zamano plc & subsidiaries

Unaudited half-yearly condensed consolidated financial statements

Half-year ended 30 June 2010

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 Colin Tucker (UK) Michael Watson (UK)
Secretary	Michael Connolly
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 €8.75 million (H1 2009: €13.3 million) and gross margin of 32% (H1 2009: 32%)
- EBITDA €0.95 million (H1 2009: €2.3 million)
- H1 revenues and EBITDA in line with expectations
- Adjusted EPS of 0.4 cents (H1 2009: 2.3 cents)
- Gross debt reduced from €11.8 million to €5.7 million, with net debt at €1.4M
- One off €6.5M charge against impairment of goodwill associated with 2007 acquisitions
- Re-structuring programme completed in June 2010
- Strong year on year revenue growth in US (24%) and Spanish (277%) markets

Chief executive officer's statement

zamano sells compelling entertainment and interactive services to mobile phone users. This is a very fast-moving market, driven by advances in handset technologies, cheaper bandwidth, changing regulations and richer service offerings. The Company has built up considerable levels of experience in the market, and has specialised competencies in 3 areas:

- digital marketing – both on the mobile and traditional internet;
- presentation and sign-up on mobile devices – recognising the handset from the many thousands of varieties, optimising the content offering, and signing users up for services in a manner which is completely compliant with regulatory guidelines; and
- mobile billing.

zamano's future growth prospects are dependent on leveraging these key assets. To this effect, the Company is vigorously pursuing opportunities with third party owners of digital content, who wish to take advantage of improvements in digital marketing techniques and in delivery to mobile users. It is zamano's intention to develop these opportunities into new streams of revenues which are more sustainable and predictable.

By way of example, through a deal recently signed with Setanta Sport, zamano will shortly launch a service whereby Barclay's Premiership Goals will be delivered to mobile customers on all Irish networks with any handset-types, within 6 minutes of being scored. This highly interactive service will give fans the fastest access to goals scored by their teams, and will also provide round-ups of all other action in matches on the day. zamano has put in place a Cloud-based solution which can scale seamlessly to meet the parallel demands of many thousands of consumers. The technology has many re-sale opportunities which are being investigated by the sales teams.

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

Market Review

The market space in which the Group operates remains attractive, though very challenging. Mobile phone ownership, data usage and advertising volumes all continue to grow. There is a growing shift away from operator portals to applications and other brands' mobile web presences.

zamano is at the forefront of this movement in consumer mobile web usage, both in terms of how and where to advertise, and in the content delivered.

To ensure ease of access across all handset types, the Group is focusing on mobile web solutions. The approach involves recognizing the handset type and optimizing the content to take advantage of the features of the handset, and allows faster delivery of services and more flexibility in billing.

Financial Review

As announced on the day of the Group's AGM on 22nd July 22, a re-structuring was implemented at the end of H1, which resulted in a considerable cost reduction, and a re-focusing of the business on core competencies and markets in which scale has been achieved.

A plan was put in place to stabilise the business by delivering revenues above the level achieved in June and to grow profitability over the course of H2 2010 and into 2011. Indications are that in Q3, the aim of stabilising the business has been achieved.

Details within the H1 results provide clear indications of the changing composition of the business. Revenue declines in B2B Ireland, making up 43% of the overall drop in revenues from H1 2009, were caused by partners abandoning traditional TV and print advertising channels. zamano's own Direct to Consumer (D2C) sales in Ireland in the period were only down 2%, as the business completed a successful migration to web and mobile channels. The UK witnessed further decline, driven by continued difficulty with the new PayForIt payment technologies.

On a positive note, revenues in the USA were up 24% on H1 2009, and Spain saw dramatic growth of 277%, driven by zamano's focus on mobile internet marketing.

In the light of the reduced scale of the business, an impairment charge of €6.5M was necessary, bringing the retained value of intangible assets on the balance sheet down to €13.5M

Notably and importantly, gross debt was reduced from €11.8M (30 June 2009) to €5.7M. Net debt of €1.4M on the 30 June was below Directors' expectations, but was impacted by the timings of some payments and receipts and, within 3 days of the start of July, net debt was at the expected level of €2.5M.

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

Outlook

The Board is pleased to report that the Company traded in line with plan in Q3, and that stability has been achieved.

With this foundation, and the emphasis of building on the rich experience and competencies within the team, the Group is well positioned to take advantage of the growth opportunities identified, making the Board cautiously optimistic about future prospects.

