



ANNUAL REPORT & ACCOUNTS 2010
for the year ended 31 December 2010

ZAMANO IS A LEADING PROVIDER OF INNOVATIVE AND INTERACTIVE MOBILE SERVICES DIRECTLY TO END USERS OR JOINTLY WITH OUR BUSINESS PARTNERS.

THE YEAR IN REVIEW

- Severe challenges experienced
- Market shifts accelerated
- Business stabilisation achieved
- Banking agreements aligned with company needs
- Path to growth identified

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Chairman's Statement: Mike Watson

NEW OPPORTUNITIES FOR GROWTH ARE BEING ACTIVELY PURSUED.



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videos of every Premiership
goal on mobiles within
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“NEW OPPORTUNITIES FOR GROWTH ARE BEING ACTIVELY PURSUED, BASED UPON RE-DEPLOYING ZAMANO’S TECHNOLOGY AND COMPETENCIES INTO AREAS WHICH CAN BENEFIT FROM SAME.”



“Indications are, at this point, that the revenue stabilisation has continued.”

2010 witnessed a further acceleration in the trends the Company has experienced since 2008.

The Company’s response to the changes in its environment was: firstly to improve its core mobile content offering; and secondly to develop new revenue streams building on the company’s core competencies with the main area of focus being on stabilising the core business. I’m pleased to report that this was achieved, albeit at a reasonably low level of revenues, and only at breakeven. Stability in revenues came through allocating more resources to enhanced content offers and newer marketing channels, primarily via mobile portals and web affiliates.

Since the year end significant cost reductions were achieved after a staff consultation process, and indications are at this point that the revenue stabilisation has continued, with the lower cost base now permitting the business to operate profitably. zamano is now focused on maximising gross profit in the medium term in four territories.

New opportunities for growth are being actively pursued, based upon re-deploying zamano’s technology and competencies into areas which can benefit from same. This activity is being funded by profits from the core content business.

To support this transition in the business significant changes have been made within the management team, to allow sufficient focus on the dual aims of maintaining the current business and growing new revenue streams. At Board level, I’m pleased to announce the appointment of Pat Landy to a non-executive role. Pat brings with him a wealth of corporate finance experience. Brendan Mullin, who has been on the zamano Board since 2002, is standing down and the Board thanks him for his significant contribution to the Company over the last ten years.

As a consequence of the Board decision to reduce the goodwill of the Company by €12.7M, thereby aligning balance sheet goodwill valuations with forward-looking cash generation capability, the company only balance sheet now has a net deficit of €3.74M, while the consolidated balance sheet has a total equity balance of €2.6M. Shareholders will be invited to an EGM on 19 May, at which management and the Board will advise on proposed actions to address the deficit.

A handwritten signature in black ink, appearing to read 'J. Michael Watson'.

Mike Watson
Chairman

Chief Executive Officer's Statement: John O'Shea

THE KEY DRIVERS OF CHANGE IN THE MOBILE CONTENT SECTOR REMAIN REGULATION AND THE ADOPTION OF SMARTPHONES.



The key drivers of change in the mobile content sector remain regulation and the adoption of smartphones.

In early 2010, changes to regulation in Ireland resulted in many of zamano's B2B partners withdrawing from the market, driving the very sharp decline in Irish revenues. In the UK, the continued failure of Payforit to function as a straightforward sign-up and payment mechanism meant the Company has remained unable to benefit from the increase in mobile inventory availability.

Smartphone adoption rates across all territories continues to increase. This has the benefit for zamano of providing more mobile advertising inventory and permitting additional functionality in the services provided. However, as many services are offered for free or at a very low price, competition for sales has increased. zamano continues to invest in improved offerings and better realtime evaluation of all marketing activities, and is making progress in improving the volume and margin of sales.

Market review

The Irish business experienced a serious reduction in revenues in H1, as many B2B partners exited the business as a result of changing regulations. In H2, revenues stabilised in a trend which has continued into 2011. The Irish business is now predominantly focused on D2C (Direct to Consumer) services advertised on mobile phones, with a growing trend of purchasing inventory within applications and outside of mobile network operator portals.

In the UK, revenues decreased due to a gradual wind-down of the B2B business. The Company is now focused entirely on D2C, and has seen some modest growth in 2011 as a result of some successful web campaigns.

Revenues grew 9% in the USA, but the market remains very challenging, particularly as the pace of smartphone adoption is extremely high. This demands very rapid deployment of new services and constant innovation in terms of exploring new channels to market.

Spain has seen good growth from a low base, and the Company will expand its offering in this market in the year ahead.

zamano's strategy

Since mid-2010, the Company strategy has been to stabilise the core business and to seek out new investment opportunities which take advantage of core competencies in the web and mobile market sectors.

The core mobile content business is now operating optimally with a reduced staffing level. Non-profitable revenue lines are being closed down. The Company will continue to invest incrementally in smartphone services and new routes to market to take advantage of developments in the sector. Management opinion is that this strategy will result in a slight reduction in revenues, but an increase in margin and maintenance of the current levels of gross profit.

To bring about growth in the future, management is focused on exploring new opportunities which permit the re-use of technologies and competencies developed by the Company.

“To bring about growth in the future, management is focused on exploring new opportunities which permit the re-use of technologies and competencies developed by the Company.”

“ZAMANO SUCCESSFULLY RE-NEGOTIATED ITS BANKING ARRANGEMENT, TO ENSURE THE COVENANTS WERE ALIGNED WITH BUSINESS PERFORMANCE.”

Financial review

As announced in early January, zamano successfully re-negotiated its banking arrangement, to ensure the covenants were aligned with business performance and to permit some investment in new opportunities. A loan repayment of €1M in Q1 has reduced gross debt to €4.8M, with only €50,000 per quarter payable to year end.

Taking into account the revised expectations of revenues and profits likely to be achieved by the business in the next number of years, a decision to reduce the value of goodwill by €12.7M was taken, resulting in the Group posting pre-tax losses of €13.28M. Goodwill and intangible assets of €6.8M are retained on the balance sheet, supported by the expectations of profits to be generated by the D2C business.

Cash declined by €4.2M in 2010, primarily due to €4M in debt repayments.

