zamano plc & subsidiaries

Unaudited half-yearly condensed consolidated financial statements

Half-year ended 30 June 2009

zamano plc and subsidiaries

Unaudited half-yearly condensed consolidated financial statements

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Directors and other information

Directors	Brendan Mullin John O'Shea Colm Saunders Colin Tucker (UK) Michael Watson (UK)
Secretary	Aoife Warren
Registered office	4 St. Catherine's Lane West Digital Hub Dublin 8
Auditors	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2
Bankers	Anglo Irish Bank Corporation plc Bank of Ireland Bank of Scotland (Ireland) Ltd
Solicitors	Eversheds O'Donnell Sweeney 1 Earlsfort Centre Earlsfort Terrace Dublin 2
Nominated advisor & broker – AIM	Cenkos Securities plc 6-8 Tokenhouse Yard London EC2R 7AS
Nominated advisor & broker – IEX	NCB Stockbrokers Ltd 3 George's Dock Dublin 1

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Management commentary on half-yearly financial results

Highlights:

- Revenue of €13.3 million (2008: €23.7 million) and gross margin of 32% (H1 2008: 27%)
- Strict investment criteria and cost control supported the increase in gross margin and underpinned profitability
- EBITDA €2.3 million (H1 2008: €2.5 million) which was in line with market expectations
- Adjusted EPS at 2.3 cents (H1 2008: 2.3 cents)
- Generated €2.1 million operating cash flow from activities.
- Reduced net debt in the 6 months by €1.4 million to €5.8 million
- Strong growth in the US and Spanish operations, market entry into South Africa

Chief executive officer's statement

I am pleased to welcome Mike Watson as our new Chairman. Mike's knowledge of the industry is a significant benefit to the Group and we are excited about his vision for zamano. I look forward to working with him to identify opportunities to accelerate the Group's growth plans.

Revenue declined in the UK and Ireland due to the planned shift to lower volume, higher margin revenue and the impact of external factors such as the new regulations in the UK and Ireland, declining effectiveness of print advertising and low levels of consumer confidence being more severe than expected. In the three months since the period end the Irish revenue has stabilised while the decline in UK revenue has slowed.

The Group delivered good performances in the key geographic markets which have been targeted for growth. Its share of the US market grew, with revenue increasing by 44% to €1.9 million. Additionally, the Group entered the Spanish market in January 2009 and has quickly established annualised revenues of €600,000. In July 2009, the Group entered the South African market and has already established a profitable market position.

There has been a continued shift in the Group's routes to market, with advertising spend on print and television substantially reduced while online and mobile portal advertising spend increased. Total advertising spend is down due to lack of suitable mobile portal advertising inventory. Availability is expected to grow in line with mobile internet usage which is forecasted to grow substantially over the next number of years. This increase is being driven by the adoption of new handsets and the reduction in mobile data charges.

The cost of accessing mobile data continues to decline and as it does the Group's customer levels are expected to increase. This was evidenced by Vodafone's free mobile internet day in August, when the Group's customer levels on mobile portals increased four fold.

A new smartphone application team has been put in place to develop both mobile entertainment and corporate applications. The Group is developing and testing new billing mechanisms to take advantage of the convergence between the mobile and fixed line internet.

Management commentary on half-yearly financial results *(continued)*

Chief executive officer's statement (*continued)*

Furthermore, these new devices and billing methodologies break down the traditional model of mobile network operator billing, and thereby allow the Group to target customers globally, as evidenced by zamano's first iPhone application selling 30,000 copies in 45 countries.

The Group is continually realigning resources and skillsets towards developing new revenue streams. While strict cost control measures are in place, the Group has increased its headcount in research and development during 2009 to help ensure it has the skills and products to take advantage of growth opportunities.

Market Review

The overall market for the provision of interactive applications and services to the mobile is expected to grow over the next three years. This growth is being driven by a number of factors including new mobile billing methodologies, increased adoption of smartphone handsets and reduced data charges. zamano has diverted resources towards supplying this emerging element of the market.

The market for the Group's traditional billing model of Premium Rate SMS declined in Ireland and the UK in H1 2009 due to regulatory change and declines in consumer confidence. In the UK, zamano's market position slipped from number five to number seven as a result of a shift to higher margin business model and the reduced effectiveness of the Group's traditional routes to market such as print advertising. In Ireland, zamano increased its market share driven by a number of new customer wins as the Group continues to build on its strong leadership position.

