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Pace plc Preliminary Results for the year ended 31 December 2011

Saltaire, UK, 6 March 2012: Pace plc, a leading global developer of technologies and products for PayTV and broadband service providers, today announces its results for the year ended 31 December 2011.

Financial highlights

- Revenues up 11.9% to $2,309.3m (2010 restated[1]: $2,062.9m). Excluding the effect of acquisitions, organic revenue decreased 7.1%.
- Gross margin 19.2% (2010: 19.2%).
- Adjusted EBITA[2] $141.4m (2010 restated: $160.6m) in line with November 2011 guidance (which includes Hard Disk Drive (HDD) supply disruption impact of $9m).
- Adjusted EBITA margin 6.1% (2010: 7.8%).
- Profit before tax $54.7m (2010 restated: $110.2m).
- Basic EPS 13.2c (2010 restated: 26.4c) with Adjusted basic EPS[3] 29.7c (2010 restated: 37.1c).
- Proposed final dividend 2.50c per share, resulting in full year dividend of 3.75c per share (2010 restated: 3.37c).
- Closing net debt[4] $321.7m (2010 restated: $311.1m).

Operating highlights

- Pace maintained its position at the forefront of technological development in the PayTV market as advanced solutions were deployed at its key customers.
- Acquisitions made in 2010 now fully integrated; synergies achieved earlier and greater than anticipated.
- Challenges in 2011 being addressed:
  - Inventory controls strengthened, with inventory of $150.0m at 31 December 2011 (31 December 2010 restated: $222.7m).
  - Pace Europe being re-organised.
  - Gross margin in organic business improved to 17.0% in H2 compared with 15.6% in H1.
- HDD shortage following major flooding in Thailand and will continue to impact 2012, but outlook improved.
- Strategic Review determined that:
  - Markets for meeting the needs of PayTV operators are large, growing and profitable.
  - Growth in Over-the-top (OTT) delivery is complementary to the continued growth of PayTV.
  - Pace's products, new product development and capabilities meet customer needs for innovation.
  - Sharper focus is required to achieve operational cost excellence commensurate with our scale.
  - Pace's deployment of acquired and developed software and services assets should be accelerated.

Commenting on the results, Mike Pulli, Chief Executive Officer said:

"I am pleased to report results in line with the guidance issued in November 2011. Following the Strategic Review and actions subsequently taken there is a clear route to delivering a successful 2012 for Pace.

[1] Restated to reflect the change in presentation currency from Sterling to US Dollars.

[2] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles.

[3] Adjusted basic EPS is based on earnings before the post-tax value of exceptional costs and the amortisation of other intangibles.

[4] Net debt is borrowings net of cash and cash equivalents.

> Our focus on operational improvement and efficiency is already starting to deliver tangible results and will contribute further to our future competitive advantage. We continue to strategically invest in leveraging our technology assets across our markets.
>
> "We are now firmly focused on execution and delivering a fitter, more profitable business with strong cash flow."

2012 outlook

The Board expects 2012 revenues to be broadly flat before the continuing impact of the HDD supply issues. The HDD impact on 2012 EBITA is now estimated at $25m - $35m.

Efficiency improvements have been secured that support achievement of the c.7% underlying EBITA margin target. The short term focus remains on tight operational management, without compromising strategic investments.

The Board is confident of strong cash flow delivery in 2012.

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Pace's Full Year Results Presentation to Analysts will be held at the offices of The Royal Bank of Scotland plc at 250 Bishopsgate, London EC2M 4AA, commencing at 8.45am.

This Full Year Results Presentation will also be available via live audio webcast, commencing at 8.45am. To register for this audio webcast, please go to:
http://www.pace.com/ir

Results Overview

Key highlights of the year

Pace's markets have remained resilient during the year, with PayTV continuing to show growth despite difficult global economic conditions. Overall digital PayTV subscribers are expected to grow c.10% CAGR between 2011 and 2015[5]. OTT delivery is expected to be complementary to continued PayTV growth. PayTV in advanced markets has embraced IP and internet delivery, with next generation 'IP fluent' devices having become a market reality. In addition, home networking technologies such as Wi-Fi are becoming increasingly important, as is the emergence of TV Everywhere technology. Pace is at the forefront of enabling operators to address the opportunities presented by these advanced technologies. Further opportunities exist for Pace in emerging markets as these continue greenfield growth and their conversion to digital.

