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## **eXpansys plc**

### **Final Results for the Year Ended 30 April 2010**

eXpansys plc (“eXpansys” or the “Group”), a leading global online retailer of wireless technology, announces its audited results for the year ended 30 April 2010.

#### **CHAIRMAN’S STATEMENT**

In my Interim Statement, I referred to an improvement in the Group’s results which arose from the significant business rationalisation measures implemented in the year to 30 April 2009. These measures, whilst delivering a welcome improvement, served only to stabilise eXpansys and the Group remained vulnerable to a number of market and financial pressures. It was clear that growth in profitability and shareholder value would be constrained by the prevailing difficult trading conditions, compounded by the Group’s ongoing shortage of working capital.

The challenge which we faced was to find solutions to these issues. I am very pleased to report that with the support of our major shareholder, Peter Jones, and our dedicated staff, eXpansys has made rapid and significant progress under the leadership of its new Chief Executive Officer, Anthony Catterson, and exciting times lie ahead.

Anthony joined eXpansys in January 2010, bringing an innovative, fresh and informed perspective to the management of the Group and identifying new ways in which to drive the Group’s performance.

#### **Results**

Further improvements were recorded during the year. Revenue for the year increased, overall, by 8% to £50.7 million (2009: £47.1 million) with revenue in the second half increasing by 39% year on year to £30.4 million (six months to April 2009: £21.8 million). Pre-tax loss before exceptional costs and losses related to discontinued operations reduced by 37% to £0.20 million (2009: £0.31 million) and there was a positive movement in EBITDA pre exceptionals to a surplus of £1.30 million from £0.99 million in the prior year.

There were, however, a number of significant exceptional costs incurred amounting to £2.5 million. Despite this, the pre-tax loss from continuing operations was reduced by 29% to £2.7 million (2009: £3.8 million).

#### **Strategic Review**

Following his appointment in January, Anthony immediately conducted a major review of the business, concluding that eXpansys could exploit its current model and leverage its unique market position and global reach more effectively and was failing to explore new business propositions fully.

Addressing these issues requires innovation, focus and investment. I am pleased to report that, following today’s announcement of the Proposed Acquisition of Data Select Network Solutions Limited (“DSNS”) and PJ Media Limited and Proposed Placing to raise

approximately £28 million net of expenses, we have made an exciting start. At the heart of our new strategy lies the desire to deliver shareholder value. Whilst eXpansys will continue to pursue organic growth, we have identified an opportunity to grow the Group more rapidly through the acquisition of two synergistic and complementary businesses, via a reverse takeover, which also affords us a timely fundraising opportunity.

### **Proposed Acquisitions, Placing and Reverse Takeover**

The Group will, today, announce that it has conditionally agreed, subject to shareholder approval, to acquire DSNS and PJ Media Limited (together the "Acquisitions"). DSNS is a privately owned, profitable, UK based company focused on the distribution of mobile phone SIM cards. PJ Media is a profitable, UK based company, providing e-commerce and web publishing solutions to a variety of international customers. Following the Acquisitions, the directors intend to capitalise upon the opportunities available to the Enlarged Group and aim to create a global on-line consumer electronics superstore.

The total consideration for the Acquisitions is £38 million to be satisfied by a cash payment of £13.4 million and by the issue of 442,364,707 Consideration Shares to the Vendors, together with an obligation to pay approximately £10.8 million debt. In order to satisfy the cash component of the Acquisitions and to enable it to implement its strategy, the Board is proposing to raise £30 million (approximately £28 million net of expenses) by way of a Placing of 535,714,286 Ordinary Shares at 5.6 pence per share. The acquisitions of DSNS constitutes a reverse takeover under the AIM Rules by virtue of the size of the transaction and is, therefore, subject to the approval of the Shareholders of the Company. Such approval is being sought at the General Meeting, which has been convened for 23 July 2010.

### **People**

As part of the preparation for the acquisition of DSNS and PJ Media and to prepare for the next stage of the Group's development, some additional board changes have taken place. Having been with the Company for 5 years, Cate Hulme has decided to leave the Company to pursue other opportunities and the Board would like to thank her for her significant contribution. Tim Eltze will act as CFO until a permanent CFO is appointed. Frederic Pont, President for Europe, steps down from the Board, but will continue to lead the Group's European operations. Bob Wigley will be appointed Non-executive Chairman of the Company and Peter Jones CBE will be joining the Board as Non-executive Deputy Chairman. Finally, I am stepping down as Chairman, but will remain with eXpansys as a non-executive Director. We have an ambitious strategy for eXpansys and I am confident that this board has the necessary experience and track record to deliver it.

The Board is supported by dedicated staff in all the Group's territories. I thank them for their important contribution through difficult times and trust that they will enjoy more prosperous times which lie ahead.