Profit margins came under pressure as the Company increased the value of the content sold and experimented in many different channels when seeking new revenue opportunities. The decision to close down revenue lines where margin was negligible should result in the restoration of improved margins.

Outlook

While still experiencing very challenging times in the market sector in which the company operates, the Board is satisfied that progress is being made. Against a backdrop of a stable business, banking agreements have been successfully re-negotiated, while significant cost reductions are permitting the company to continue to invest in future opportunities, funded by ongoing cashflows.

The Board maintains its stance of cautious optimism regarding the future prospects of the business.



John O'Shea
Chief Executive Officer

Board of Directors

1.



2.



3.



4.



1. Michael Watson – Non-executive Chairman

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 OSI Group plc, Xitec plc and AIM-listed Spectrum Interactive 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 €10 million to Horizon Technologies. John obtained an MBA from the Open Business School in 1998 and has recently completed Leadership 4 Growth, a Stanford University programme.

3. 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.

4. Pat Landy – Non-executive Director

Pat joined the board of zamano in March 2011. Pat is a leading Irish Corporate Financier. He was previously Corporate Finance Director with Merrion Capital and NCB before starting up his own private consultancy firm – A Plan Corporate Advisors.

Directors' Report

for the year ended 31 December 2010

The Directors present the annual report and consolidated financial statements of zamano plc ("the Company" or "zamano") for the year ended 31 December 2010.

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, United States, Australia, South Africa 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 Enterprise Securities Market ("ESM") in Ireland.

The financial information presents the results and position of the Group for the year ended 31 December 2010. 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 for 31 December 2010.

Principal risks and uncertainties and key performance indicators

Details of the Group's financial risk management objectives and policies are set out at note 25 of the consolidated financial statements. The principal non-financial risks and uncertainties that the business faces include:

- **Impact of new and evolving technology** – the Group makes assumptions over the adoption of new and evolving mobile technology and the Group's ability to deliver solutions to meet the changing demands of mobile technology. There is a risk that the Group will not succeed in adapting to new technology with a resulting negative impact on the business or that the market evolves differently to expectations. This risk is partly mitigated by the planning process undertaken by key management and Directors and their assumptions are based on their years of experience of the mobile industry.
- **Recruitment and retention** – technological and marketing competence and innovation is critical to the Group's business and depends on the expertise of the Directors and key employees. The Group has incentive plans, contractual arrangements, and competitive reward packages in place to secure the services of these Directors and employees, however the retention of their services is not guaranteed. The market for these skills is competitive and the group may not be able to attract and retain these employees.
- **Development of regulations** – the regulation of mobile services varies by country and evolves over time. Increased regulations in key markets may inhibit growth or affect existing business. From time to time new regulations are introduced without a notice period and can have a negative impact on the business. The Directors partly mitigate this risk by having employees focused on the external regulatory environment, close co-operation with the regulators as appropriate, a strong code of conduct and a regulatory update at each Board meeting.
- **Economic climate** – the Group is subject to the general risks to which all companies operating in the same market are subject, including the general macro-economic climate. The risk is partly mitigated by the range of territories in which the Group operates.

Key performance indicators

The key performance indicators focused on by management are revenue, gross margin and EBITDA all of which are noted elsewhere herein.

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 declined to €15.8 million (2009: €25.1 million) and the Group's operating loss was €12.9 million (operating loss of €0.2 million excluding impairment charge of €12.7 million) (2009: operating profit of €1.5 million). Further details of the financial performance have been set out in the Chief Executive Officer's statement. The Directors do not propose the payment of a dividend (2009: €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 Group will also seek further potential acquisition targets. The Directors will continue to review the appropriateness of the Group's structures and finances as it grows.

Going concern

The Group's earnings have been challenged over the 2010 period and there has been a consequent write down to the carrying value of the Group's goodwill arising from certain historical acquisitions, which takes account of revised cashflow projections for the groups' various business streams. Details of the key assumptions underlying the current valuation of goodwill are set out in note 16.

The Directors have considered these revised cashflow projections and have also considered the continued availability of the Group's bank facilities, which were restructured prior to the end of 2010 to include reasonably challenging revised EBITDA and interest cover covenants which apply during 2011, but which the Directors believe will be met for the foreseeable future, based on current trading and projected results for a period of at least 18 months from the date of approval of these financial statements. Having regard to the assumed continued availability of these facilities and also to the Group's projected earnings over the next two years, the Directors consider that it continues to be appropriate to prepare the financial statements on a going concern basis.

Directors' Report (continued)

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.

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 as incurred. Investment in research and development in the year was €1,195,447 (2009: €1,324,000) of which an amount of €552,000 was capitalised. This was primarily focused on the continued development of zamano's platform for mobile applications and content.

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 ESM rules, the company is not obliged to comply with the provisions of the Combined Code it abides by many of the recommendations contained therein as set out below.

Audit committee

The audit committee consists of the Non-executive Directors with Colin Tucker 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 Pat Landy 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 and secretary

The names of the current Directors are set out on page 6. On 22 July 2010 Colm Saunders resigned as a Director and Company Secretary. On 22 July 2010 Michael Connolly was appointed as Company Secretary. On 24 March 2011 Brendan Mullin resigned as Director and Pat Landy was appointed as Director.

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 2010			1 January 2010		
	Ordinary shares	Share options	Exercise price	Ordinary shares	Share options	Exercise price
Director						
Brendan Mullin	2,071,126	350,000	€0.355	2,071,126	350,000	€0.355
John O'Shea*	2,461,902	420,000 300,000	€0.134 €0.420	1,579,902	882,000 420,000 300,000	€0.001 €0.134 €0.420
Colin Tucker	83,333	350,000	€0.355	83,333	350,000	€0.355
Mike Watson	8,333	350,000	€0.355	8,333	350,000	€0.355

* During the year John O'Shea exercised 882,000 share options at an exercise price of €0.001 per share.