2011 was a challenging year operationally for Pace, with the Company addressing inventory management issues and reduced profitability in Pace Europe as well as the impact of two major natural disasters. The disruption to HDD supply resulting from flooding in Thailand was a major challenge in the final quarter of 2011 and will continue to impact results during 2012, with the impact to be predominantly felt during the first half of the year. Through keen operational focus, working closely with suppliers and customers, the impact of this issue was contained to $36m of revenue and $9m of operating profit in 2011.

Pace generated 2011 revenues of $2,309.3m, up 12% on 2010 due to the full-year effect of 2010 acquisitions, and adjusted EBITA of $141.4m, equivalent to 6.1% of revenues, down 1.7ppt on 2010. Our Strategic Review highlighted opportunities for improving both the level and quality of our earnings; we are delivering to this plan.

All of the businesses acquired by Pace in 2010 have been successfully integrated, with the related synergies realised ahead of and in excess of our expectations. In particular, the acquisition of 2Wire continues to deliver benefits to the Group, both through increased revenue and profitability and through the technology assets which enable us to offer operators the additional applications and services that consumers are demanding. In the more developed markets in which Pace operates there is a shift towards the use of internet delivery technology for the distribution and viewing of content. The combination of Gateway expertise, acquired with 2Wire and Bewan, and the existing set-top box (STB) technology within Pace provides a strong platform from which to capitalise on these opportunities.

Total revenues in North America increased by 27% to $1,065.1m in 2011, driven by the full year impact of the 2Wire acquisition in October 2010. The PayTV market in North America is the most technologically advanced, characterised by the increasing emergence of whole home STBs and VDSL triple-play gateways, as services demand higher speeds. We believe the digital PayTV market in North America will continue to see low single digit annual growth in subscribers for the foreseeable future.

Total revenues in Latin America increased by 25% to $469.0m in 2011, with strong underlying growth from both satellite and cable operators as Pace continued to experience very high market share in these expanding markets, particularly in Brazil. The Latin America market displays strong subscriber growth and ongoing conversion to digital and is heavily influenced by the US market, showing a strong appetite for High Definition (HD) products.

Revenues in Europe declined by 19% to $457.7m in 2011, driven by a decline in the STB business as Pace ceased retail sales and exited from low margin business in Italy. The market in Europe is characterised by high levels of HD and Personal Video Recorder (PVR) penetration, addition of hybrid services and increasing levels of home networking.

[5] Source: IHS Screen Digest, February 2012

Revenues in the Rest of the World increased by 13% to $317.5m, driven by growth in the STB business. Pace operates in a mixture of developed (notably Australia and New Zealand) and developing markets (including India and sub-Saharan Africa).

Our Strategic Review confirmed that Pace operates in large, profitable and growing markets. It also identified that significant value to shareholders would be delivered through increasing operational excellence and widening out the customer offering to leverage our software and services assets.

Financial review

Income Statement

Revenues of $2,309.3m (2010 restated: $2,062.9m) increased by 12% due to the full year effect of the 2010 acquisitions which contributed $521.3m to revenue. Our organic business saw a 7.1% decrease in revenues, of which 1.9ppt related to HDD supply shortages in Q4; 5.2ppt of the decline reflects ceasing retail sales and exiting low margin business in Europe.

Gross profit of $443.3m (2010 restated: $395.1m) was consistent as a percentage of revenue at 19.2% (2010: 19.2%). Gross margin in the organic business was down 2.3ppt from 2010 at 16.3%, impacted by the profitability issues disclosed in our May Interim Management Statement and the HDD impact in Q4. Gross margin in the acquired businesses improved 1.9ppt to 29.1% of which 0.6ppt was attributable to a non-recurring release of deferred revenue.

Overheads increased by $67.4m to $301.9m (2010 restated: $234.5m) driven by the full year effect of 2010 acquisitions at $92.4m; these were lower than the pro forma full year charge in 2010 due to the operational synergies which were delivered ahead of plan. Overheads in the organic business at $209.4m were 0.7% lower year on year.

Adjusted EBITA was $141.4m (2010 restated: $160.6m), which at 6.1% of sales was down 1.7ppt on 2010.

Exceptional costs of $12.7m arose from the programme to reorganise Pace Europe and the change in CEO.