### **Prospects**

The Proposed Placing, Acquisitions and Reverse Takeover, combined with the strategic and operational measures implemented by Anthony Catterson and the Group's new Chief Operating Officer, Tim Eltze, give me every reason to be optimistic and excited about the future prospects for eXpansys.

These are changing times for eXpansys and the Board is confident that, following the successful conclusion of the proposed transaction, the Group will be very well placed to deliver growth.

**Graham Dawber**  
**Non-executive Chairman**  
**5 July 2010**

## **CHIEF EXECUTIVE'S OPERATING REVIEW**

I am pleased to present my first CEO's review since joining the Group in January 2010.

eXpansys has, historically, failed to deliver an acceptable level of return to its shareholders, positively engage its employees or provide a unique interaction with its customers. Our internal goal is to improve the 'eXpansys experience' for these three key stakeholder groups.

### **Markets**

Consumer confidence across Western economies remains fragile and we expect that discretionary spending on consumer electronics, our core business, will remain suppressed in the short term. This places emphasis on our need to be more competitive and operationally efficient than ever before, whilst leveraging the opportunities presented by increasing affluence in developing markets.

Innovative products, such as the iPad and HTC Desire, have, however, stimulated consumer purchases, despite the economic gloom and our core competence in Smartphones and related products gives us confidence that we are operating in the most progressive sub sector of the consumer technology market.

### **Operational review**

It is pleasing to report that our European business managed to increase its revenues, gross margin and profit for the year under exceptionally challenging trading conditions. This was achieved by focusing on trading platforms, such as Amazon Marketplace, although net margin percentage suffered as we competed for customer orders.

The turnaround of eXpansys UK continued in the year. Revenue and margins were improved and the business contributed a small pre-tax profit to the Group, compared to a significant loss in the prior year.

Our North American business had a disappointing year with revenue and margins decreasing and we now have an opportunity, through the recruitment of new leadership, to set the business firmly on the road to recovery.

In Asia, the decline in our Australasian business impacted revenue and margins. However, operational efficiencies and effective cost control measures, allowed us to reduce the overall loss, year on year, in this region.

### **Financial Review**

The rapid decline in revenue, which the Group has experienced in recent years, was reversed with a year on year increase of 7.8% to £50.7 million (2009: £47.1 million) and gross profit margin of 20.7% (2009: 21.0%), leading to an increase in gross margin of 6.0% to £10.5 million (2009: £9.9 million).

Distribution costs reduced by 10.5% to £2.8 million (2009: £3.2 million) in the year, despite the increase in revenue, as the Group enjoyed the benefits of an extensive two year cost reduction programme. A reduction in administration costs, excluding exceptionals, of 11.9% to £7.8 million (2009: £8.9 million) was also achieved.

Exceptional costs of £2.5 million (2009: £3.2 million) were also incurred, primarily comprising £0.4 million for the completion of the UK warehouse reorganisation, £0.7 million provision for commercial disputes arising in January 2010, £0.7 million additional amortisation charge relating to change in useful economic life of website development and £0.6 million exceptional directors' remuneration.

Due to the repayment of UK banking facilities in January 2009, there was a significant reduction in finance costs of £0.2 million.

The pre-tax loss from continuing operations was reduced by 29.7% to £2.7 million (2009: £3.8 million).

### **Strategic Review**

I spent my first 90 days at eXpansys conducting a detailed review of the business and its strategy, focusing intently on operations, people, commercial activities, competition and, of course, the eXpansys customer experience.

During this review, I established that eXpansys has a world class technology platform with significant reach and transactional advantages. This strong foundation, however, was not being resourcefully leveraged, requiring effective commercial planning and execution to maximise its value. Most of our activities in the next 12 months will be focused on our proposition development and customer interaction. We will begin transforming the niche eXpansys brand into a more generally known, consumer-facing entity, where there are significant opportunities for growth in our Smartphone, accessory and computing categories.

The core issues identified during my strategic review of eXpansys were:

- deficient working capital;
- a need for direct Network supply relationships to allow eXpansys to operate in the whole of the Smartphone market and not just the <5% that is sim-free; and
- weakness in online model execution - poor proposition development, search engine optimization (SEO), conversion and customer base development.

eXpansys has, today, announced the Proposed Acquisition of Data Select Network Solutions Limited ("DSNS") and PJ Media Limited and Proposed Placing to raise approximately £28 million net of expenses, which the directors believe will address these critical issues.

Post transaction, the Group's balance sheet will be robust, with funds available to grow the business both organically and through earnings enhancing acquisition.

## **People**

My review also included a detailed assessment of senior management and key personnel. As evidenced by our recruitment of Tim Eltze as Chief Operating Officer in May 2010, eXpansys is building a 'fit for purpose' executive team, which is able to deliver the Group's ambitions both internally and externally.