Directors' remuneration

Directors' remuneration for the current and preceding financial years was as follows:

	2010					2009				
	Salary €	Fees €	Pension €	Share-based payments €	Total €	Salary €	Fees €	Pension €	Share-based payments €	Total €
Director										
Brendan Mullin	-	27,000	-	-	27,000	-	27,000	-	13,582	40,582
John O'Shea	174,096	-	9,504	4,155	187,755	188,248	-	9,504	17,994	215,746
Colin Tucker	-	27,000	-	-	27,000	-	27,000	-	13,582	40,582
Mike Watson	-	27,000	-	-	27,000	-	27,000	-	13,582	40,582
Colm Saunders*	87,517	-	5,104	(50,122)*	42,499	174,271	-	8,750	23,133	206,154
Rod Matthews	-	-	-	-	-	-	41,250	-	2,062	43,312
Total	261,613	81,000	14,608	(45,967)	311,254	362,519	122,250	18,254	83,935	586,958

* Colm Saunders resigned his position of employment during the year. This resulted in a reversal of the share option charge in respect of unvested options which were cancelled following this event.

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 23 Shelbourne Road, Ballsbridge, Dublin 4.

Auditors

In accordance with Section 160(2) of the Companies Act 1963, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

John O'Shea
Director
28 March 2011

Mike Watson
Director

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 ESM rules, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and applicable law and have elected to prepare 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 IFRSs as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Acts 1963 to 2009 provide in relation to such financial statements that references in the relevant part 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 financial statements, 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 ESM rules issued by the Irish Stock Exchange, the Directors are also responsible for preparing a Directors' report.

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 its financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company 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
Director
28 March 2011

Mike Watson
Director

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 2010 which comprise the Group income statement, the Group statement of comprehensive income, the Group and parent 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 ("IFRSs") 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 IFRSs as adopted by the EU and have been properly prepared in accordance with the Companies Acts 1963 to 2009 and whether, in addition, the parent company financial statements give a true and fair view in accordance with Generally Accepted Accounting Principles in Ireland and have been properly prepared in accordance with the Companies Acts 1963 to 2009. 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 ESM regarding Directors' remuneration, or 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 judgements 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 IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2010 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 2010; and
- the Group and parent company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

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 parent 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 balance sheet of the Company shows an excess of liabilities over assets and, in our opinion, on that basis there did exist at 31 December 2010, a financial situation which under Section 40 (1) of the Companies (Amendment) Act 1983 will require the convening of an Extraordinary General Meeting of the Company.



Chartered Accountants

Registered Auditor

Dublin

28 March 2011

Consolidated Income Statement

for the year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Revenue	6	15,795	25,077
Cost of sales		(11,180)	(16,629)
Gross profit		4,615	8,448
Other administrative expenses		(3,830)	(4,374)
Depreciation		(124)	(155)
Amortisation of intangible assets		(866)	(2,425)
Impairment of goodwill		(12,670)	–
Total administrative expenses		(17,490)	(6,954)
Operating (loss)/profit	7	(12,875)	1,494
Finance income	9	71	78
Finance expense	9	(476)	(699)
(Loss)/profit before tax		(13,280)	873
Income tax	10	(176)	181
(Loss)/profit for the year attributable to equity holders of the parent		(13,456)	1,054
(Loss)/earnings per share			
– basic	12	(€0.141)	€0.013
– diluted	12	(€0.141)	€0.012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
(Loss)/profit for the year		(13,456)	1,054
Other comprehensive income:			
Foreign currency translation adjustment		(1)	16
Total comprehensive (loss)/income all attributable to equity holders of the parent		(13,457)	1,070

On behalf of the Board

John O'Shea
Director
28 March 2011

Mike Watson
Director

Consolidated Balance Sheet

at 31 December 2010

	Notes	2010 €'000	2009 €'000
Assets			
Non-current assets			
Property, plant and equipment	14	108	206
Intangible assets	15	6,800	19,762
Deferred tax asset	10	69	69
Total non-current assets		6,977	20,037
Current assets			
Trade and other receivables	17	2,098	3,446
Cash and cash equivalents	18	2,724	6,958
Income tax recoverable		29	270
Total current assets		4,851	10,674
Total assets		11,828	30,711
Equity			
Equity share capital	19	96	95
Share premium		13,442	13,442
Capital conversion reserve		1	1
Foreign currency translation reserve		(65)	(64)
Share-based payment reserve		517	576
Retained (loss)/earnings		(11,371)	2,085
Total equity		2,620	16,135
Liabilities			
Non-current liabilities			
Loans and borrowings	22	4,538	7,478
Total non-current liabilities		4,538	7,478
Current liabilities			
Trade and other payables	20	3,145	4,041
Business combination accrual	21	356	1,328
Loans and borrowings	22	1,169	1,729
Total current liabilities		4,670	7,098
Total liabilities		9,208	14,576
Total equity and liabilities		11,828	30,711

On behalf of the Board

John O'Shea
Director
 28 March 2011

Mike Watson
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Equity share capital €'000	Share premium €'000	Capital conversion reserve €'000	Retained earnings €'000	Foreign currency translation reserve €'000	Share-based payment reserve €'000	Total equity €'000
At 1 January 2010	95	13,442	1	2,085	(64)	576	16,135
Total comprehensive loss for the year							
Loss for the year	-	-	-	(13,456)	-	-	(13,456)
Other comprehensive income							
Currency translation adjustment	-	-	-	-	(1)	-	(1)
Total comprehensive loss for the year	-	-	-	(13,456)	(1)	-	(13,457)
Other transactions							
Issue of equity share capital	1	-	-	-	-	-	1
Share-based payment credit	-	-	-	-	-	(59)	(59)
At 31 December 2010	96	13,442	1	(11,371)	(65)	517	2,620
At 1 January 2009	81	11,156	1	1,031	(80)	424	12,613
Total comprehensive income for the year							
Profit for the year	-	-	-	1,054	-	-	1,054
Other comprehensive income							
Currency translation adjustment	-	-	-	-	16	-	16
Total comprehensive income for the year	-	-	-	1,054	16	-	1,070
Other transactions							
Issue of equity share capital	14	2,286	-	-	-	-	2,300
Share-based payment expense	-	-	-	-	-	152	152
At 31 December 2009	95	13,442	1	2,085	(64)	576	16,135

