Prime Active Capital plc

("PAC" or the "Company")

Disposal of U.S. Assets for $10 million (€7.46 million)

PAC announces it has conditionally agreed to enter into an Asset Purchase Agreement to sell 50 of the 56 Verizon Wireless authorised retailer stores co-owned and operated by its subsidiaries Express Business Service and Cellular Center (the "**Disposal**"). The purchaser is ABC Phones of North Carolina, Inc. ("**ABC Phones**"), trading as A Wireless which operates as a retailer of Verizon Wireless products and services with 250 stores. The sale will comprise the business, assets and liabilities of 50 stores for an aggregate consideration of $10 million (€7.46million) (the "**Consideration**").

Express Business Service and Cellular Center are subsidiaries of PAC Telemedia, which in turn is a subsidiary of PAC (together the "**Group**"). Express Business Service and Cellular Center co-own and operate 56 Verizon Wireless authorised retailer stores in the states of Alabama, Georgia, Ohio and Pennsylvania (the "**Business**"). The Business comprises substantially the entire business of the Group. PAC Telemedia proposes to enter into the Asset Purchase Agreement in connection with the proposed sale to ABC Phones of 50 of the 56 stores operated by Express Business Service and Cellular Center. Following the completion of the Disposal, the remaining six Verizon Wireless authorised retailer stores will close and the Group will cease trading activity in the US. The 50 Stores subject to the Disposal had a loss before tax of €180,000 and net assets of €4.9 million for the 12 months ended 31 December 2013.

The Disposal constitutes a disposal resulting in a fundamental change in business pursuant to Rule 15 of the AIM Rules and the ESM Rules and requires the approval of Shareholders. Contingent on the approval of the Disposal by Shareholders, the Company will become an investing company pursuant to the AIM Rules and the ESM Rules. The Company will also seek Shareholder approval for its investing policy. A circular, containing further details of the Disposal and the investing policy (the "**Circular**") is expected to be posted to Shareholders shortly and will also be available on the Company's website www.pacplc.ie.

Defined terms used in the Announcement are as used in the Circular.

An Extraordinary General meeting of PAC to approve the Disposal and the investing policy will be held at the offices of Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland on 22 August 2014, immediately after the Extraordinary General Meeting scheduled to follow the Annual General Meeting notified to Shareholders in the circular dated 25 July 2014.

Summary of the proposals:

- PAC to dispose of materially all of the Company's business for a total consideration of $10 million
- The net proceeds of the Disposal will be used to repay the £1 million loan from Mosaic Print Management Limited (the "**Mosaic Loan Facility**") and discharge the Group's other liabilities
- Following the discharge of such liabilities, it is expected that the PAC Group will retain approximately €1.6 million cash, and have no other assets and no debt
- PAC will become an investing company under the AIM Rules and the ESM Rules
- Investing policy will have an initial focus on the technology, media or entertainment sector

Commenting on the Disposal, Dermot Martin, Executive Chairman said:

"The Executive Management Team has worked hard to achieve the Disposal as part of a competitive sale process. We believe the Disposal is the most favourable outcome for our shareholders at this time."

Background to and reasons for the Disposal

In May 2013, PAC took a £1 million loan from Mosaic Print Management Limited and two directors of Mosaic, Anthony Gill and Stephen Smith, joined the Board of PAC. Mr. Gill is also the largest Shareholder in PAC. The Mosaic Loan Facility provided the working capital necessary to increase inventory which subsequently led to increased sales. Since then, PAC has generated enough cash to meet all of the interest payments related to this loan and also pay down other interest and non-interest bearing loan notes.

It has been previously noted that the repayment of the Mosaic Loan Facility would be dependent on the trading performance of the PAC Group, the availability of other facilities or the support of Shareholders. Whilst trading conditions improved in the aftermath of the availability of the Mosaic Loan Facility, this improvement was not sustained throughout the period due in the main to the change in Verizon Wireless' upgrade policy as detailed in the Chairman's Statement on the 2013 Annual Report released on 27 June 2014. On 12 June 2014, PAC announced that it had reached agreement with Mosaic on an extension of the Mosaic Loan Facility until 31 August 2014 allowing PAC time to consider its options in relation to the repayment of the Mosaic Loan Facility, including the sale of all or part of the Group's stores.

PAC has been engaged 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.

After conducting negotiations with a number of parties, the Board has negotiated the sale of substantially the entire business of the Group to ABC Phones.

Details of the Disposal

The Disposal represents a fundamental change of business for the purposes of Rule 15 of the AIM Rules and the ESM Rules. Accordingly, the Disposal is conditional, *inter alia*, on Shareholder approval being obtained at an Extraordinary General Meeting.

If approved, the Disposal will be effected in accordance with the terms of the Asset Purchase Agreement. Under the Asset Purchase Agreement, the assets of Express Business Service and Cellular Center will transfer to ABC Phones on completion and in consideration for the payment by ABC Phones of $10 million (€7.46 million). The assets comprise substantially all of their business and assets, including: the leases to the Stores and the equipment and other assets located at the Stores; all assets used in connection with the Business, whether or not also used in connection with any other business of the Group; the business and all customers and goodwill associated with the Business; all intellectual property used in connection with the Business, whether or not also used in connection with any other business of the Group; and all documents, books and records (in any media) related to the assets of Express Business Service and Cellular Center or to the conduct of the Business, except not including the Excluded Assets.

