

## **Prime Active plc**

### **New Loan Facility and Board Changes**

Prime Active Capital plc ("PAC" or the "Group") announces that it has entered into a Stg£1 million loan facility (the "New Loan Facility") from Mosaic Print Management Limited ("Mosaic"), a company owned by Mr Anthony Stephen Gill, a significant shareholder in PAC, and Mr Stephen Kenneth Smith. The purpose of the New Loan Facility is to provide additional working capital as explained further below.

#### **Background to the New Loan Facility**

The business of the company changed significantly two years ago with the latest generation of smartphones, when devices became significantly more expensive, subsidies to customers to sign contracts greatly increased, and the store investment in inventory stepped up enormously. The gross margin on the devices fell by a third, and the Group, with every other agent, found itself selling more expensive handsets with reduced profit per device but embedding more cash in inventory. The impact of this caused trading losses in PAC in 2012 and eroded the working capital in the Group.

Since H1 2012 and through H2 2012, costs have been reduced, new businesses have been launched by the Group in the USA, and gross margin has been recovering from the unsustainable level it had been driven to. It is substantially the new activities that have improved this margin and while they also have working capital requirements, these are relatively minor compared to the needs of the stores. Overall then, the business is recovering, though it still has a distance to go, and the recovery will continue to be slower than desired as the Group slowly improves its cash. PAC trades within its banks and creditor facilities but inventory is too low to deliver against the opportunity in the market.

The Board has considered the needs of the Group and available finance lines and has concluded that the interests of shareholders are best served by contracting a short term working capital loan to facilitate the business trading through its current period. To that end the Group has accepted a loan from the directors and from a significant shareholder's business, primarily to facilitate working capital. As part of the loan agreement the Board will be strengthened by additional members and these will bring a fresh dynamic with their experience in marketing and trading

The new businesses have been in place for six months each, and they are responsible for the improvement in gross margin. One business buys and sells recycled devices, partly through the internet, and the other for providing replacement devices and ancillary activities for customers. Both are trading profitably and increasing in scale.

The Directors will consider the trading of the Group through the summer and keep the capital structure of the Group under review. It is intended that the loans are to be short term finance and the business will have the option to pay the loans down earlier than the term should this be able to be accommodated and if this is considered to be the best use of funds at that time.

## Terms of the New Loan Facility

The loan from Mosaic is repayable on 2 May 2014 and carries a 15% coupon with monthly interest payments. The loan is secured on certain of the US subsidiaries of PAC.

In addition, an existing director, Mr Peter Lynch, has advanced an unsecured loan on an interest free basis amounting to €125,000 with no repayment date.

The directors consider, having consulted with PAC's Nominated Adviser and ESM Adviser, that the terms of the transactions are fair and reasonable insofar as its shareholders are concerned.

## Board Changes

As part of the terms of the New Loan Facility, Mr Gill and Mr Stephen Smith will join the board of PAC with immediate effect as non-executive directors. Mr Smith will step-down from the board upon repayment of the New Loan Facility.

Mr Gill founded The Great Northern Envelope Company Limited in 1988 which was acquired by Adare Printing Group plc in 1994. In 1995 Mr Gill founded Encore Direct plc which was an envelope manufacturing business with a turnover of circa £30 million when it was sold to management in 2007. In 2003 Mr Gill founded Mosaic Print Management Limited with Mr Smith and in 2009 he founded Mosaic Fulfilment Solutions Limited.

Mr Smith has been managing director of Mosaic Print Management Ltd since 2003 when he founded the business with Mr Gill. Mosaic offers a range of print and communication services to circa 100 clients across a range of business sectors in the UK. From 1998 to 2003 Mr Smith worked with Egg Banking as Head of Purchasing. From 1992 to 1998, he as Head of Purchasing with Cheltenham & Gloucester plc and from 1983 to 1992 he was Purchasing Manager for Laurentian Life.

Pursuant to Schedule 2 (g) of the AIM Rules for Companies the following is disclosed in relation to the directors:

### Mr Anthony Stephen Gill (age 49)

Current Directorships and Partnerships Held	Directorships and Partnerships held in the previous 5 years
Mosaic Print Management Limited	Incisive Solutions Limited
Equus Development plc	X Channel Marketing Limited
Enterprise Business Accommodation Limited	Cotton Comfort Limited
Mosaic Specialist Manufacturing Limited	Shaded Area plc
Entourage plc	
Untangled Print Solutions Limited	
Mosaic Print Management (York) Limited	
Mosaic Fulfilment Solutions Limited	
G8 Communications Limited	
Digi Vision Direct Limited	
Mosaic Plus Limited	

Complisoft Limited	
Mosaic Online Limited	
Mosaic Procurement Support Limited	
Mosaic Office Supplies Limited	
Mosaic (Group) plc	
Ford Cars Online Limited	

**Mr Stephen Kenneth Smith (age 48)**

Current Directorships and Partnerships Held	Directorships and Partnerships held in the previous 5 years
Mosaic Print Management Limited	-
Incisive Solutions Limited	
Mosaic Fulfilment Solutions Limited	
Mosaic Print Management (York) Limited	
Mosaic Document Management Limited	
G8 Communications Limited	
Mosaic Plus Limited	
Untangled Print Solutions Limited	
Mosaic Procurement Support Limited	
Mosaic Office Supplies Limited	
Direct Marketing Strategies Limited	
Mosaic (Group) plc	

There is no further information required to be disclosed in respect of the above appointments pursuant to Schedule 2(g) of the AIM Rules or Schedule 2(g) of the ESM Rules.

Mr Peter Lynch, executive chairman, commented "I would like to welcome the additional Board members and look forward to the business continuing to trade out of the tough retail environment of the last two years. It has been a test of the resilience of the business and the team to this point and many competitors have collapsed or been acquired in that period. Those that remain are leaner and more focused, and I believe our business is one of those."

For further information contact:

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