Consolidated Cash Flow Statement

for the year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Cash flows from operating activities			
(Loss)/profit before tax		(13,280)	873
<i>Adjustments to reconcile profit for the year to net cash inflow from operating activities</i>			
Depreciation		124	155
Amortisation of intangible assets		866	2,425
Impairment of goodwill		12,670	–
Share-based payments (credit)/expense		(59)	152
Foreign exchange		(1)	16
Decrease in trade and other receivables		1,293	2,502
Decrease in trade and other payables		(896)	(2,192)
Finance income		(71)	(78)
Finance expense		476	699
Cash generated from operations		1,122	4,552
Interest paid		(27)	(20)
Income tax (refunded)/paid		120	(372)
Net cash inflow from operating activities		1,215	4,160
Cash flows from investing activities			
Settlement of deferred consideration on acquisition of subsidiaries		(741)	(45)
Purchase of property, plant and equipment		(26)	(102)
Purchase of intangible assets		(252)	(790)
Capitalisation of internally generated intangible assets		(552)	–
Interest received		71	78
Net cash outflow from investing activities		(1,500)	(859)
Cash flows from financing activities			
Proceeds from issue of share capital		1	2,300
Repayment of debt		(3,950)	(4,387)
Net cash outflow from financing activities		(3,949)	(2,087)
Net (decrease)/increase in cash and cash equivalents		(4,234)	1,214
Cash and cash equivalents at 1 January		6,958	5,744
Cash and cash equivalents at 31 December		2,724	6,958

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

1 Reporting entity

zamano plc (“the Company”) is a company domiciled in the Republic of Ireland. The address of the company’s registered office is 23 Shelbourne Road, Ballsbridge, Dublin 4.

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the company and its subsidiaries (“the Group”).

The Company’s shares are publicly traded on the London Alternative Investment Market (“AIM”) and the Enterprise Securities Market (“ESM”) 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 (“IFRSs”) as adopted by the EU and effective as at 31 December 2010. 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 28 March 2011.

(b) Going concern

The Group’s earnings have been challenged over the 2010 period and there has been a consequent write down to the carrying value of the Group’s goodwill arising from certain historical acquisitions, which takes account of revised cashflow projections for the Groups’ various business streams. Details of the key assumptions underlying the current valuation of goodwill are set out in note 16.

The Directors have considered these revised cashflow projections and have also considered the continued availability of the Group’s bank facilities, which were restructured prior to the end of 2010 to include reasonably challenging revised EBITDA and interest cover covenants which apply during 2011, but which the Directors believe will be met for the foreseeable future, based on current trading and projected results for a period of at least 18 months from the date of approval of these financial statements. Having regard to the assumed continued availability of these facilities and also to the Group’s projected earnings over the next two years, the Directors consider that it continues to be appropriate to prepare the financial statements on a going concern basis.

(c) Basis of measurement

The consolidated financial statements for the year ended 31 December 2010 have been prepared on an 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 provision for impairment.

(d) Functional and presentation currency

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

(e) Basis of consolidation

The consolidated financial statements consolidate the financial statements of zamano plc and all its subsidiaries up to 31 December 2010. 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.

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.

(f) Changes in accounting policies

From 1 January 2010 the group has applied IFRS 3 “Business Combinations” (2008) in Accounting for business combinations. The change in accounting policy has been applied prospectively and has had no impact on the current year results as the Group did not undertake any business combinations during the year.

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:

Databases	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 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 consideration

Deferred 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 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 contingent consideration due to the passage of time is recognised as a finance expense.

Any revision to the existing deferred consideration provision for acquisitions prior to 2010 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 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, including certain qualifying tax credits, are credited to income so as to match with the expenditure to which they relate.

Research and development

Expenditure on research (or the research phase of an internal project) is recognised in the income statement 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 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.

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 are charged to the income statement over the periods of the leases and represent 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.

Notes to the Consolidated Financial Statements (continued)

3 Summary of significant accounting policies (continued)

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 binominal 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 unlikely.

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 reflect a current market assessment 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

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 renewed 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 unit 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 2010 was €6,154,000 (2009: €19,054,000). Further details are provided in notes 15 and 16.

Refer to basis of preparation note on page 17 for details on the assessment of the going concern for the Group by the Directors.

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 relevant assumptions thereon. The assumptions and models used are disclosed in note 8.

5 Future changes in accounting policies

New and prospective accounting standards and interpretations

We have considered all EU endorsed IFRS standards, amendments to these standards and IFRIC interpretations that have been issued, but which are not yet effective, and have not been early adopted in these financial statements, as follows:

- Amendments to IFRS 7 – Financial Instruments Disclosures – Transfers of Financial Assets, effective on 1 July 2001;
- Amendments IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters, effective on 1 July 2011;
- Amendments to IFRIC 14 – Prepayments of a minimum funding requirement, effective on 1 January 2011; and
- Amendments to IAS 24 – Related Party Disclosures, effective on 1 January 2011.

The above new or revised standards and interpretations will be adopted in future financial statements, if applicable. The Group does not anticipate that the adoption of these new or revised standards and interpretations will have a material impact on the Group's overall results from operations and financial position.

Notes to the Consolidated Financial Statements (continued)

6 Operating segments

The Group has two reportable segments which are defined as follows: 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").

Information regarding the results of each reportable segment is included below. Performance is measured based on segment results as included in the reports that are reviewed by the Group's Chief Operating Decision Maker ("CODM").

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

Year ended 31 December 2010

	B2B €'000	D2C €'000	Total €'000
Revenue from external customers			
Ireland	2,537	4,610	7,147
UK	760	2,244	3,004
USA	–	4,304	4,304
Spain	–	1,039	1,039
Australia	–	172	172
South Africa	–	129	129
Sales to external customers	3,297	12,498	15,795
Results			
Segment results before amortisation and goodwill	162	2,684	2,846
Amortisation and goodwill impairment	–	(13,536)	(13,536)
Segment results	162	(10,852)	(10,690)
Unallocated expenses*			(2,185)
Operating loss			(12,875)
Net finance expense			(405)
Loss before tax			(13,280)
Income tax expense			(176)
Net loss for year			(13,456)

* Unallocated costs relate to central overheads such as rent, administration, salaries and office overhead costs which are not allocated to individual reportable segments.