The type of content that the Group delivers has changed dramatically over the last 12 months. Mobile ringtones and wallpapers are being replaced by interactive mobile applications, games, competitions and corporate solutions which allow the Group to take advantage of the increasing capabilities of mobile devices.

Financial Review

Revenue was down by €10.4 million from H1 2008 to €13.3 million due to declines in the traditional markets: €8.8 million in the UK, €1.7 million in Ireland and €0.6 million in Australia. These declines were partly offset by growth in the US and Spain.

The Group's gross margin increased to 32%, which is up 5 percentage points on the same period in 2008 reflecting the increased focus on higher margin revenue and strict metrics for measuring advertising effectiveness.

The Group's EBITDA declined by 7% to €2.3 million, on a constant currency basis the decline was only 3%. EBITDA margin increased to 17%, up 7 percentage points on same period in 2008 reflecting the effect of higher gross margin and reduced operating costs.

Management commentary on half-yearly financial results *(continued)*

Financial Review (*continued)*

Cost management remains strong as evidenced by the fact that administrative expense were reduced by 47% to €2.1 million; reflecting strong controls and the benefit of research and development credits. Management continues to maintain its focus on cost reduction, with a number of initiatives underway such as a platform virtualisation project which will reduce platform management costs by 65% in 2010.

Cash generation in the Group continues to be strong, with €2.1 million of positive cash-flow from operating activities in the first 6 months of the year. At 30 June the Group had cash of €6.0 million and €11.8 million of debt, which is a net debt of €5.8 million. The Group paid down €1.2 million of debt in the six month period.

Outlook

Despite the short term challenges, the Board has confidence in the medium and long term prospects of the industry, and is excited about the high growth areas and the opportunities that they present. The broader industry is growing, and we look forward to refining our strategy and building on our fundamental strengths to capitalise on the expected significant growth in the industry.

John O'Shea

Chief Executive Officer

22 September 2009

Independent review report to zamano plc

Introduction

We have been engaged by zamano plc ("the company") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprise the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the requirements of the AIM rules issued by the London Stock Exchange and the IEX rules issued by the Irish Stock Exchange.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as issued by the IASB as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent review report to zamano plc *(continued)*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2009 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the AIM rules for companies issued by the London Stock Exchange and the IEX rules for companies issued by the Irish Stock Exchange.

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

22 September 2009

zamano plc and subsidiaries

Unaudited condensed consolidated income statement
for the half-year ended 30 June 2009

	Notes	Half-year ended 30 June 2009 €'000	Half-year ended 30 June 2008 €'000
Revenue	*5*	**13,332**	23,723
Cost of sales		**(9,024)**	(17,396)
Gross profit – continuing activities		**4,308**	6,327
Other administrative expenses	*15*	**(2,082)**	(3,929)
Depreciation		**(74)**	(47)
Amortisation of intangible assets		**(1,203)**	(1,202)
Total administrative expenses		**(3,359)**	(5,178)
Operating profit	*5*	**949**	1,149
Finance income		**37**	160
Finance expense		**(379)**	(636)
Profit before tax		**607**	673
Income tax credit/(expense)	*6*	**15**	(157)
Profit for the period – all attributable to owners of the company		**622**	516
Earnings per share			
- basic	*7*	**€0.008**	€0.006
- diluted	*7*	**€0.007**	€0.006

Unaudited condensed consolidated statement of comprehensive income
for the half-year ended 30 June 2009

	Half-year ended 30 June 2009 €'000	Half-year ended 30 June 2008 €'000
Profit for the period - all attributable to owners of the company	**622**	516
Other comprehensive income:		
Currency translation adjustment	**24**	(21)
Total comprehensive income – all attributable to owners of the company	**646**	495

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Unaudited condensed consolidated balance sheet
at 30 June 2009