The Group's employees have shown great dedication and loyalty to the business, despite the challenges it has faced over the last few years. I would like to thank them for their continued efforts and I look forward to developing and growing eXpansys with them over the next few years.

## **The Future**

### ***Competition and Markets***

I am respectful of the competition we face in our chosen markets but I am confident that eXpansys has an opportunity to increase its market share through innovation and more effective and consistent execution. The Group will continue to benefit from outstanding new product design, like the iPad, and ever-improving functionality, as evidenced by the Google developed Android operating system for Smartphones.

Our, as yet, untapped global capability leaves us well positioned to take advantage of the rapid growth in spending on consumer electronics in the developing economies of the world and we aim to strengthen our coverage of these territories accordingly.

### ***Outlook and Prospects***

The global financial markets remain unstable and consumer confidence in mature economies has yet to recover to pre-2007 levels. This status may well deteriorate in the short term as the impact of Government reductions in expenditure filter their way through the economies of Western Europe in particular.

Following the significant cost reduction programme implemented over the past two years, eXpansys's operating overhead, however, is now efficient and this will enable us to react should our margins come under pressure. I also believe that the combination of product innovation, opportunities in developing economies and the planned improvement to our business model through better purchasing, marketing and operational execution will present significant growth opportunities for the business in the short to medium term. We will also look to leverage maximum strategic benefit from the acquired businesses as mentioned earlier.

We face a challenging but exciting year as eXpansys changes into a more productive and customer friendly business. The foundations for growth are in place and I am confident that eXpansys will deliver better performance moving forward.

**Anthony Catterson**  
**Chief Executive Officer**  
**5 July 2010**

**GROUP STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 April 2010

	2010 £000	2009 £000
<b>Revenue</b>	50,742	47,052
Exceptional cost of sales	-	(2,057)
Other cost of sales	(40,230)	(35,077)
Cost of sales	(40,230)	(37,134)
<b>Gross profit</b>	10,512	9,918
Distribution costs	(2,849)	(3,182)
Exceptional administrative expenses	(2,474)	(1,132)
Other administrative expenses	(7,884)	(8,903)
Administrative expenses	(10,318)	(10,035)
<b>Operating loss from continuing operations</b>	(2,655)	(3,299)
Exceptional operating loss	(2,474)	(3,189)
Other operating loss	(181)	(110)
Finance income	3	35
Finance costs	(17)	(235)
Loss on disposal of distribution business	-	(300)
<b>Loss from continuing operations before taxation</b>	(2,669)	(3,799)
Tax (charge)/credit	(40)	465
<b>Loss for the year from continuing operations</b>	(2,709)	(3,334)
<b>Discontinued operations</b>		
Loss for the year from discontinued operations	-	(1,379)
<b>Loss for the year</b>	(2,709)	(4,713)
Currency translation differences	401	669
<b>Total comprehensive expense for the year</b>	(2,308)	(4,044)
<b>Earnings per share (pence)</b>		
Basic loss per share from continuing operations	(1.7)p	(5.2)p
Diluted loss per share from continuing operations	(1.7)p	(5.2)p
Basic loss per share from loss for the year	(1.7)p	(7.4)p
Diluted loss per share from loss for the year	(1.7)p	(7.4)p

**GROUP STATEMENT OF FINANCIAL POSITION**

At 30 April 2010

	2010	2009
	£000	£000
<b>ASSETS</b>		
<b>Non current assets</b>		
Plant and equipment	554	470
Intangible assets	4,570	4,949
Deferred income tax assets	1,528	1,289
	<hr/>	<hr/>
	6,652	6,708
<b>Current assets</b>		
Inventories	1,922	1,540
Trade and other receivables	2,506	2,082
Income tax receivable	-	37
Cash and short term deposits	924	405
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	5,352	4,064
	<hr/>	<hr/>
<b>Total assets</b>	12,004	10,772
	<hr/>	<hr/>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	(8,393)	(6,754)
Financial liabilities	(89)	(248)
Income tax payable	(213)	-
Government grants	(56)	(86)
Provisions	(40)	(22)
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	(8,791)	(7,110)
<b>Non current liabilities</b>		
Financial liabilities	(128)	(203)
Deferred income tax liabilities	-	(7)
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	(128)	(210)
	<hr/>	<hr/>
<b>Total liabilities</b>	(8,919)	(7,320)
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<b>Net assets</b>	3,085	3,452
	<hr/>	<hr/>
<b>Capital and reserves</b>		
Equity share capital	445	112
Equity share premium	10,641	9,053
Merger reserve	750	750
Currency translation	1,089	688
Retained earnings	(9,840)	(7,151)
	<hr/>	<hr/>
<b>Total equity</b>	3,085	3,452
	<hr/>	<hr/>