As at 31 December 2010

	B2B €'000	D2C €'000	Total €'000
Segment assets	853	8,232	9,085
Unallocated assets*			2,743
Total assets			11,828
Segment liabilities	1,335	7,873	9,208
Total liabilities			9,208

* The unallocated assets principally relates to cash and liabilities of the Group.

Other segment information

	B2B €'000	D2C €'000	Unallocated €'000	Total €'000
<i>Capital expenditure</i>				
Property, plant and equipment	–	–	26	26
Intangible assets	–	–	804	804
Other				
Depreciation	–	–	124	124
Amortisation and goodwill impairment	–	13,536	–	13,536
Share-based payment credit	–	(59)	–	(59)

Year ended 31 December 2009

	B2B €'000	D2C €'000	Total €'000
Revenue			
Ireland	6,826	6,092	12,918
UK	1,657	4,983	6,640
USA	–	3,947	3,947
Australia	–	1,109	1,109
Spain	–	418	418
South Africa	–	45	45
Sales to external customers	8,483	16,594	25,077
Segment results before amortisation results	1,745	4,762	6,507
Amortisation	–	(2,425)	(2,425)
Segment results	1,745	2,337	4,082
Unallocated expenses*			(2,588)
Operating profit			1,494
Net finance expense			(621)
Profit before tax			873
Income tax credit			181
Net profit for year			1,054

* Unallocated expenses relate to central overheads such as rent, administration salaries and office overhead costs which are not allocated to individual reportable segments.

As at 31 December 2009

	B2B €'000	D2C €'000	Total €'000
Segment assets	1,466	21,124	22,590
Unallocated assets*			8,121
Total assets			30,711
Segment liabilities	2,001	11,820	13,821
Unallocated liabilities*			755
Total liabilities			14,576

* The unallocated assets and liabilities balances principally relates to cash and liabilities of the Group.

Notes to the Consolidated Financial Statements (continued)

6 Operating segments (continued)

Other segment information

	B2B €'000	D2C €'000	Unallocated €'000	Total €'000
<i>Capital expenditure</i>				
Property, plant and equipment	–	–	99	99
Intangible assets	–	–	825	825
Other				
Depreciation	–	–	155	155
Amortisation	–	2,425	–	2,425
Share-based payments expense	11	23	118	152

Geographical segments

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

Year ended 31 December 2010

	Ireland €'000	United Kingdom €'000	Rest of Europe €'000	United States €'000	Rest of world €'000	Total €'000
Revenue						
Sales to external customers	7,147	3,004	1,039	4,304	301	15,795

Other segment information

Non-current assets (excluding deferred tax)	6,908	–	–	–	–	6,908
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Year ended 31 December 2009

	Ireland €'000	United Kingdom €'000	Rest of Europe €'000	United States €'000	Rest of world €'000	Total €'000
Revenue						
Sales to external customers	12,918	6,640	418	3,947	1,154	25,077

Other segment information

Non-current assets (excluding deferred tax)	19,968	–	–	–	–	19,968
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7 Operating (loss)/profit

	2010 €'000	2009 €'000
This is arrived at after charging/(crediting)		
Directors' remuneration:		
– emoluments	262	363
– fees	81	122
– pension contributions	15	18
– social insurance	25	33
– share option charge	(46)	84
Depreciation	124	155
Amortisation	866	2,425
Impairment of goodwill	12,670	–
Auditor's remuneration:		
– Audit fees ¹	54	60
– Other assurance fees ²	19	17
– Tax compliance services	20	14
Research and development expenditure	1,195	1,324
Operating lease rentals	234	267

The aggregate emoluments of the highest paid Director, inclusive of social insurance, amounted to €204,000 (2009: €233,000).

¹ Audit services include financial statement audit work performed in respect of the consolidated financial statements. €7,000 (2009: €7,000) relates to audit services provided to the Company.

² Other assurance services includes review of the Group's half year results (2010: €11,475, 2009: €12,750) and reporting on government grants (2010: €7,150, 2009: €3,800).

Employees and remuneration

The average weekly number of employees was:

	2010	2009
B2B division	4	5
D2C division	20	17
Research and development	20	24
Management and administration	6	7
	50	53

Staff costs comprise:

	2010 €'000	2009 €'000
Wages and salaries	2,583	3,009
Social welfare	272	302
Pension costs	103	128
Healthcare	51	39
Share-based payments (credit)/expense	(59)	152
Employment grant income	(159)	(259)
Payroll costs capitalised (note 15)	(552)	–
	2,239	3,371

Notes to the Consolidated Financial Statements (continued)

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.

	2010		2009	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at 1 January	7,545,400	€0.192	6,717,600	€0.203
Granted during the year	–	–	1,200,000	€0.156
Exercised during the year	(1,155,000)	€0.001	–	–
Lapsed on resignation	(2,229,600)	€0.245	(372,200)	€0.118
Outstanding at 31 December	4,160,800	€0.217	7,545,400	€0.192

There were no share options granted during the year. The weighted average fair value of options granted during 2009 was €0.0856.

All of the options granted are deemed to be equity-settled and the income statement (credit)/charge associated with options during the year was €59,000 (2009: €152,000).

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

	2010		2009	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
February 2004 – November 2005	875,000	€0.001	2,051,000	€0.001
August 2006	660,800	€0.134	1,464,400	€0.134
November 2006	1,050,000	€0.355	1,050,000	€0.355
March 2007	640,000	€0.420	930,000	€0.420
October 2007	–	–	500,000	€0.350
December 2007	135,000	€0.360	350,000	€0.360
March 2009	800,000	€0.160	1,200,000	€0.160
	4,160,800		7,545,400	
Exercisable at 31 December	3,360,800		4,565,400	
Weighted average remaining life	2.96 years		3.76 years	

9 Finance income and finance expense

	2010 €'000	2009 €'000
<i>Finance income</i>		
Bank interest receivable	71	78
<i>Finance expense</i>		
Bank interest and charges	15	20
Interest on long-term borrowings	415	645
Amortisation of debt issue costs	46	34
	476	699