Assets	Notes	30 June 2009 €'000	31 December 2008[1] €'000	30 June 2008 €'000
Non-current assets				
Property, plant and equipment	*11*	**202**	262	305
Intangible assets	*10*	**20,549**	21,397	27,361
Deferred tax asset		**55**	45	44
		20,806	21,704	27,710
Current assets				
Trade and other receivables		**4,749**	5,943	8,948
Income tax recoverable		**10**	15	-
Cash and cash equivalents		**5,957**	5,744	5,137
		10,716	11,702	14,085
Total assets		**31,522**	33,406	41,795
Equity				
Share capital		**81**	81	81
Share premium		**11,156**	11,156	11,155
Capital conversion reserve		**1**	1	1
Foreign translation reserve		**(56)**	(80)	(40)
Share-based payment reserve		**499**	424	341
Retained earnings		**1,653**	1,031	5,351
Total equity		**13,334**	12,613	16,889
Liabilities				
Non-current liabilities				
Loans and borrowings		**8,690**	10,703	11,586
Deferred tax liability		**133**	268	424
		8,823	10,971	12,010
Current liabilities				
Trade and other payables		**4,894**	6,232	8,279
Business combination accrual	*16*	**1,343**	1,373	2,368
Loans and borrowings		**3,076**	2,211	1,755
Income tax payable		**52**	6	494
		9,365	9,822	12,896
Total liabilities		**18,188**	20,793	24,906
Total equity and liabilities		**31,522**	33,406	41,795

[1] Amounts at 31 December 2008 are derived from the 31 December 2008 audited financial statements.

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Unaudited condensed consolidated statement of changes in equity

for the half-year ended 30 June 2009

	Share capital €'000	Share premium €'000	Capital conversion reserve €'000	Retained earnings €'000	Foreign translation reserve €'000	Share–based payment reserve €'000	Total equity €'000
At 1 January 2009	81	11,156	1	1,031	(80)	424	12,613
Total comprehensive income for the period							
Profit for the period	-	-	-	622	-	-	622
Other comprehensive income							
Currency translation adjustment	-	-	-	-	24	-	24
Total comprehensive income for the period	-	-	-	622	24	-	646
Other transactions							
Share-based payments expense	-	-	-	-	-	75	75
At 30 June 2009	**81**	**11,156**	**1**	**1,653**	**(56)**	**499**	**13,334**

for the half-year ended 30 June 2008

	Share capital €'000	Share premium €'000	Capital conversion reserve €'000	Retained earnings €'000	Foreign translation reserve €'000	Share–based payment reserve €'000	Total equity €'000
At 1 January 2008	81	11,155	1	4,835	(19)	252	16,305
Total comprehensive income for the period							
Profit for the period	-	-	-	516	-	-	516
Other comprehensive income							
Currency translation adjustment	-	-	-	-	(21)	-	(21)
Total comprehensive income for the period	-	-	-	516	(21)	-	495
Other transactions							
Share-based payments expense	-	-	-	-	-	89	89
At 30 June 2008	**81**	**11,155**	**1**	**5,351**	**(40)**	**341**	**16,889**

zamano plc and subsidiaries

Unaudited condensed consolidated cash flow statement

for the half-year ended 30 June 2009

	Half-year ended 30 June 2009 €'000	Half-year ended 30 June 2008 €'000
Cash flows from operating activities		
Profit before tax	**607**	673
Adjustments to reconcile profit for the period to net cash inflow from operating activities		
Depreciation	**74**	47
Amortisation of intangible assets	**1,203**	1,202
Share-based payments expense	**75**	89
Foreign exchange	**24**	(21)
Decrease in trade and other receivables	**1,193**	240
Decrease in trade and other payables	**(1,449)**	(590)
Finance income	**(37)**	(160)
Finance expense	**379**	636
Cash generated from operations	**2,069**	2,116
Interest paid	**(10)**	(11)
Income tax paid	**-**	(256)
Net cash inflow from operating activities	**2,059**	1,849
Cash flows from investing activities		
Payment of deferred consideration on acquisition of subsidiaries	**-**	(7,290)
Purchase of property, plant and equipment	**(14)**	(177)
Purchase of intangible assets	**(353)**	(9)
Interest received	**37**	185
Net cash outflow from investing activities	**(330)**	(7,291)
Cash flows from financing activities		
Repayment of debt	**(1,516)**	(1,525)
Net cash outflow from financing activities	**(1,516)**	(1,525)
Net increase/(decrease) in cash and cash equivalents	**213**	(6,967)
Cash and cash equivalents at 1 January	**5,744**	12,104
Cash and cash equivalents at 30 June	**5,957**	5,137

Notes to the half-yearly condensed consolidated financial statements (unaudited)

1 Reporting entity

zamano plc is a limited company incorporated and domiciled in Ireland whose shares are publicly traded on the Alternative Investment Market (AIM) in London and the Irish Enterprise Exchange (IEX) in Dublin.