The financial statements of eXpansys plc ("the Group") for the year ended 30 April 2010 were authorised for issue by the Board of Directors on 5 July 2010 and the balance sheet was signed on the Board's behalf by

**Anthony Catterson**  
Chief Executive Officer

**GROUP STATEMENT OF CHANGES IN EQUITY**

At 30 April 2010

	Equity share capital £000	Equity share premium £000	Merger reserve £000	Currency translation service £000	Retained earnings £000	Total equity £000
At 1 May 2008	112	9,053	750	19	(2,454)	7,480
Share based payment	-	-	-	-	16	16
Loss for the year	-	-	-	-	(4,713)	(4,713)
Exchange differences*	-	-	-	669	-	669
At 30 April 2009	112	9,053	750	688	(7,151)	3,452
Equity share issue	333	1,588	-	-	-	1,921
Share based payment	-	-	-	-	20	20
Loss for the year	-	-	-	-	(2,709)	(2,709)
Exchange differences*	-	-	-	401	-	401
At 30 April 2010	445	10,641	750	1,089	(9,840)	3,085

\*Exchange differences relate to the retranslation of net assets of subsidiary undertakings.

**GROUP CASH FLOW STATEMENT**

For the year ended 30 April 2010

	2010 £000	2009 £000
<b>Operating activities</b>		
Operating loss from continuing operations	(2,655)	(3,299)
Adjustments to reconcile loss for the year to net cash flow from operating activities		
Exceptional write down of deferred consideration	-	(300)
Depreciation of plant and equipment	214	321
Amortisation of intangible assets	1,263	775
Share based payments	20	16
Currency movements	(67)	(112)
(Increase)/decrease in inventories	(381)	4,968
(Increase)/decrease in trade and other receivables	(525)	3,597
Increase/(decrease) in trade and other payables	1,567	(4,415)
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Cash generated from continuing operations	(564)	1,551
Discontinued operations: MWg Singapore	-	(152)
Income tax paid	(35)	(182)
Interest paid	(15)	(200)
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<b>Net cash flow (used in)/from operating activities</b>	<b>(614)</b>	<b>1,017</b>
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<b>Investing activities</b>		
Discontinued operations: MWg Singapore	-	(158)
Payments to acquire plant and equipment	(123)	(136)
Payments to acquire intangible assets	(411)	(560)
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<b>Net cash flow (used in)/from investing activities</b>	<b>(534)</b>	<b>(854)</b>
	<hr/>	<hr/>
<b>Financing activities</b>		
Proceeds from share issues	1,921	-
New borrowings	-	26
Repayment of borrowings	(61)	(18)
Repayments of capital element of finance leases and hire purchase contracts	(104)	(168)
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<b>Net cash flow from/(used in) financing activities</b>	<b>1,756</b>	<b>(160)</b>
	<hr/>	<hr/>
<b>Increase in cash</b>	<b>608</b>	<b>3</b>
Cash and cash equivalents at the beginning of the year	316	313
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<b>Cash and cash equivalents at the year end</b>	<b>924</b>	<b>316</b>

## NOTES

### 1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Finance Reporting Interpretation Committee (IFRIC) interpretations as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 April 2010 and applied in accordance with Companies Act 1985.

The Group financial statements are presented in Sterling (being the Group's functional and measurement currency) and all values are rounded to the nearest thousand pounds (£000) except where indicated otherwise.

The principal accounting policies adopted by the Group are set out in note 2.

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 30 April 2010 or 2009 but is derived from those financial statements. The comparative figures are derived from the financial statements for the year ended 30 April 2009. The auditors have reported on the Group's statutory financial statements and the report was unqualified and did not contain a statement under section 498 (2) or 498 (3) Companies Act 2006. The statutory financial statements for the year ended 30 April 2010 have not yet been delivered to the Registrar of Companies and will be delivered following the Company's Annual General Meeting.

The financial statements of eXpansys plc and its subsidiaries (the 'Group') for the year ended 30 April 2010 were authorised for issue by the Board of Directors on 5 July 2010 and the balance sheet was signed on the Board's behalf by Anthony Catterson. The annual report is available to shareholders and members of the public on the Company's website at [www.expansysplc.com](http://www.expansysplc.com).

The financial information contained in this preliminary statement does not constitute statutory accounts as defined by Section 240 of the Companies Act.

### 2. Accounting policies

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain and, as such, changes in estimates and assumptions may have a material impact in the financial statements.

The key sources of estimation uncertainty that have significant risk of causing material adjustment to carrying amounts of assets and liabilities within the next financial year are the measurement of:

- indefinite life intangible assets
- inventory provisions; and
- trade receivable provisions; and
- taxation.