10 Income tax expense

	2010 €'000	2009 €'000
<i>(a) Analysis of charge for the year:</i>		
<i>Current tax:</i>		
Irish corporation tax	19	323
Foreign tax	-	6
Under/(over) provision in prior year	157	(218)
<i>Deferred tax:</i>		
Movement in deferred tax amounts for the year (note 10(c))	-	(292)
Income tax expense/(credit) (note 10 (b))	176	(181)

(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:

	2010 €'000	2009 €'000
(Loss)/profit on ordinary activities before taxation	(13,280)	873
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5% (2009: 12.5%)	(1,660)	109
<i>Effects of:</i>		
Items not deductible for tax purposes	1,678	29
Passive income taxed at a higher rate	1	-
Tax credits	-	(114)
Foreign income taxed at a higher rate	-	3
Other	-	10
Under/(over) provision in prior year	157	(218)
Income tax expense/(credit) (note 10 (a))	176	(181)

Notes to the Consolidated Financial Statements (continued)

10 Income tax expense (continued)

(c) Deferred tax

Deferred tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
<i>Deferred tax liability</i>				
Arising on intangible assets	-	-	-	268
	-	-	-	268
<i>Deferred tax asset</i>				
Arising on property, plant and equipment	124	60	-	15
Other	11	9	-	9
	135	69	-	24
Deferred tax credit				
Provision against deferred tax asset	(66)	-	-	292
Net deferred tax assets/(liabilities)	69	69	-	(223)

At 31 December 2010, there was no recognised deferred tax liability (2009: €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.

11 (Loss)/profit for the financial year in the parent entity holding company

	2010 €'000	2009 €'000
(Loss)/profit on ordinary activities after tax in the parent entity holding company amounted to	(12,611)*	93

* The loss for the year includes an impairment charge of €12,670,000.

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 (loss)/earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighed average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net (loss)/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:

	2010 €'000	2009 €'000
Basic EPS	(€0.141)	€0.013
Diluted EPS	(€0.141)	€0.012
	2010 €'000	2009 €'000
Net (loss)/profit attributable to equity holders of the parent	(13,456)	1,054
	2010 Numbers in thousands	2009 Numbers in thousands
Basic weighted average number of shares	95,187	82,348*
Dilutive potential ordinary shares:		
Employee share options	865	2,629
Diluted weighted average number of shares	96,052	84,977

* Includes shares to be issued associated with an historical business combination.

13 Adjusted earnings per ordinary share

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

	2010 €	2009 €
Adjusted basic EPS	€0.002	€0.045
Adjusted diluted EPS	€0.002	€0.044

Adjusted net income is calculated as:

	2010 €'000	2009 €'000
(Loss)/profit after tax	(13,456)	1,054
Share-based payments (credit)/expense	(59)	152
Amortisation	866	2,425
Impairment of goodwill	12,670	–
Redundancy costs	180	86
	201	3,717

Notes to the Consolidated Financial Statements (continued)

14 Property, plant and equipment

	Computer hardware and equipment €'000	Leased equipment €'000	Fixtures and fittings €'000	Total €'000
<i>Cost:</i>				
At 1 January 2009	751	80	48	879
Additions	90	–	9	99
At 1 January 2010	841	80	57	978
Additions	11	–	15	26
At 31 December 2010	852	80	72	1,004
<i>Depreciation:</i>				
At 1 January 2009	495	80	42	617
Charge	140	–	15	155
At 1 January 2010	635	80	57	772
Charge	116	–	8	124
At 31 December 2010	751	80	65	896
<i>Net book value:</i>				
At 31 December 2010	101	–	7	108
At 31 December 2009	206	–	–	206

15 Intangible assets

	Goodwill €'000	Software €'000	Other €'000	Total €'000
<i>Cost:</i>				
At 1 January 2009	19,054	183	4,989	24,226
Additions	–	–	825	825
Disposals	–	(35)	–	(35)
At 1 January 2010	19,054	148	5,814	25,016
Additions	–	804	–	804
Disposals	–	–	–	–
Revisions to balance (note 21)	(230)	–	–	(230)
At 31 December 2010	18,824	952	5,814	25,590
<i>Amortisation:</i>				
At 1 January 2009	–	31	2,798	2,829
Charge	–	43	2,382	2,425
At 1 January 2010	–	74	5,180	5,254
Charge	–	454	412	866
Impairment charge (note 16)	12,670	–	–	12,670
At 31 December 2010	12,670	528	5,592	18,790
<i>Carrying value:</i>				
At 31 December 2010	6,154	424	222	6,800
At 31 December 2009	19,054	74	634	19,762

16 Impairment of goodwill

Goodwill arising from business combinations in prior years (note 21) has been reviewed for impairment. Based on this review, the Directors have determined that an impairment charge of €12,670,000 is required (2009: €Nil) in the year. Details regarding the underlying assumptions for the impairment review are laid out below.

Cash-generating unit

The recoverable amount of the goodwill 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 year period. The pre-tax discount rate applied to cash flow projections is 13.9%.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the Group is most sensitive to the following assumptions:

- projected cashflows for 2011 through to 2015;
- discount rates; and
- terminal value.

Discount rates

Discount rates reflect management's estimate of the risks specific to the Group. In determining the appropriate discount rate, management has considered the average cost of capital for the Group.

EBITDA

Forecast EBITDA estimates are principally based on management's experience of and expectation for the Group.

The principal assumption used within the cash flows is that EBITDA will be flat over the five year period.

The terminal value has been calculated based on the year five EBITDA and no long-term growth rate has been included.

17 Trade and other receivables

	2010 €'000	2009 €'000
Trade receivables (a)	1,891	2,829
Prepayments	116	438
Research and development tax credits receivable (b)	91	–
VAT recoverable	–	179
	2,098	3,446

(a) Trade receivables

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 2010, there was an impairment provision of €59,000 (2009: €86,000) charged against the trade receivable balance. Movements in the provision for impairment of receivables were as follows:

	2010 €'000	2009 €'000
At 1 January	86	23
Charge for the year	–	63
Written off	(27)	–
At 31 December	59	86

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

	Total €'000	Neither past due nor impaired €'000	Past due but not impaired			
			< 30 days €'000	30-60 days €'000	60-90 days €'000	> 90 days €'000
2010	1,891	1,657	–	115	41	78
2009	2,829	2,711	–	67	38	13

(b) Research and development tax credits receivable

The research and development tax credits in respect of the year ending 31 December 2010 can be carried forward and are available for offset against future corporation tax and employer tax liabilities.