John O'Shea

Chief Executive Officer

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Directors' responsibility statement
for the six months ended 30 June 2010

Statement of the directors in respect of the unaudited half-yearly financial report

Each of the current serving directors, confirm that, to the best of our knowledge and belief:

a) the unaudited condensed consolidated interim financial statements, comprising the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in shareholders' equity and the related notes thereto, have been prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34"), as adopted by the EU.

b) the interim management report includes a fair review of the following information:

   (i) an indication of important events that have occurred during the six months ended 30 June 2010 and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the six months ending 30 June 2010; and

   (ii) related party transactions that have taken place in the six months ended 30 June 2010 and that have materially affected the financial position or performance of the company during that period; and any changes in the related party transactions described in the 2009 Annual Report that could do so.

On behalf of the Board

Michael Watson   John O'Shea

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 2010 which comprise the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement 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.

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

Directors' responsibilities

The half-yearly financial report, including the consolidated interim financial statements contained therein, 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 ESM 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 2010 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 ESM rules for companies issued by the Irish Stock Exchange.

KPMG 2010
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

zamano plc and subsidiaries

Unaudited condensed consolidated income statement
for the half-year ended 30 June 2010

	Notes	**Half-year ended 30 June 2010 €'000**	Half-year ended 30 June 2009 €'000
Revenue	*5*	**8,750**	13,332
Cost of sales		**(5,944)**	(9,024)
Gross profit – continuing activities		**2,806**	4,308
Other administrative expenses	*14*	**(2,028)**	(2,082)
Depreciation		**(65)**	(74)
Amortisation of intangible assets		**(231)**	(1,203)
Impairment of goodwill	*10*	**(6,499)**	-
Total administrative expenses		**(8,823)**	(3,359)
Operating (loss)/profit	*5*	**(6,017)**	949
Finance income		**53**	37
Finance expense		**(357)**	(379)
(Loss)/profit before tax		**(6,321)**	607
Income tax (expense)/credit	*6*	**(199)**	15
(Loss)/profit for the period – all attributable to owners of the company		**(6,520)**	622
Earnings per share			
- basic	*7*	**(€0.068)**	€0.008
- diluted	*7*	**(€0.067)**	€0.007

Unaudited condensed consolidated statement of comprehensive income
for the half-year ended 30 June 2010

	Half-year ended 30 June 2010 €'000	Half-year ended 30 June 2009 €'000
(Loss)/profit for the period - all attributable to owners of the company	**(6,520)**	622
Other comprehensive income:		
Foreign currency translation adjustment	**3**	24
Total comprehensive (expense)/ income – all attributable to owners of the company	**(6,517)**	646

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Unaudited condensed consolidated balance sheet
at 30 June 2010

		30 June 2010	31 December 2009 [1]	30 June 2009
Assets	*Notes*	**€'000**	€'000	€'000
Non-current assets				
Property, plant and equipment	*11*	**162**	206	202
Intangible assets	*10*	**13,280**	19,762	20,549
Deferred tax asset		**69**	69	55
		13,511	20,037	20,806
Current assets				
Trade and other receivables		**2,493**	3,446	4,749
Income tax recoverable		**192**	270	10
Cash and cash equivalents		**4,430**	6,958	5,957
		7,115	10,674	10,716
Total assets		**20,626**	30,711	31,522
Equity				
Share capital		**95**	95	81
Share premium		**13,442**	13,442	11,156
Capital conversion reserve		**1**	1	1
Foreign currency translation reserve		**(61)**	(64)	(56)
Share-based payment reserve		**597**	576	499
Retained earnings		**(4,432)**	2,085	1,653
Total equity		**9,642**	16,135	13,334
Liabilities				
Non-current liabilities				
Loans and borrowings		**4,433**	7,478	8,690
Deferred tax liability		**-**	-	133
		4,433	7,478	8,823
Current liabilities				
Trade and other payables		**3,976**	4,041	4,894
Business combination accrual	*15*	**1,312**	1,328	1,343
Loans and borrowings		**1,263**	1,729	3,076
Income tax payable		**-**	-	52
		6,551	7,098	9,365
Total liabilities		**10,984**	14,576	18,188
Total equity and liabilities		**20,626**	30,711	31,522

[1] Amounts at 31 December 2009 are derived from the 31 December 2009 audited financial statements.