Amortisation of other intangibles, reflecting a full year charge on assets acquired in 2010, increased to $55.7m (2010 restated: $18.1m). Net financing costs of $18.3m (2010 restated: $2.8m) reflect a full year charge on debt raised in 2010 to fund the acquisitions. Tax was $15.9m (2010 restated: $32.9m) which gave an effective tax rate of 29.1% (2010: 29.9%).

Adjusted basic earnings per share were 29.7c (2010 restated: 37.1c) and basic earnings per share were 13.2c (2010 restated: 26.4c).

Balance Sheet

Goodwill decreased by $2.8m from the previously stated Sterling equivalent at 31 December 2010 to $335.6m as adjustments were made to the provisional fair values of prior year acquisitions within the measurement period.

Intangible development expenditure assets increased by $9.3m primarily as a result of the capitalisation of project costs within the former 2Wire business.

Tangible fixed assets increased by $10.3m as the Group invested $41.5m in additions (2010 restated: $31.5m). The increase from the previous year was mainly due to $12.1m of planned non-recurring capital expenditure on existing and new facilities throughout the Group.

Provisions of $87.0m (2010 restated: $86.8m) include $10.5m in respect of the restructuring plan in France which was announced in November 2011.

Liquidity and cash flows

Net working capital was $178.8m (2010 restated: $115.0m). The increase was due to the lower level of trade and other payables in 2011 compared to 2010, which was partly offset by reductions in both inventory and trade and other receivables.

Year end net debt was $321.7m (2010 restated: $311.1m). During the year two scheduled facility re-payment instalments of $37.5m each were paid in June and December 2011. The remaining facility will be repaid through payments of $37.5m every six months, with a final payment of $75m in 2014.

The Directors are confident that the Company will be strongly cash flow positive in 2012.

The Company's committed bank facilities are more than sufficient to meet short to medium term funding needs and visibility of forward orders for 2012 is good.

Dividend

In line with its progressive dividend policy, the Board has recommend the payment of a final dividend of 2.50c per ordinary share (2010 restated: 2.25c) to be paid on 4 July 2012 to shareholders on the register at the close of business on 8 June 2012. An interim dividend of 1.25c per ordinary share was paid during the year (2010 restated: 1.12c).

Dividends will be paid in sterling equivalent to 1.575 pence per ordinary share. This is based on an exchange rate of £ = $1.587, being the rate applicable on 5 March 2012.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

			Restated
		2011	2010
	Notes	**$m**	$m
Revenue	2	**2,309.3**	2,062.9
Cost of sales		**(1,866.0)**	(1,667.8)
Gross profit		**443.3**	395.1
Administrative expenses:			
Research and development expenditure		**(160.6)**	(120.0)
Other administrative expenses			
Before exceptional costs		**(141.3)**	(114.5)
Exceptional costs	3	**(12.7)**	(29.5)
Amortisation of intangibles		**(55.7)**	(18.1)
Total administrative expenses		**(370.3)**	(282.1)
Operating profit		**73.0**	113.0
Finance income – interest receivable		**0.2**	1.2
Finance expenses – interest payable		**(18.5)**	(4.0)
Profit before tax		**54.7**	110.2
Tax charge	4	**(15.9)**	(32.9)
Profit for the year		**38.8**	77.3
Profit attributable to:			
Equity holders of the Company		**38.8**	77.3
Earnings per ordinary share			
Basic earnings per ordinary share (cents)	5	**13.2**	26.4
Diluted earnings per ordinary share (cents)	5	**12.5**	25.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	Restated 2010
	$m	$m
Profit for the period	**38.8**	77.3
Other comprehensive income:		
Exchange differences on translating foreign operations	**(8.1)**	3.3
Exchange differences on change in presentational currency	**-**	(11.8)
Net change in fair value of cash flow hedges transferred to profit or loss gross of tax	**15.0**	(19.4)
Deferred tax adjustment on above	**(4.0)**	6.2
Effective portion of changes in fair value of cash flow hedges gross of tax	**(8.1)**	14.1
Deferred tax adjustment on above	**2.2**	(4.7)
Other comprehensive income for the period, net of tax	**(3.0)**	(12.3)
Total comprehensive income for the period	**35.8**	65.0
Attributable to:		
Equity holders of the Company	**35.8**	65.0