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:

	2010 €'000	2009 €'000
Cash at bank and deposits of less than 3 months	2,724	6,958

19 Issued capital

	2010 €'000	2009 €'000
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Authorised:

3,600,000,000 Ordinary Shares of €0.001 each	3,600	3,600
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	Numbers in 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
Issued on 21 December 2009 for cash in respect of equity financing	13,889	14
At 31 December 2009	94,963	95
Issued on 25 May 2010 for cash on exercise of share options	175	–
Issued on 26 August 2010 for cash on exercise of share options	231	–
Issued on 6 December 2010 for cash on exercise of share options	42	–
Issued on 13 December 2010 for cash on exercise of share options	707	1
At 31 December 2010	96,118	96

20 Trade and other payables

	2010 €'000	2009 €'000
Trade payables and accruals	2,861	3,754
PAYE/PRSI	150	159
VAT	134	128
	3,145	4,041

21 Business combinations

Acquisition of Red Circle Technologies Limited

Red Circle Technologies Limited ("Red Circle") is an unlisted company based in Ireland specialising in mobile content and entertainment. zamano plc acquired the entity during the year ended 31 December 2007. The fair value of the identifiable assets and liabilities of this entity was provided in detail in the 2007 Annual Report, however certain summary details of the acquisition are set out below.

	Book value of net assets acquired €'000	Fair value of net assets acquired €'000	Goodwill arising on acquisition €'000	Total cost €'000	Discharged by		
					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	13,445	1,751
Adjustments arising to deferred consideration in prior periods							(423)
Adjustments and utilisation of acquisition accrual during the period							(972)
Business combination accrual at 31 December 2010							356

¹ Net assets acquired in 2007 principally comprised customer lists, intangible assets and cash. In 2010, further adjustments have been deducted from the deferred consideration due as permitted by the terms of the share purchase arrangement.

22 Loans and borrowings

	2010			2009		
	Effective interest rate %	Maturity	Loan balance	Effective interest rate %	Maturity	Loan balance
Current	4.1%	2011	1,169	5.276%	2010	1,729
Non-current	4.1%	2012-2013	4,538	4%	2011-2013	7,478

In 2011 the loan is repayable in quarterly instalments of €50,000, with additional payments of €1,000,000 falling due in quarter one. For 2012 the loan is repayable in quarterly instalments of €350,000 which increase to €631,375 for the first three quarters of 2013 with a final payment of €1,317,875 due on 31 December 2013. 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.

23 Commitments and contingencies

Interest-bearing loans and borrowings (€5,707,000: note 22) may become repayable in the event that certain loan covenants are breached. The Group was in compliance with the loan terms at year end.

Government grants of €1,086,057 (2009: €927,057) may become repayable in the event that certain grant conditions are not adhered to.

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:

	2010 €'000	2009 €'000
Less than one year	155	195
Between one and five years	-	73
	155	268

Notes to the Consolidated Financial Statements (continued)

24 Related party disclosures

Compensation of key management

	2010 €'000	2009 €'000
Short-term employee benefits	642	1,067
Share-based payments	(46)	132
Pension benefits	24	63
	620	1,262

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and include the Executive and Non-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 where possible. 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 €'000	Effect on profit before tax
2010	+25	(19)
	-25	19
2009	+15	(18)
	-15	18

Foreign currency risk

As a result of its presence in the United Kingdom and United States, the Group's balance sheet can be affected by movements in the UK£/Euro and Euro/US\$ exchange rates. 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 and US dollar exchange rates, with all other variables held constant, of the Group's profit before tax and equity:

	Increase/ decrease in US\$ rate	Effect on profit before tax	Effect equity	decrease in UK £ rate	Increase/ profit before tax €'000	Effect on equity €'000
2010	+10%	157	157	+10%	47	47
	-10%	(157)	(157)	-10%	(47)	(47)
2009				+10%	239	248
				-10%	(239)	(248)

Credit risk

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

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 cashflows 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 and inclusive of interest:

	On Demand €'000	Less than 12 months €'000	1 to 5 years €'000	Total €'000
<i>At 31 December 2010</i>				
Interest bearing loans and borrowings	–	1,169	4,538	5,707
Trade and other payables	2,861	–	–	2,861
Business combination accrual	356	–	–	356
	3,217	1,169	4,538	8,924
<i>At 31 December 2009</i>				
Interest bearing loans and borrowings	–	1,729	7,478	9,207
Trade and other payables	3,754	–	–	3,754
Business combination accrual	1,328	–	–	1,328
	5,082	1,729	7,478	14,289

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 at 31 December 2010 the Group renegotiated its facility with its lenders in December 2010.

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, ie the ratio of net debt to net debt plus 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 2010, the net debt ratio was (113.85%) (2009: 13.94%).

	2010 €'000	2009 €'000
Loans and borrowings	5,707	9,207
Cash and cash equivalents	(2,724)	(6,958)
Net debt	2,983	2,249
Equity	2,620	16,135
Net debt ratio	(113.85%)	13.94%

26 Research and development tax credits

During the year the Group received research and development tax credits of €91,000 (2009: €909,000). An amount of €67,000 (2009: €Nil) was offset against internally capitalised payroll costs with the balance of €24,000 (2009: €909,000) being netted against payroll costs which were recorded as an expense in the consolidated income statement.

27 Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2011.