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Unaudited condensed consolidated statement of changes in equity

for the half-year ended 30 June 2010

	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 income for the period							
Loss for the period	-	-	-	(6,520)	-	-	(6,520)
Other comprehensive income							
Currency translation adjustment	-	-	-	-	3	-	3
Total comprehensive income for the period	-	-	-	(6,520)	3		(6,517)
Other transactions							
Share-based payments expense	-	-	-	-	-	24	24
Transfer of exercised and expired share-based payments awards	-	-	-	3	-	(3)	-
At 30 June 2010	**95**	**13,442**	**1**	**(4,432)**	**(61)**	**597**	**9,642**

for the half-year ended 30 June 2009

	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 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**

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Unaudited condensed consolidated cash flow statement
for the half-year ended 30 June 2010

	Half-year ended 30 June 2010 €'000	Half-year ended 30 June 2009 €'000
Cash flows from operating activities		
(Loss)/profit before tax	**(6,321)**	607
Adjustments to reconcile profit for the period to net cash inflow from operating activities		
Depreciation	**65**	74
Amortisation of intangible assets	**231**	1,203
Impairment of goodwill	**6,499**	-
Share-based payments expense	**21**	75
Foreign exchange	**3**	24
Decrease in trade and other receivables	**953**	1,193
Decrease in trade and other payables	**(63)**	(1,449)
Finance income	**(53)**	(37)
Finance expense	**357**	379
Cash generated from operations	**1,692**	2,069
Interest paid	**(25)**	(10)
Income tax	**(119)**	-
Net cash inflow from operating activities	**1,548**	2,059
Cash flows from investing activities		
Payment of deferred consideration on acquisition of subsidiaries	**(16)**	-
Purchase of property, plant and equipment	**(21)**	(14)
Purchase of intangible assets	**(248)**	(353)
Interest received	**53**	37
Net cash outflow from investing activities	**(232)**	(330)
Cash flows from financing activities		
Repayment of debt	**(3,844)**	(1,516)
Net cash outflow from financing activities	**(3,844)**	(1,516)
Net (decrease)/ increase in cash and cash equivalents	**(2,528)**	213
Cash and cash equivalents at 1 January	**6,958**	5,744
Cash and cash equivalents at 30 June	**4,430**	5,957

zamano plc and subsidiaries

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 Enterprise Securities Market (ESM) in Dublin.

The half-yearly condensed consolidated financial statements of zamano plc as at and for the six months ended 30 June 2010 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 2009 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 2009 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 23 September 2010 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 2009 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 2010:

- Improvements to IFRSs (issued April 2009)
- IFRS 3 (Revised), "Business Combinations"
- IAS 27 (Revised), "Consolidated and Separate Financial Statements"
- IFRIC 17, "Distribution of Non-Cash Assets to Owners"
- Amendments to IAS 39, "Financial Instruments: Recognition and Measurement: Eligible Hedged Items" (effective for annual periods beginning or after 1 July 2009), and
- Amendments to IFRS 2: Group Cash-Settled Share-Based Payment Transactions, effective 1 January 2010.

The adoption of these amendments to standards and interpretations did not materially impact on our financial position or results from operations.

Notes *(continued)*

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

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 these have not been early adopted in these financial statements. These future requirements are as follows:

- IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments", effective on 1 July 2010;
- Revised IAS 24: "Related Party Disclosures", effective on 1 January 2011;
- Amendment to IFRIC 14: "Prepayments of a Minimum Funding Requirement", effective on 1 January 2011;
- Amendment to IAS 32: "Financial Instruments: Presentation: Classification of Rights Issues", effective on 1 February 2010.

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 or financial position.

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. The most subjective judgement relating to these interim financial statements relates to the valuation of goodwill on a previous business combination. Details related to our key assumptions in this regard are set out in note 10.

5 Segment information

The Group has two reportable segments which are defined as follows: the Group facilitates communication and interaction between companies 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 (or 'CODM')

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

5 Segment information *(continued)*

Half-year ended 30 June 2010	**B2B €'000**	**D2C €'000**	**Total €'000**
Revenue from external customers			
Ireland	1,649	2,659	4,308
UK	421	1,119	1,540
USA	-	2,304	2,304
Australia	-	113	113
Spain	-	415	415
South Africa	-	70	70
Total revenue	**2,070**	**6,680**	**8,750**
Segment profit before goodwill impairment	**96**	**1,759**	**1,855**
Impairment of goodwill	-	(6,499)	(6,499)
Segment results	**96**	**(4,740)**	**(4,644)**
Unallocated expenses			(1,373)
Operating loss			(6,017)
Net finance expense			(304)
Loss before tax			(6,321)
Income tax			(199)
Loss for the period			**(6,520)**

Half-year ended 30 June 2009	**B2B €'000**	**D2C €'000**	**Total €'000**
Revenue			
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 expense			15
Profit for the period			**622**

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 2010 €'000	Half-year ended 30 June 2009 €'000
Current tax		
Irish corporation tax	118	153
Foreign tax	2	2
Under/(Over) provision in prior year	79	(20)
	199	135
Deferred tax		
Movement in deferred tax amounts for the period	**-**	(150)
Income tax (credit)/expense	199	(15)

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.