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2011

	Notes	**2011** **$m**	Restated 2010 $m	Restated 1 Jan 2010 $m
ASSETS				
Non-Current Assets				
Property, plant and equipment		**63.0**	52.7	31.6
Intangible assets – goodwill		**335.6**	335.6	113.3
Intangible assets – other intangibles		**218.0**	273.7	22.5
Intangible assets – development expenditure		**53.9**	44.6	46.2
Deferred tax assets		**67.2**	69.9	10.3
Total Non-Current Assets		**737.7**	776.5	223.9
Current Assets				
Inventories		**150.0**	222.7	140.2
Trade and other receivables		**402.3**	433.4	340.8
Cash and cash equivalents		**48.7**	131.4	118.3
Current tax assets		**4.6**	1.9	4.2
Total Current Assets		**605.6**	789.4	603.5
Total Assets		**1,343.3**	1,565.9	827.4
EQUITY				
Issued capital		**28.3**	28.2	28.2
Share premium		**73.1**	72.6	71.5
Merger reserve		**109.9**	109.9	109.9
Hedging reserve		**2.9**	(2.2)	1.6
Translation reserve		**(52.1)**	(44.0)	(35.5)
Retained earnings		**245.0**	211.4	140.2
Total Equity		**407.1**	375.9	315.9
LIABILITIES				
Non-Current Liabilities				
Other payables		**-**	6.2	3.7
Deferred tax liabilities		**95.7**	108.5	23.7
Provisions	7	**41.6**	43.9	31.1
Borrowings		**147.3**	219.8	-
Total Non-Current Liabilities		**284.6**	378.4	58.5
Current Liabilities				
Trade and other payables		**373.5**	538.4	422.8
Current tax liabilities		**9.6**	7.6	6.9
Provisions	7	**45.4**	42.9	23.3
Borrowings		**223.1**	222.7	-
Total Current Liabilities		**651.6**	811.6	453.0
Total Liabilities		**936.2**	1,190.0	511.5
Total Equity and Liabilities		**1,343.3**	1,565.9	827.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group	Share capital $m	Share premium $m	Merger reserve $m	Hedging Reserve $m	Translation reserve $m	Retained earnings $m	Total equity $m
Balance at January 2010 (restated)	**28.2**	**71.5**	**109.9**	**1.6**	**(35.5)**	**140.2**	**315.9**
Profit for the year	-	-	-	-	-	77.3	77.3
Other comprehensive income	-	-	-	(3.8)	(8.5)	-	(12.3)
Total comprehensive income for the year	**-**	**-**	**-**	**(3.8)**	**(8.5)**	**77.3**	**65.0**
Transactions with owners:							
Deferred tax on share options	-	-	-	-	-	(2.2)	(2.2)
Dividends to equity shareholders	-	-	-	-	-	(8.0)	(8.0)
Employee share incentive charges	-	-	-	-	-	9.4	9.4
Movement in employee share trusts	-	-	-	-	-	(5.3)	(5.3)
Issue of shares	-	1.1	-	-	-	-	1.1
Balance at December 2010 (restated)	**28.2**	**72.6**	**109.9**	**(2.2)**	**(44.0)**	**211.4**	**375.9**
Profit for the year	-	-	-	-	-	38.8	38.8
Other comprehensive income	-	-	-	5.1	(8.1)	-	(3.0)
Total comprehensive income for the year	**-**	**-**	**-**	**5.1**	**(8.1)**	**38.8**	**35.8**
Transactions with owners:							
Deferred tax on share options	-	-	-	-	-	(2.9)	(2.9)
Dividends to equity shareholders	-	-	-	-	-	(10.1)	(10.1)
Employee share incentive charges	-	-	-	-	-	7.8	7.8
Issue of shares	0.1	0.5	-	-	-	-	0.6
Balance at December 2011	**28.3**	**73.1**	**109.9**	**2.9**	**(52.1)**	**245.0**	**407.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 **$m**	Restated 2010 $m
Cash flows from operating activities		
Profit before tax	**54.7**	110.2
Adjustments for:		
Share based payments charge	**7.8**	9.4
Depreciation of property, plant and equipment	**29.0**	16.3
Amortisation of development expenditure	**47.9**	52.0
Amortisation of other intangibles	**55.7**	18.1
Loss on sale of property, plant and equipment	**1.6**	0.5
Net finance expense	**18.3**	2.8
Movement in trade and other receivables	**30.3**	(15.6)
Movement in trade and other payables	**(170.2)**	(23.4)
Movement in inventories	**72.2**	(32.2)
Movement in provisions	**2.7**	(0.3)
Cash generated from operations	**150.0**	137.8
Interest paid	**(13.8)**	(2.8)
Tax paid	**(29.7)**	(39.2)
Net cash generated from operating activities	**106.5**	95.8
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	**(6.4)**	(422.4)
Purchase of property, plant and equipment	**(41.5)**	(30.5)
Development expenditure	**(57.0)**	(56.9)
Interest received	**0.2**	1.2
Net cash used in investing activities	**(104.7)**	(508.6)
Cash flows from financing activities		
Proceeds from external borrowings	**-**	442.5
Repayment of long-term debt	**(75.0)**	-
Proceeds from issue of share capital	**0.6**	1.1
Dividend paid	**(10.1)**	(8.0)
Purchase of own shares by employee benefit trust	**-**	(5.3)
Net cash (used in) / generated from financing activities	**(84.5)**	430.3
Net change in cash and cash equivalents	**(82.7)**	17.5
Cash and cash equivalents at the start of the period	**131.4**	118.3
Effect of exchange rate fluctuations on cash held	**-**	(4.4)
Cash and cash equivalents at the end of the year	**48.7**	131.4