Company Balance Sheet

at 31 December 2010

	Notes	2010 €'000	2009 €'000
Fixed assets			
Financial assets	2	12,130	25,089
Current assets			
Debtors – within one year	3	63	24
– after more than one year	3	5,682	4,995
Cash at bank		1,396	4,653
		7,141	9,672
Creditors (amounts falling due within one year)	4	(1,662)	(3,088)
Net current assets		5,479	6,584
Total assets less current liabilities		17,609	31,673
Creditors (amounts falling due after more than one year)	5	(21,353)	(22,748)
Net (liabilities)/assets		(3,744)	8,925
Capital and reserves			
Called-up share capital	7	96	95
Share premium	7	13,442	13,442
Capital conversion reserve	7	1	1
Profit and loss account	7	(17,800)	(5,189)
Share-based payment reserve	7	517	576
Shareholders' (deficit)/equity	7	(3,744)	8,925

John O'Shea
Director
 28 March 2011

Mike Watson
Director

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 2009 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 profit 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 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 Euro 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 FRS1 "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 substantively 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.

Notes to the Company Balance Sheet (continued)

2 Financial fixed assets

	2010 €'000	2009 €'000
<i>Investments in group companies</i>		
As at 1 January	25,089	24,937
Adjustments to financial asset balance	(230)	–
Share options issued to employees of subsidiaries	(59)	152
Impairment charge (see note 16 of consolidated financial statements)	(12,670)	–
As at 31 December	12,130	25,089

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
Funzoo Limited (formerly Eirborne Text Promotions Limited)	100%	Dormant	1
Enabletel Limited	100%	Dormant	1
M-isphere Telecommunications Limited	100%*	Dormant	1

* Including all preference shares issued by the Company.

- 1 23 Shelbourne Road, Ballsbridge, Dublin 4
2 17–19 Bedford Street, Covent Garden, London, WC2E 9HP

3 Debtors

	2010 €'000	2009 €'000
<i>Amounts falling due within one year</i>		
Trade debtors and prepayments	10	8
VAT recoverable	47	6
Corporation tax	6	10
	63	24
<i>Amounts falling due after more than one year</i>		
Amounts owed by subsidiary undertakings	5,682	4,995
	5,745	5,019

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

4 Creditors – amounts due within one year

	2010 €'000	2009 €'000
Trade creditors and accruals	137	31
Acquisition accrual	356	1,328
Long-term borrowings (note 6)	1,169	1,729
	1,662	3,088

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

5 Creditors – amounts falling due after more than one year

	2010 €'000	2009 €'000
Amounts owed to subsidiary undertakings	16,815	15,270
Long-term borrowings (note 6)	4,538	7,478
	21,353	22,748

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' deficit

	Share shareholders' capital €'000	Share premium €'000	Capital conversion reserve €'000	Profit and loss account €'000	Share-based payment reserve €'000	Total deficit €'000
At 1 January 2010	95	13,442	1	(5,189)	576	8,925
Share capital issued	1	–	–	–	–	1
Loss for the year	–	–	–	(12,611)	–	(12,611)
Share-based payment credit	–	–	–	–	(59)	(59)
At 31 December 2010	96	13,442	1	(17,800)	517	(3,744)

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 28 March 2011.

Business at Annual General Meeting to be held on 14 July 2011

Ordinary business

Resolution 1 – Financial statements

The Directors' report and financial statements for the year ended 31 December 2010 accompany this notice of meeting.

Resolution 2 – Directors

The Board recommends the re-election of Patrick Landy, retiring by rotation. Further information about Patrick Landy is given on page 6.

Resolutions 3 and 4 – Auditors' reappointment and remuneration

The resolutions relating to auditors' reappointment and remuneration are usual business for the Annual General Meeting.

Special business

Resolution 5 – 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 14 September 2012, whichever is the earlier.

Resolution 6 – 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 5% 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 14 September 2012, 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 2,553,568 ordinary shares comprising 3% of the issued ordinary share capital of the Company.

Notice of Annual General Meeting

zamano plc and Subsidiaries

Notice is hereby given that the Annual General Meeting of zamano plc will be held at 11.00am on 14 July 2011 at the Conrad Hotel, Earlsfort Terrace, Dublin 2 to consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution.

1. To receive and adopt the financial statements for the year ended 31 December 2010 and the reports of the Directors and auditors thereon.
2. To re-elect as a director Patrick Landy, who retires by rotation in accordance with article 84 of the Articles of Association.
3. To reappoint KPMG as auditors of the Company.
4. To authorise the Directors to fix the remuneration of the auditors.
5. 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 14 September 2012, 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 hereby had not expired.
6. As a Special Resolution: That subject to the passing of Resolution 5, 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 Companies Act, 1990 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 Ireland or any other jurisdiction, or the requirements of, any recognised body or stock exchange in any territory;
 - b) in connection with the exercise of any options or warrants to subscribe for shares granted by the Company from time to time; and
 - c) (in addition and without prejudice to the authorities conferred by the preceding paragraphs (a) and (b) of this Resolution) up to an aggregate nominal value equal to 5% of the nominal value of the Company's issued ordinary share capital at the date of passing of this Resolution.

The authority conferred by this Resolution shall expire at the conclusion of the annual general meeting of the Company next following the passing of this Resolution or on 14 September 2012, 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 hereby had not expired.

By order of the Board

Michael Connolly
Company Secretary
23 Shelbourne Road
Ballsbridge
Dublin 4
21 May 2011

Notice of Annual General Meeting

zamano plc and Subsidiaries (continued)

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 appointor 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 this 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" from the Form of Proxy 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 12 July 2011 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.
- 8) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.
- 9) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland (EUI)'s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Capita Registrars (Ireland) Limited, as issuer's agent, (ID 7RA08) by the latest time(s) for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- 10) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 11) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 (5) (a) of the Companies Act 1990 (Uncertificated Securities) Regulations 1996.

Notes

Notes

Directors and other information

zamano plc and subsidiaries

Directors

Mike Watson (UK) (Chairman)
Pat Landy (Non-executive)
John O'Shea (Executive)
Colin Tucker (UK) (Non-executive)

Secretary

Michael Connolly

Bankers

Allied Irish Bank plc
Anglo Irish Bank Corporation
Bank of Ireland
Bank of Scotland

Solicitors

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

Auditors

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

Registered office

23 Shelbourne Road
Ballsbridge
Dublin 4

Nominated advisor and broker – AIM

Cenkos Securities plc
6-8 Tokenhouse Yard
London
EC2R 6AS

Nominated advisor and broker – ESM

NCB Stockbrokers Limited
3 George's Dock
Dublin 1

Registered number

329336



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