Notes *(continued)*

7 Earnings per share *(continued)*

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

	Half-year ended 30 June 2010 €'000	Half-year ended 30 June 2009 €'000
Basic EPS	**(0.068)**	0.008
Diluted EPS	**(0.067)**	0.007

	Half-year ended 30 June 2010 €'000	Half-year ended 30 June 2009 €'000
Net (loss)/profit attributable to equity holders of the company	**(6,520)**	622

	Half-year ended 30 June 2010 000's	Half-year ended 30 June 2009 000's
Basic weighted average number of shares	**95,854**	81,930
Dilutive potential ordinary shares:		
Employee share options	**1,862**	2,398
Diluted weighted average number of shares	**97,716**	84,328

Notes *(continued)*

8 Adjusted earnings per share

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

	Half-year ended 30 June 2010 €	Half-year ended 30 June 2009 €
Adjusted basic EPS	**0.004**	0.023
Adjusted diluted EPS	**0.004**	0.023

Adjusted net income is calculated as:

	Half-year ended 30 June 2010 €'000	Half-year ended 30 June 2009 €'000
(Loss)/profit after tax	**(6,520)**	622
Share-based payments expense	**24**	75
Impairment of goodwill	**6,499**	-
Amortisation of intangible assets	**231**	1,203
Redundancy costs	**142**	-
	376	1,900

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 consolidated financial statements for the year ended 31 December 2009. All of the options granted are deemed to be equity-settled.

The share-based payments expense for the period was €24,000 *(half-year ended 30 June 2009 - €75,000).*

There were no new options granted during the period *(half year ended 30 June 2009: 1,200,000 share options).*

10 Intangible assets

	Goodwill €'000	Software €'000	Other €'000	Total €'000
Cost:				
At 1 January 2010	19,054	148	5,814	25,016
Additions	-	248	-	248
Impairment of goodwill	(6,499)	-	-	(6,499)
At 30 June 2010	**12,555**	**396**	**5,814**	**18,765**
Amortisation				
At 1 January 2010	-	74	5,180	5,254
Charge for the period	-	24	207	231
At 30 June 2010	**-**	**98**	**5,387**	**5,485**
Carrying value:				
At 30 June 2010	**12,555**	**298**	**427**	**13,280**
At 31 December 2009	19,054	74	634	19,762
At 30 June 2009	19,056	121	1,372	20,549

Goodwill arising from business combinations in prior years has been allocated in its entirety to the D2C cash-generating unit and reviewed for impairment. Based on this review, the directors have written the previous goodwill carrying value down to €12.555 million resulting in an impairment charge of €6.5 million in the period. Details regarding the underlying assumptions are laid out below.

D2C cash-generating unit
The recoverable amount of the D2C unit has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a one year period which have been rolled on for a further four years. The pre tax discount rate applied to cash flow projections is 13%.

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

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

Notes *(continued)*

10 Intangible assets *(continued)*

Discount rates

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

Growth and EBITDA rate

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

The principal assumption used within the cash flows is that D2C net cash flows will decline for FY10 from FY09 levels with some growth assumed in FY11 cashflows and thereafter remaining flat, reflecting the current uncertain economic outlook.

11 Property, plant and equipment

Acquisitions and disposals

During the half-year ended 30 June 2010, the Group acquired property, plant and equipment assets with a cost of €20,000 (half-year ended 30 June 2009 - €14,000).

No assets were disposed of by the Group during the half-year ended 30 June 2010 (half-year ended 30 June 2009 - €nil).

12 Capital commitments

The Group had no capital commitments at 30 June 2010 (30 June 2009: €Nil).

13 Subsequent events

There are no material subsequent events which would in our view impact in these condensed consolidated financial statements.

14 Research and development tax credits

During the period the Group received research and development tax credits of €43,000 *(30 June 2009: €684,000)*. These were offset against development costs, which are included in other administrative expenses in the condensed consolidated income statement.

15 Business combination accrual

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