NOTES

1 Basis of preparation and business environment

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of derivative instruments.

Change in functional currency

IAS 21, 'The Effects of Changes in Foreign Exchange Rates', describes functional currency as "the currency of the primary economic environment in which an entity operates". The Group and Company incur and source a significant majority of revenues and costs in US dollars.

A change in functional currency reflects the accumulation over time of those factors which are the main determinants of functional currency. Having considered the aggregate effect of all relevant factors, the Directors concluded that this point was reached in the first quarter of 2011, following the integration of 2Wire Inc into the Pace Group. Accordingly, the Directors determined that the functional currency of Pace plc had changed to US Dollars ("USD") from 1 January 2011.

In accordance with IAS 21 this change has been accounted for prospectively from this date.

Change in presentation currency

From 1 January 2011 the Group also changed its presentation currency to US dollars. Comparative information has been restated in US dollars in accordance with the guidance defined in IAS 21. The 2010 financial statements and associated notes have been retranslated from pounds sterling to US dollars using the procedures outlined below:

- Assets and liabilities were translated into US dollars at closing rates of exchange at 31 December 2010 and opening rates of exchange at 1 January 2010.
- Trading results were translated into US dollars at the rates of exchange prevailing at the dates of transaction, or average rates where they are a suitable proxy.
- Share capital, share premium and other capital reserves were translated at the historic rates prevailing at the dates of transactions.
- Differences resulting from the retranslation of the opening net assets and the results for the year have been taken to reserves.

Significant judgements, key assumptions and estimation uncertainty

The Group's main accounting policies affecting its results of operations and financial condition are set out in the Group's financial statements. Judgements and assumptions have been required by management in applying the Group's accounting policies in many areas. Actual results may differ from the estimates calculated using these judgements and assumptions. Key areas of estimation uncertainty and critical accounting judgements are as follows:

Warranties

Pace provides product warranties for its products. Although it is difficult to make accurate predictions of potential failure rates or the possibility of an epidemic failure, as a warranty estimate must be calculated at the outset of a product before field deployment data is available, these estimates improve during the lifetime of the product in the field.

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The level of warranty provision required is reviewed on a product by product basis and provisions adjusted accordingly in the light of actual performance.

Royalties
Pace's products incorporate third party technology, usually under licence. Inadvertent actions may expose Pace to the risk of infringing third party intellectual property rights. Potential claims can still be submitted many years after a product has been deployed. Any such claims are always vigorously defended.

A provision for royalties is recognised where the owners of patents covering technology allegedly used by the Group have indicated claims for royalties relating to the Group's use (including past usage) of that technology. Having taken legal advice, the board considers that there are defences available that should mitigate the amounts being sought. The Group will vigorously negotiate or defend all claims but, in the absence of agreement, the amounts provided may prove to be different from the amounts at which the potential liabilities are finally settled. The provision is based on the latest information available.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. 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. The Board of Directors has determined that, based on its current internal reporting framework and management structure, it has three reportable segments.

Such determination is necessarily judgmental in its nature and has been determined for the preparation of the financial statements. The level of disclosure of segmental and other information is determined by such assessment. Further details of the considerations made and the resulting disclosures are provided in note 2.