The half-yearly condensed consolidated financial statements of zamano plc as at and for the six months ended 30 June 2009 consist of the results and financial position of the company and its subsidiaries together referred to as "the group." The principal activities of the group are the provision of mobile data services and technology.

2 Statement of compliance

These half-yearly condensed consolidated financial statements (the "half-yearly financial statements") have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 "Interim Financial Reporting", as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent published financial statements of the group. The comparative figures included for the year ended 31 December 2008 do not constitute statutory financial statements of the group within the meaning of the European Communities (Companies: Group Accounts) Regulations 1992. The consolidated financial statements for the year ended 31 December 2008 are available at www.zamano.com. The auditor's report on those financial statements was unqualified.

These condensed consolidated financial statements were approved by the Board on 22 September and are available at www.zamano.com.

3 Significant accounting policies – basis of preparation

These half-yearly condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in the group's 31 December 2008 published consolidated financial statements, which were prepared in accordance with IFRS as adopted by the EU.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

IFRS 8 "Operating segments"

The group adopted IFRS 8 which replaced IAS 14 "Segment reporting" during the half-year ended 30 June 2009. IFRS 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Previously, IAS 14 required the identification of two sets of segments – one based on business units and the other on geographical areas.

Our operations are organised into two business units:

- facilitating communication and interaction between companies and consumers on mobile phones through a range of value-added mobile applications (B2B); and
- developing, promoting and distributing mobile content and interactive services directly to consumers (D2C).

There has been no change to the operating segments as a result of the adoption of IFRS 8 and the reportable segments are consistent with those previously reported under the primary business segment format of IAS 14. Additional disclosures concerning segment identification, products and services, as required by IFRS 8, will be disclosed in the 2009 annual financial statements. As IFRS 8 affects presentation only, there is no impact on previously reported results.

Notes *(continued)*

3 Significant accounting policies – basis of preparation *(continued)*

IAS 1 (revised) "Presentation of financial statements"
The revised standard requires all "non-owner changes in equity" to be presented separately from changes in equity in a performance statement. As per permitted by the standard, the group has elected to present two performance statements: an income statement and a statement of comprehensive income. As this standard affects presentation only, there is no impact on previously reported results.

IAS 23 "Borrowing costs"
The standard requires that borrowing costs relating to qualifying assets are capitalised. A qualifying asset is one that necessarily takes a substantial period of time to prepare for its intended use. The group has no qualifying assets and hence this amendment is not expected to have an impact on the group.

IFRS 2 "Share-based payment"
The revision to the standard sets out the required accounting for certain non-vesting conditions attaching to share-based payments. The group has no non-vesting conditions attaching to its share option arrangements. Accordingly, this revision has no impact on the group.

Other accounting standards
Other new accounting pronouncements which will be effective for the group in the near term are:

- IFRS 3 "Business combinations" which requires significant changes to the manner in which acquisitions are accounted for and will be applicable to the group for business combinations completed on our after 1 January 2010; and

- IAS 27 "Consolidated and separate financial statements" which changes how controlling and non-controlling interests in entities are accounted for, and will be applicable to the group from January 2010.

There are various other revised accounting standards and IFRICs have been issued however none are expected to have any impact on the group's results in the near term.

4 Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting polices and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these half-yearly condensed consolidated financial statements, the significant judgements made by management and the key sources of estimation uncertainty were the same as disclosed in note 4 to the most recently published annual consolidated financial statements.

5 Segment information

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

The group's operations are not significantly impacted by seasonal fluctuations.

Half-year ended 30 June 2009	**B2B €'000**	**D2C €'000**	**Total €'000**
Revenue from external customers			
Ireland	3,969	2,731	6,700
UK	917	3,068	3,985
USA	-	1,859	1,859
Australia	-	678	678
Spain	-	110	110
Total revenue	**4,886**	**8,446**	**13,332**
Segment profit	**986**	**2,361**	**3,347**
Unallocated expenses			(2,398)
Operating profit			949
Net finance expense			(342)
Profit before tax			607
Income tax credit			15
Profit for the period			**622**