The measurement of intangible assets on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Any estimates of future economic benefits made in relation to these assets may differ from the benefits that ultimately arise and materially affect the recoverable value of the asset.

Calculation of inventory provisions requires judgements to be made which include forecast consumer demand and inventory loss trends.

Provisions for irrecoverable receivables are based on extensive historical evidence and the best available information in relation to specific issues, but are nevertheless inherently uncertain.

The complex nature of tax legislation across the tax jurisdictions in which the Group operates necessitates the use of estimates and assumptions, where the outcome may differ from that assumed. The extent to which tax losses can be utilised depends on the extent to which taxable profits are generated in the relevant jurisdictions in the foreseeable future, and on the tax legislation then in force and, as such, the value of associated deferred tax assets is uncertain.

### **3. Segment information**

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, since they are responsible for making strategic decisions.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board which is split in accordance with statutory trading entities in the group, in addition to the parent company.

- eXpansys plc, parent company, incorporated in United Kingdom
- eXpansys UK Limited, incorporated in United Kingdom
- eXpansys Nomatica SAS, incorporated in France
- eXpansys Inc (formerly Mobile Planet Inc), incorporated in United States of America
- eXpansys Hong Kong Limited, incorporated in Hong Kong, and its subsidiaries RCK Communications Limited, incorporated in Hong Kong, and eXpansys Shenzhen Trading Company, incorporated in China
- Mobile & Wireless Group PTE Limited (MWg), incorporated in Singapore during November 2007 and discontinued in October 2008

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions between third parties. Segment revenue, segment expense and segment result includes transfers between business segments. Those transfers are eliminated on consolidation.

No one customer accounts for more than 10% of Group revenue.

The following tables present revenue and (loss)/profit and certain asset and liability information regarding the Group's business segments for the years ended 30 April 2010 and 2009.

	eXpansys UK	eXpansys Nomatica	eXpansys Inc	eXpansys Hong Kong	eXpansys plc	Continuing Operations Total
	£000	£000	£000	£000	£000	£000
<b>Year ended 30 April 2010</b>						
External customers	14,882	24,998	7,897	2,965	-	50,742
Inter-segment	4,605	2,244	790	561	-	8,200
<b>Segment revenue</b>	<b>19,487</b>	<b>27,242</b>	<b>8,687</b>	<b>3,526</b>	<b>-</b>	<b>58,942</b>
<b>Results</b>						
Operating (loss)/profit	(23)	271	(514)	(975)	(1,414)	(2,655)
Net finance costs	(11)	(1)	(1)	(1)	-	(14)
Tax (charge)/credit	(60)	(280)	(5)	-	305	(40)
<b>Loss for the year for continuing operations</b>						<b>(2,709)</b>
<b>Assets and liabilities</b>						
Segment assets	3,435	3,184	4,076	339	970	12,004
Segment liabilities	(4,297)	(2,637)	(1,077)	(275)	(633)	(8,919)
<b>Other segment information</b>						
Depreciation	122	26	18	48	-	214
Amortisation	-	27	1	5	1,230	1,263
<b>Year ended 30 April 2009</b>						
External customers	14,289	20,317	8,532	3,893	21	47,052
Inter-segment	8,775	3,209	1,445	1,142	-	14,571
<b>Segment revenue</b>	<b>23,064</b>	<b>23,526</b>	<b>9,977</b>	<b>5,035</b>	<b>21</b>	<b>61,623</b>
<b>Results</b>						
Operating (loss)/profit	(1,711)	102	(502)	(859)	(329)	(3,299)
Net finance costs	(190)	(7)	(3)	-	-	(200)
Tax (charge)/credit	495	(74)	(8)	-	52	465
Loss on disposal of distribution business						(300)
<b>Loss for the year for continuing operations</b>						<b>(3,334)</b>
<b>Assets and liabilities</b>						
Segment assets	3,056	2,847	3,103	324	1,442	10,772
Segment liabilities	(4,102)	(1,887)	(757)	(314)	(260)	(7,320)
<b>Other segment information</b>						
Depreciation	204	41	22	54	-	321
Amortisation	608	104	10	53	-	775

#### 4. Exceptional items

	2010 £000	2009 £000
<b>Cost of sales</b>		
Exceptional stock write downs in order to generate cash	-	2,057
<b>Administrative expenses</b>		
Costs in relation to redundancies in eXpansys UK and eXpansys Inc	29	179
Provision against two debts due from overseas businesses in financial difficulties	-	734
Provision against warranty costs from overseas supplier in financial difficulties	58	-
Cost of Australian office reorganisation	23	295
Release of warranty provision	-	(286)
Cost of UK warehousing reorganisation	378	210
Provisions for commercial disputes arising in January 2010	740	-
Provision for related party transactions	11	-
Exceptional Directors' remuneration	555	-
Additional amortisation charge due to change in useful economic life of website development costs	680	-
	<u>2,474</u>	<u>1,132</u>
Total exceptional costs	<u>2,474</u>	<u>3,189</u>

All of the exceptional items in the table above, except for the related party provision, are deemed allowable for corporation tax purposes.