Intangible assets
The Group business includes a significant element of research and development activity. Under accounting standards, principally IAS 38 'Intangible Assets', there is a requirement to capitalise and amortise development spend to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalised costs, together with the selection of amortisation periods appropriate to the life of the associated revenues from the product.

Going concern
The Group has borrowing facilities in place until March 2014. At 31 December 2011 these are in the form of a $225m term loan which is subject to repayment through instalments of $37.5m each, due every six months plus a final payment of $75m, and a $150m revolver credit facility. These facilities are subject to financial performance covenants which the Group currently complies with.

The Group has prepared a financial and working capital forecast based upon trading assumptions and other short term and medium term plans. The Group has sensitised these plans for a number of potential scenarios and has concluded that the Group will continue to meet its financial performance covenants and will have adequate working capital available to continue in operational existence for the foreseeable future.

Financial information
The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2011 or 2010 or, in reference to the presentation of a third balance sheet, 2009 but is derived from these accounts. Statutory accounts for 2009 and 2010 have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2 Segmental analysis

In accordance with IFRS 8 “Operating Segments”, the chief operating decision-maker (“CODM”) has been identified as the Board of Directors which reviews internal monthly management reports, budget and forecast information to evaluate the performance of the business and make decisions.

During the year the Group changed how it determines operating segments following the continued integration of prior year acquisitions. Segmental information is now provided on the basis of Strategic Business Unit (“SBU”) areas, being the basis on which the Group manages its worldwide interests. This assessment was made based on the current internal reporting framework and management structure, following the conclusion of the Strategic Review announced by the Chairman in 2011.

The Group has the following reportable segments:

- Pace Americas
- Pace Europe
- Pace Enterprise
- Unallocated

Unallocated amounts include central and unallocated revenue, costs and other immaterial SBUs, which are operating segments that are aggregated.

Reconciliations between Pace Americas, Pace Europe, Pace Enterprise and the geographical revenue disclosure given are not possible, due to the different revenue streams which sit under each reportable segment.

Performance is measured based on segmental EBITA before exceptional items, as included in the internal management information which is reviewed by the CODM. EBITA before exceptional items is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments, relative to other entities that operate within these industries.

Revenues disclosed below materially represent revenues to external customers and where appropriate, pricing is determined on an arm’s length basis. There are no material Inter-segment transactions.

The tables below present segmental information on the revised basis, with prior periods amended to conform to the current period presentation.

Year ended 31 December 2011	**Pace Americas $m**	**Pace Europe $m**	**Pace Enterprise $m**	**Unallocated $m**	**Total $m**
Segmental income statement					
Revenues	1,350.6	871.8	54.0	32.9	2,309.3
EBITA before exceptional items	157.9	68.3	(12.1)	(72.7)	141.4
Exceptional items					(12.7)
Amortisation					(55.7)
Interest					(18.3)
Tax					(15.9)
Profit for the year					38.8

Year ended 31 December 2010 (restated)	**Pace Americas $m**	**Pace Europe $m**	**Pace Enterprise $m**	**Unallocated $m**	**Total $m**
Segmental income statement					
Revenues	1,120.6	918.8	21.0	2.5	2,062.9
EBITA before exceptional items	146.7	85.7	(7.4)	(64.4)	160.6
Exceptional items					(29.5)
Amortisation					(18.1)
Interest					(2.8)
Tax					(32.9)
Profit for the year					77.3

Major customers

Transactions with the Group's largest customers represented 27% (2010: 17%) of the Group's total revenues and are disclosed within the Pace Americas reporting segment.

Geographical analysis

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Revenue by destination	**2011 $m**	Restated 2010 $m
Europe	**457.7**	568.2
North America	**1,065.1**	838.9
Latin America	**469.0**	375.6
Rest of World	**317.5**	280.2
	2,309.3	2,062.9

Segment assets are based on the geographical location of the assets. The split of non-current assets by location is as follows:

Non-current assets	**2011 $m**	Restated 2010 $m
Europe	**249.6**	252.5
Latin America	**5.4**	-
North America	**412.6**	445.6
Rest of World	**2.9**	8.5
	670.5	706.6

Non-current assets relate to property, plant and equipment and intangible assets, and, as required under IFRS 8, exclude deferred tax assets, financial instruments and post-employment benefit assets.

