Prime Active Capital plc

23 May, 2014

Discussions with Lenders, Proposed Disposals Initiative and Resignation from the Board

Prime Active Capital plc ('PAC" or "the Company") announces that it is in discussions with its principal lender, Mosaic Print Management Limited in relation to the one year secured loan facility made available to PAC in May 2013 and that it is now seeking to advance the disposal of part or all of its 56 stores. With the decision to make these disposals, Peter E. Lynch has tendered his resignation from the Board and stepped down from an executive capacity.

Background to the Discussions

In May, 2013 the Company announced that it had entered into a 1 year Stg£1.00 million (€1.225 million) loan facility with Mosaic Print Management Limited ("Mosaic"), ("Mosaic Loan Facility"), a UK company owned by Mr. Anthony Gill and Mr. Steve Smith. Mr. Gill is the largest shareholder in PAC with a shareholding representing 22% of the existing issued share capital of the Company. The Mosaic Loan Facility, which is secured on certain of the US subsidiaries of PAC (representing substantially all of the business of the PAC Group), and which carries a 15% coupon with monthly interest payments, was required to address the working capital requirements of the business following a sustained period of trading losses in 2012 and into 2013 as the Company struggled to adjust to changes in the sector.

In particular the emergence and increasing prevalence of more expensive smartphones and of subsidies to customers to sign contracts resulted in a dramatic fall in gross margin for sales agents such as PAC, together with an increased investment in inventory. PAC's response to these difficulties included the launch of 2 new businesses, one of which buys and sells recycled devices, partly through the internet, and the other providing replacement devices and ancillary activities for customers that have had their handsets lost, broken or stolen. While these businesses have helped to counteract the decline in volume and gross margin which has characterized trading in the US telecommunications retail market in recent years, progress on these business activities have not been sufficient to compensate for further changes to the core business.

As part of the terms of the Mosaic Loan Facility Mr. Gill and Mr. Smith joined the board of PAC as non-executive directors, with the Board position of Mr. Smith being co-terminus with repayment of the loan.

Other than the Mosaic Loan Facility, there are no additional material loans outstanding in the PAC Group.

The Directors have previously noted that the repayment of the Mosaic Loan Facility would be dependent on the trading performance of the Group, the availability of other facilities or the support of shareholders. While trading conditions had improved in the aftermath of the availability of the facility, this improvement was not been sustained due to changes in contract periods towards the end of last year and the business has not generated sufficient cash to effect a repayment of the Mosaic Loan Facility, though other loans have been repaid in full and all interest payments made as due. It is not considered likely that any other facilities will be available to the Group to refinance the Mosaic Loan Facility prior to its current maturity date.

The Company has accordingly entered into discussions with Mosaic in respect of the Mosaic Loan Facility and these discussions are continuing. In parallel the Company has been engaged in discussions with a number of parties with respect to a disposal of part or all of its stores, with the intention of applying the proceeds of any such disposal to the repayment in full of the Mosaic Loan Facility as well as a further potential distribution to shareholders. While the Company was in advanced discussion to realise part of its business earlier this month, this did not complete as expected. The Directors now expect that a further period will be required in which to advance the disposal process.

A range of other remedial actions with respect to the Mosaic Loan Facility are also being considered, including but not limited to an extension of the term of that facility, a restructuring of the facility and/or an issue of equity.

The immediate priority of the Board is to seek clarity from Mosaic as to its intentions in relation to the Mosaic Loan Facility.

Resignation from the Board

With the decision to seek to effect the disposal of potentially all of the PAC businesses (of which decision Mr. Lynch is supportive) Mr. Lynch has tendered his resignation from the Board and stepped down from an executive capacity, with immediate effect.

Mr. Lynch joined PAC in April, 2007 and subsequently developed the business as an acquisition and development vehicle focused on investing in, or acquiring underperforming assets in sectors where the Board had significant experience. Acquisitions completed include, in 2009, the business and assets of Freedom Wireless Inc., an exclusive agent for Verizon Wireless selling mobile phones and related accessories in its 47 retail stores in Pennsylvania, Ohio and New Jersey and, in 2008, the business of In2Wireless, an exclusive agent for Verizon Wireless selling mobile phones and related accessories in its 27 retail stores in Alabama.

Following his resignation the Board will be comprised of Mr. Dermot Martin, Mr. Anthony Gill and Mr. Stephen Smith. It has been agreed that Mr. Martin will, with immediate effect, assume an Executive role and will be delegated the board's powers to conduct the sale process. The approval of any sale is likely, under the ESM and AIM rules, to be subject to shareholder approval.

Further announcements in relation to the outcome of discussions with Mosaic, the prospects for the sale process and any further potential initiatives to address the debt obligations of the Company will be made as soon as possible. There can be no certainty at this time that PAC will be able to reach agreement with Mosaic nor that disposals will be capable of being implemented on satisfactory terms within any required timeframe.

For further information, contact:

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