of the auditors.
6. As an Ordinary Resolution:

   That the directors be and are hereby authorised to allot relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act 1983) up to a maximum aggregate nominal value equal to the authorised but unissued ordinary share capital of the Company on the date of the passing of this resolution, such authority to expire at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or on 16 September 2010, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry date and the directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred herein had not expired.
7. As a Special Resolution:

   That subject to the passing of Resolution 6, the directors be and are hereby empowered to allot equity securities, as defined by Section 23 of the Companies (Amendment) Act 1983 (including, without limitation, any shares purchased by the Company pursuant to the provisions of the 1990 Act and held as Treasury Shares):

   (a) in connection with any offer of securities, open for a period fixed by the Directors, by way of rights, open offer or otherwise in favour of ordinary shareholders and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company (including without limitation, any person entitled to options under any of the Company's share option schemes or any person entitled to participate in any of the Company's profit sharing schemes for the time being) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of, any recognised body or stock exchange in any territory;

   (b) in connection with the excercise of any options or warrants to subscribe for share granted by the Company; and

   (c) (in addition to the authority conferred by the preceding paragraphs) up to an aggregate nominal value equal to 35% of the nominal value of the Company's issued ordinary share capital at the date of passing of this Resolution.

   The authority conferred by the passing of this Resolution is to expire at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or on 16 September 2010, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry date and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred herein had not expired.

By order of the Board

Aoife Warren
Company Secretary
4 St. Catherine's Lane West
Digital Hub
Dublin 8
21 May 2009

Notes

(1) A member entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A proxy need not be a member of the Company.

(2) Forms of Proxy, together with any Power of Attorney or other authority under which it is executed or a notarially certified copy thereof, must be completed and, to be valid, must reach the Registrar of the Company at the address given on the Form of Proxy not less than 48 hours before the time appointed for the holding of the meeting.

(3) The appointment of a proxy does not preclude a member from attending and voting at the meeting.

(4) If the appoint or is a corporation, this Form of Proxy must be under its common seal or under the hand of an officer or attorney duly authorised.

(5) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote of the other registered holder(s) and for the purpose seniority shall be determined by the order in which the names stand in the register of members.

(6) If you wish to appoint as proxy someone other than the Chairman of the Meeting, please delete the words 'the Chairman of the Meeting' and insert the name and address of the person you wish to appoint in the space provided. A proxy need not be a member.

(7) Pursuant to Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996, only those shareholders on the Register of Shareholders at 6.00pm on 14 July 2009 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than 48 hours, then to be so entitled, shareholders must be entered on the Company's Register of Shareholders at the time which is 48 hours before the time appointed for holding the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

ZAMANO PLC AND SUBSIDIARIES
DIRECTORS AND OTHER INFORMATION

DIRECTORS
Rod A. Matthews (UK) (Chairman)
Brendan Mullin (Non-executive)
John O'Shea (Executive)
Colm Saunders (Executive)
Colin Tucker (UK) (Non-executive)
Michael Watson (UK) (Non-executive)

SECRETARY
Aoife Warren

BANKERS
Allied Irish Bank plc
Anglo Irish Bank Corporation
Bank of Ireland
Bank of Scotland (Ireland)

SOLICITORS
O'Donnell Sweeney Eversheds
1 Earlsfort Centre
Earlsfort Terrace
Dublin 2

AUDITORS
KPMG
1 Stokes Place
St. Stephen's Green
Dublin 2

REGISTERED OFFICE
4 St. Catherine's Lane West
Digital Hub
Dublin 8

NOMINATED ADVISOR AND BROKER – AIM
Cenkos Securities plc
6-8 Tokenhouse Yard
London EC2R 7AS

NOMINATED ADVISOR AND BROKER – IEX
NCB Stockbrokers Limited
3 George's Dock
Dublin 1

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