Notes *(continued)*

5 Segment information (continued)

Half-year ended 30 June 2008	**B2B €'000**	**D2C €'000**	**Eliminations €'000**	**Total €'000**
Revenue				
Ireland	4,517	3,860	-	8,377
UK	2,000	10,763	-	12,763
USA	-	1,287	-	1,287
Australia	-	1,296	-	1,296
Sales to external customers	6,517	17,206	-	23,723
Inter-segment sales	11	908	(919)	-
Total revenue	**6,528**	**18,114**	(919)	23,723
Segment profit	**1,259**	**3,678**	**-**	**4,937**
Unallocated expenses				(3,788)
Operating profit				1,149
Net finance expense				(476)
Profit before tax				673
Income tax expense				(157)
Profit for the period				**516**

Notes *(continued)*

6 Income tax (credit)/ expense

The major components of the income tax (credit)/expense in the half-yearly condensed consolidated income statement are:

	Half-year ended 30 June 2009 €'000	Half-year ended 30 June 2008 €'000
Current tax		
Irish corporation tax	**153**	272
Foreign tax	**2**	32
(Over)/under provision in prior year	**(20)**	15
	135	319
Deferred tax		
Movement in deferred tax amounts for the period	**(150)**	(162)
Income tax (credit)/expense	**(15)**	157

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Notes *(continued)*

7 Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period 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 earnings per share computations:

	Half-year ended 30 June 2009 €'000	Half-year ended 30 June 2008 €'000
Net profit attributable to equity holders of the company	**622**	516

	Half-year ended 30 June 2009 000's	Half-year ended 30 June 2008 000's
Basic weighted average number of shares	**81,930**	81,662
Dilutive potential ordinary shares:		
Employee share options	**2,398**	3,702
Diluted weighted average number of shares	**84,328**	85,364

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Notes *(continued)*

8 Adjusted earnings per share

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

	Half-year ended 30 June 2009 €	Half-year ended 30 June 2008 €
Adjusted basic EPS	**0.023**	0.024
Adjusted diluted EPS	**0.023**	0.023

Adjusted net income is calculated as:

	Half-year ended 30 June 2009 €'000	Half-year ended 30 June 2008 €'000
Profit after tax	**622**	516
Share-based payments expense	**75**	89
Interest on deferred consideration	**-**	145
Amortisation of intangible assets	**1,203**	1,202
	1,900	1,952

9 Share-based payments

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 company's shares at the date of grant. The rules relating to the granting of share options are disclosed in the 2008 Annual Report. All of the options granted are deemed to be equity-settled.

During the period, the company granted 1,200,000 share options (half-year ended 30 June 2008: zero). The fair value of the equity-settled options granted is estimated at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. Set out below are the principal inputs to the model for the share options granted during the period:

Dividend yield	0%
Expected share price volatility	50%
Risk-free interest rate	1.5%
Expected life of option	7 years

The share-based payments expense for the period was €75,000 (half-year ended 30 June 2008 - €89,000).

Notes *(continued)*

10 Intangible assets

	Goodwill €'000	Software €'000	Other €'000	Total €'000
Cost:				
At 1 January 2009	19,054	183	4,989	24,226
Additions	2	-	353	355
At 30 June 2009	**19,056**	**183**	**5,342**	**24,581**
Amortisation				
At 1 January 2009	-	31	2,798	2,829
Charge for the period	-	31	1,172	1,203
At 30 June 2009	**-**	**62**	**3,970**	**4,032**
Carrying value:				
At 30 June 2009	**19,056**	**121**	**1,372**	**20,549**
At 31 December 2008	19,054	152	2,191	21,397
At 30 June 2008	23,793	175	3,393	27,631

11 Property, plant and equipment

Acquisitions and disposals

During the half-year ended 30 June 2009, the group acquired property, plant and equipment assets with a cost of €14,000 (half-year ended 30 June 2008 - €177,000).

No such assets were disposed of by the group during the half-year ended 30 June 2009 (half-year ended 30 June 2008 - €nil).

Notes *(continued)*

12. Capital commitments

The group had no capital commitments at 30 June 2009 (30 June 2008: €Nil).

13. Related party transactions

There were no related party transactions during the period or the half-year ended 30 June 2008.

14. Subsequent events

There are no subsequent events requiring disclosure.

15. Research and development tax credits

During the period the group received research and development tax credits of €684,000. These were offset against development costs, which are included in other administrative expenses in the condensed consolidated income statement.

16. Business combination accrual

The business combination accrual relates to the acquisition of Red Circle Technologies Limited in 2007.