#### 5. Earnings per ordinary share

Basic earning per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share for the year amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year 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:

	2010 £000	2009 £000
Loss for the year from continuing operations	(2,709)	(3,334)
Loss for the year from discontinued operations	-	(1,379)
Less minority interests		-
Loss attributable to equity holders of the parent	<u>(2,709)</u>	<u>(4,713)</u>
	2010 thousands	2009 (restated) thousands
Basic weighted average number of shares	163,781	63,993
Dilutive potential ordinary shares:		
Employee and consultant options	1,125	6,080
Warrants over options	-	403
Diluted weighted average number of shares	<u>164,906</u>	<u>70,476</u>

Where ordinary shares are issued at a discount to the market price, the weighted average number of shares should reflect that the discount is effectively a bonus given to shareholders for no consideration. The weighted average number of shares in the current year and prior year reflect this.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

**Earnings per share from continuing operations before exceptional items**

The Group presents as exceptional items on the face of the Statement of Comprehensive Income, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to facilitate better assessment of trends in financial performance.

To this end, basic and diluted earnings from continuing operations per share is also presented on this basis and using the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

The amounts for earnings per share from continuing operations after exceptional items are as follows:

	2010	2009 (restated)
Basic loss per share	(1.7)p	(5.2)p
Diluted loss per share	<u>(1.7)p</u>	<u>(5.2)p</u>

Net loss from continuing operations before exceptional items and attributable to equity holders of the parent is derived as follows:

	2010 £000	2009 £000
Loss for the year from continuing operations	(2,709)	(3,334)
Loss on disposal of distribution business	-	300
Exceptional items after tax attributable to equity holders of the parent	<u>2,474</u>	<u>3,189</u>
(Loss)/profit from continuing operations before exceptional items attributable to equity holders of the parent	<u>(235)</u>	<u>155</u>

The amounts for earnings per share from continuing operations before exceptional items are as follows:

	2010	2009 (restated)
Basic (loss)/earnings per share	<u>(0.1)p</u>	<u>0.2p</u>
Diluted (loss)/earnings per share	<u>(0.1)p</u>	<u>0.2p</u>

## 6. Impairment of goodwill

As required by IAS 36 Impairment of Assets, goodwill is subject to annual impairment reviews. These reviews are carried out using the following criteria.

Goodwill acquired through business combinations has been allocated for impairment testing purposes to three cash generating units, which are also reportable segments, as follows:

- eXpansys UK Limited cash-generating unit;
- eXpansys Inc cash-generating unit; and
- eXpansys Nomatica SAS cash-generating unit.

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of each CGU is determined based on calculating its value in use, using cash flow projections based on financial budgets approved by the board covering a three year period. The discount rate applied to cash flow projections is 9.1% (2009: 12.0%) and is the Group's weighted average cost of capital.

Cash flows beyond the three year budget are extrapolated using a 2% growth rate (2009: 2%).

The tax rate used in the projections is 28% (2009: 28%).

### **Carrying amount of goodwill allocated to cash-generating units:**

	eXpansys UK £000	eXpansys Inc £000	eXpansys Nomatica £000	Total £000
Carrying amount of goodwill				
- 2010	218	3,004	743	3,965
- 2009	218	2,485	772	3,475

### **Key assumptions used in value in use calculations**

The calculation of value in use is most sensitive to the following assumptions:

- Gross margin;
- Distribution and administration expenses;
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the budget period.

*Gross margins and distribution and administration expenses* are based on average values achieved in the three years preceding the start of the budget period. These are increased to reflect anticipated efficiency improvements due to shortening of the supply chain and in line with expected growth netted against anticipated efficiency improvements respectively.

*Discount rates* reflect management's estimate of return on capital employed required in each business. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

### **Sensitivity to changes in assumptions**

A sensitivity analysis has been performed on the base case assumptions used for assessing the goodwill.

With regards to the assessment of value in use of the cash-generating units, the directors believe that there are no reasonably possible changes in any of the key assumptions, which would cause the carrying value of the unit to exceed its recoverable amount.

## 7. Authorised and issued share capital

	2010 £000	2009 £000
Authorised:		
230,000,000 (2009: 80,000,000) ordinary shares of 0.25p each	575	200
	2010 £000	2009 £000
Allotted and called up:		
178,171,007 (2009: 44,837,674) fully paid ordinary shares of 0.25p each	445	112

On 15 June 2009, 133,333,333 new ordinary shares were issued pursuant to a Placing of new ordinary shares at 1.5 pence per share, raising £2 million with costs incurred of £0.08 million. Transaction costs were charged against share premium.