$8,700,000 of the consideration will be paid on completion, with the balance of $1,300,000 of the consideration to be held in escrow for a twelve month period following the closing date for the purposes of covering warranty and indemnity claims. The target date for completion of the Disposal is 25 August 2014 (the "**Target Closing Date**"). If closing has not occurred by the Target Closing Date ABC Phones are required to pay PAC $2 million of the Consideration on 25 August 2014 with the remainder payable by a final deadline of 31 October 2014. The Disposal is subject to ABC Phones procuring sufficient finance facilities to meet the Consideration and as such there can be no guarantee that the Disposal will complete by 25 August 2014 or at all. A separate escrow arrangement will be put in place at completion in respect of any landlord consents relating to the Stores not obtained by that time, assuming this date is prior to 15 March 2015. These amounts will be released from escrow at such time as each landlord consent is obtained and do not affect the total Consideration payable by ABC Phones to PAC.

Assets of Express Business Service and Cellular Center which will not be transferred by the Asset Purchase Agreement include: cash; inventory; such leases and equipment in leased Stores that ABC Phones in its sole discretion determines at or before closing it will not purchase; and the Excluded Assets. It is expected that inventory will be sold separately to ABC Phones pursuant to the transaction prior to completion. The remaining business of Express Business Centre and Cellular Centre will be wound down in the months following completion of the Disposal by the Company.

ABC Phones will assume certain specified liabilities of Express Business Service and Cellular Center, including all obligations under the target business' leases arising from the completion date (including rent) and all liabilities (including those accrued before completion) relating to the target business' handset membership programme. All other liabilities of the target business, including fax, customer claims and pre-completion accrued rent, will remain liabilities of Express Business Service and Cellular Center (and therefore of the Group).

Investing Company and Investing Policy

The net proceeds of the Disposal will be used to repay the Mosaic Loan Facility, close the remainder of the Group's U.S. stores, and discharge the Group's other liabilities. Following the discharge of such liabilities, it is expected that the Group will retain approximately €1.6 million cash ($1.3 million of which will be held in escrow), and have no other assets and no debt. At this point the Board intends to consider its options for maximising Shareholder value including the making of further investments or a distribution to Shareholders (although any such distribution would only take place following the expiry of the limitation period of the warranties under the Asset Purchase Agreement).

Following Completion, under Rule 15 of the AIM Rules and the ESM Rules the Company will become an investing company with no material trading activities. The Board is therefore seeking Shareholder approval for the investing policy set out below to examine potential opportunities.

The Board believes it is in Shareholders' interests to examine possible investment opportunities, whilst the process of satisfying residual liabilities continues and the warranty claim period arising from the Asset Purchase Agreement elapses.

The Company's investing policy is to invest in and/or acquire companies active in the technology, media or entertainment sector. The Directors intend to focus primarily on the UK and Ireland where the Directors believe that there are suitable opportunities, although other countries may also be considered to the extent that the Board considers that value opportunities exist and attractive returns can be achieved.

In selecting investment opportunities, the Board will focus on businesses that are available at attractive valuations and hold opportunities to unlock embedded value over the medium term. The Board will seek to invest in businesses where it may influence the business at a board level. The ability to work alongside a strong management team to maximise returns through revenue growth will be something the Board will focus upon.

These criteria are not intended to be exhaustive; however PAC may make an investment which does not fulfil all the investment criteria if the Directors believe that it is in the interests of Shareholders as a whole to proceed with such an investment. Any acquisition by PAC will be put to Shareholders for their approval pursuant to AIM Rule 14 at the appropriate time.

It may be considered appropriate to take an equity interest in any proposed business, which may range from a minority position to 100 per cent. ownership. Any investment is likely to be made into an unquoted company and structured as a direct acquisition. As PAC's financial resources are likely to be invested in just one investment, this acquisition is also likely to be deemed to be a reverse takeover pursuant to Rule 14 of the AIM Rules and the ESM Rules. PAC does not currently intend to fund any investment with debt or other borrowings, but may do so if appropriate.

The Company's primary objective is that of achieving for Shareholders, over time, both capital growth and income through increasing profitability coupled with dividend payments on a sustainable basis. The Directors believe that the collective business experience in the areas of acquisitions and corporate and financial management of both the Directors and of the Company's advisers and Shareholders will assist the Company in the identification and evaluation of suitable opportunities.

Subject to the approval of the investing policy by the Shareholders at the Extraordinary General Meeting, the Company will be required to make an acquisition or acquisitions which constitute a reverse takeover under the AIM Rules and the ESM Rules or otherwise implement its investing policy within 12 months of the Extraordinary General Meeting, failing which the Ordinary Shares would then be suspended from trading on AIM and ESM.

The PAC Group will maintain the net proceeds of the Disposal (excluding those used for the purposes of discharging the PAC Group's liabilities) during the 12 month time period during which warranty claims under the Asset Purchase Agreement may be made.

At the end of the 12 month period if no investments have been made, the Directors would then propose to convene a general meeting of the Shareholders to consider whether to continue seeking investment opportunities or to wind up the PAC Group and distribute any surplus cash back to Shareholders.

Recommendation

The Directors consider the Disposal and the passing of the Resolutions proposed at the EGM to be in the best interests of PAC and its Shareholders as a whole and, accordingly unanimously recommend that you vote in favour of the Resolutions as they intend to do in respect of their aggregate shareholdings of 4,910,100 Ordinary Shares representing approximately 21.6 per cent. of the issued share capital of PAC.

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