Following the admission of the 133,333,333 ordinary shares to AIM on 16 June 2009, the Company's total issued share capital was 178,171,007 ordinary shares of 0.25 pence each.

## 8. Share based payments

### Share options

During the year ended 30 April 2010, 1,912,551 (2009: 505,320) share options expired when the employees left the Company, and the remaining options lapsed in July 2009 when change of control occurred due to the share issue to Peter Jones.

	Exercise price (pence)	Outstanding as at 30 April 2009	Granted	Cancelled/ expired	Lapsed	Outstanding as at 30 April 2010
<b>Issued 6 March 2007</b>						
Cate Hulme (director until July 2010)	10.25	425,320	-	-	(425,320)	-
<b>Issued 30 April 2008</b>						
Roger Butterworth (director until January 2010)	20.00	1,892,551	-	(1,892,551)	-	-
Cate Hulme (director until July 2010)	20.00	500,000	-	-	(500,000)	-
Steve Muttram (director until June 2010)	20.00	354,879	-	-	(354,879)	-
Frederic Pont (director until July 2010)	20.00	354,879	-	-	(354,879)	-
Employees	20.00	2,292,551	-	-	(2,292,551)	-
<b>Cancelled and reissued 30 April 2008</b>						
Employees	20.00	220,000	-	(20,000)	(200,000)	-
Consultant	20.00	40,000	-	-	(40,000)	-
<b>Issued 290 January 2010</b>						
Anthony Catterson (director)	10.00	-	4,500,000	-	-	4,500,000
		6,080,180	4,500,000	(1,912,551)	(4,167,629)	4,500,000

There were no cash settled share options and no share options were exercised during either year.

On 29 January 2010, further equity settled share options were granted, exercisable at the discretion of the option holder, for up to ten years from issue date:

	Number of shares under option	Exercise price (pence)
Anthony Catterson (director)	4,500,000	10.0

The share options are subject to certain performance criteria and exercisable over the following periods:

	Quantum able to be exercised	Period exercisable
Anthony Catterson (director)	1,125,000	1 September 2010 to 28 January 2020
Anthony Catterson (director)	1,125,000	1 March 2011 to 28 January 2020
Anthony Catterson (director)	1,125,000	1 September 2011 to 28 January 2020
Anthony Catterson (director)	1,125,000	1 March 2012 to 28 January 2020

The fair value of equity settled share options granted is estimated as at the date of the grant using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the year ended 30 April 2010.

	2010
Dividend yield (%)	0
Expected share price volatility (%)	40
Risk free interest rate (%)	1.4
Expected life of option (years)	<u>2</u>

The expected volatility reflects the assumption that the AIM index is indicative of future trends, which may also not necessarily be the actual outcome.

The expense to the profit and loss account during the year ended 30 April 2010 was £20,000 (2009: £nil).

The weighted average exercise price is 10.0 pence (2009: 19.32 pence) for the 4,500,000 shares (2009: 6,080,179) under option at 30 April 2010.

The weighted average exercise price of the shares expired during the year ended 30 April 2010 was 20.0 pence (2009: 28.62 pence) for the 1,912,551 (2009: 505,320) shares expired in the year.

The weighted average exercise price of shares granted during the year ended 30 April 2010 was 10 pence for the year 4,500,000 options granted in the year. There were no share options granted during the year ended 30 April 2009.

#### **Warrants**

On 4 April 2007, a warrant to subscribe for 403,539 0.25p ordinary shares at 58p each was issued to Cenkos Securities plc, the Company's Nominated Advisor and Broker. The transaction has been measured at the fair value of the equity instruments (as set out above) as there was no additional service performed in exchange for these options. The fair value of this award was not material.

On 30 October 2007, a warrant to subscribe for 1,000,000 0.25p ordinary shares at par was issued to O2, in the event that any of the stage payments under the Asset Agreement signed the same day, were late. The earliest available date for exercise is 5 February 2008 and latest is 15 August 2008. The transaction has been measured at the fair value of the service received in the form of a loan at £62,000. These warrants have expired during the year ended April 2009, since the consideration under the Asset Agreement was repaid in full.

## 9. Related party transactions

### **Data Select Limited**

Data Select, one of the Group's suppliers, is a subsidiary of Phones International Group Limited, which is ultimately owned by Peter Jones, who obtained a controlling shareholding in eXpansys plc in June 2009. Stephen Vincent, director of eXpansys plc, is also a director of Data Select Limited.

In March 2009, a credit facility was agreed between eXpansys UK Limited with Data Select Limited for up to £1.25 million. The facility is secured by way of a fixed and floating charge debenture between the eXpansys UK Limited and Data Select and is guaranteed by eXpansys plc. The Directors, having consulted with Cenkos Securities plc as the Company's Nominated Adviser, consider the terms of this transaction are fair and reasonable insofar as the Company's Shareholders are concerned. In being consulted, Cenkos Securities has relied on the Directors' commercial assessment of the transaction.

Since the share issue in June 2009, purchases of products and services from Data Select Limited amounted to £5,896,000 and £367,000 respectively and sales to Data Select Limited amounted to £437,000.

At 30 April 2010, the amount owed to Data Select Limited was £2,633,000.

### **P J Media Limited**

Following the share issue in June 2009, P J Media Limited, became a related party, since it is ultimately controlled by Peter Jones, who obtained a controlling interest in eXpansys plc in June 2009. Stephen Vincent, director of eXpansys plc, is also a director of P J Media Limited.

Since that date, purchases of products and services from P J Media Limited amounted to £4,300.

At 30 April 2010, the amount owed to P J Media Limited was £nil.

### **SCI CAP70**

The French subsidiary, eXpansys Nomatica SAS, leases its premises in Montpellier from SCI CAP70, a company owned by Frederic Pont (director until July 2010) and Roger Butterworth (director who resigned 28 January 2010) amongst others. The directors believe that the lease is on arms length commercial terms.

The lease commenced on 1 January 2007, lasts for nine years with a break clause at 31 December 2009 and 31 December 2012 and rent is 232,000 Euros pa, payable quarterly in advance.

### **R Butterworth**

During the year, a loan was outstanding to Roger Butterworth, director until January 2010.

	2010 £000	2009 £000
As at 1 May	-	-
Additional funds from Company	11	-
Repayment to the Company	(11)	-
	<hr/>	<hr/>
Amount outstanding at 30 April	-	-
	<hr/>	<hr/>

The highest balance outstanding during the year was £11,000 (2009: £nil).

### **Lively View Limited**

A payment was made of £11,000 in December 2009 to Lively View Limited, a company incorporated in Hong Kong. The Company understands that the sole shareholder and director of Lively View Limited is Roger Butterworth, director of eXpansys plc until January 2010.

## 10. Ultimate controlling party

In the opinion of the directors, the controlling party of eXpansys plc has been Peter Jones since the share issue in June 2009.

## 11. Additional cash flow information

### (a) Analysis of Group net debt

	At 1 May 2009 £000	Cash flow £000	New finance lease £000	At 30 April 2010 £000
Cash at bank and in hand	405	519	-	924
Bank overdrafts	(89)	89	-	-
	<hr/> 316	<hr/> 608	<hr/> -	<hr/> 924
Finance leases	(132)	104	(20)	(48)
Bank loans	(230)	61	-	(169)
	<hr/> (46)	<hr/> 773	<hr/> (20)	<hr/> 707

	At 1 May 2008 £000	Cash flow £000	New finance lease £000	At 30 April 2009 £000
Cash at bank and in hand	2,179	(1,774)	-	405
Bank overdrafts	(1,866)	1,777	-	(89)
	<hr/> 313	<hr/> 3	<hr/> -	<hr/> 316
Finance leases	(299)	167	-	(132)
Bank loans	(222)	(8)	-	(230)
	<hr/> (208)	<hr/> 162	<hr/> -	<hr/> (46)

### (b) Cash flows relating to operating exceptional items

Net cash flow from operating activities includes the following exceptional cash flows:

	2010 £000	2009 £000
Costs in relation to redundancies in eXpansys UK and eXpansys Inc	-	179
Cost of UK warehousing reorganisation	-	210
	<hr/> -	<hr/> 389

**For further information, please contact:**

**eXpansys plc**

Anthony Catterson, CEO

Tim Eltze, COO and Company Secretary

**Cenkos Securities plc**

Stephen Keys/Camilla Hume

**M:Communications**

Nick Miles/Ben Simons

Investor relations website

**Tel: +44 (0) 161 918 3499**

[acatterson@expansys.com](mailto:acatterson@expansys.com)

**Tel: +44 (0) 161 918 3473**

[tim.eltze@expansys.com](mailto:tim.eltze@expansys.com)

**Tel: +44 (0) 20 7397 8926**

[skeys@cenkos.com](mailto:skeys@cenkos.com)

**Tel +44 (0)20 7920 2330**

[miles@mcomgroup.com](mailto:miles@mcomgroup.com)

[www.expansys.plc.uk](http://www.expansys.plc.uk)

**About eXpansys**

eXpansys are a leading online global consumer electronics superstore, operating directly in 50 countries with a vast range of products, a focused approach to service and value for its customers, and a fundamental belief that technology can change peoples lives.