The Group has three main revenue streams, being Set-top boxes (“STB”), Gateways and Software and Services. These revenue streams arise in each operating segment and are not defined by geographical locations. The following table provides an analysis of the Group’s revenue streams according to those classifications.

In 2010 the majority of revenues were derived from the provision of STBs and disclosure of other revenue streams was not considered necessary based on their nature.

Following the acquisitions in 2010, further disclosure is now considered appropriate.

	2011 **$m**	2010 $m
Set-top boxes	**1,775.4**	1,935.9
Gateways	**433.5**	107.4
Software & Services	**100.4**	19.6
	2,309.3	2,062.9

3 Exceptional items

	2011 **$m**	Restated 2010 $m
Restructuring and reorganisation costs	**11.1**	16.1
Director’s loss of office	**1.6**	-
Acquisition transaction costs	**-**	9.1
Retail business exit costs	**-**	4.3
	12.7	29.5

The restructuring and reorganisation costs relate to a restructuring programme within the Group, which was announced in November 2011 and represent the costs of redundancy and associated professional fees.

4 Taxation

	2011 **$m**	Restated 2010 $m
Current tax charge:		
Charge for the year	**28.8**	43.6
Adjustments in respect of prior years	**(1.3)**	(0.8)
Total current tax charge	**27.5**	42.8
Deferred tax credit:		
Origination and reversal of timing differences in the current year	**(9.0)**	(9.9)
Impact of change in tax rate	**(1.1)**	-
Adjustment in respect of prior years	**(1.5)**	-
Total deferred tax credit	**(11.6)**	(9.9)
Total tax charge	**15.9**	32.9

During the year, as a result of the change in the Corporation tax rate from 28% to 25%, that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured.

Deferred tax expected to reverse in the future has been measured using the effective rate that will apply for the period (25%). Further reductions to the Corporation tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

5 Earnings per ordinary share

	2011	Restated 2010
Basic earnings per ordinary share	**13.2c**	26.4c
Diluted earnings per ordinary share	**12.5c**	25.0c
Adjusted basic earnings per ordinary share	**29.7c**	37.1c
Adjusted diluted earnings per ordinary share	**28.1c**	35.2c

The calculation of basic earnings per share is based on a profit after tax of $38.8m (2010 restated: $77.3m) divided by the weighted average number of ordinary shares in issue of 294,189,977 (2010: 293,700,084), excluding shares held by the Employee Benefits Trust.

	2011	2010
Number of shares (million)		
Weighted average number of ordinary shares in issue during the year	**294.2**	293.7
Dilutive effect of options outstanding	**16.8**	15.5
Diluted weighted average number of ordinary shares in issue during the year	**311.0**	309.2

Diluted earnings per ordinary share varies from basic earnings per ordinary share due to the effect of the notional exercise of outstanding share options.

To better reflect underlying performance, adjusted earnings per share is also calculated (adjusting profit after tax to remove amortisation of other intangibles and exceptional items, post tax). The earnings amount is calculated as follows:

	2011 $m	Restated 2010 $m
Profit after tax	**38.8**	77.3
Amortisation charge	**55.7**	18.1
Tax effect of above	**(16.2)**	(6.0)
Exceptional items	**12.7**	29.5
Tax effect of above	**(3.7)**	(9.9)
Adjusted profit after tax	**87.3**	109.0

6 Dividend per ordinary share

	2011		Restated 2010	
	Per share	**$m**	Per share	$m
2010 Final: paid 6 July 2011	**2.25c**	**6.6**	1.55c	4.7
2011 Interim: paid 9 December 2011	**1.25c**	**3.5**	1.12c	3.3
	3.50c	**10.1**	2.67c	8.0

In addition, the directors are proposing a final dividend for 2011 of 2.50 cents per share. This will be payable on 4 July 2012 to shareholders on the register at 8 June 2012, subject to approval by shareholders at the forthcoming Annual General Meeting, and has not been included as a liability in these financial statements.

7 Provisions

	Royalties under negotiation $m	**Warranties $m**	**Other $m**	**Total $m**
At 31 December 2009 (restated)	17.5	31.4	5.5	54.4
Acquisitions	-	5.6	-	5.6
Net charge for the year	6.8	31.0	23.3	61.1
Utilised	(8.7)	(21.1)	(1.6)	(31.4)
Exchange adjustments	(0.6)	(1.8)	(0.5)	(2.9)
At 31 December 2010 (restated)	**15.0**	**45.1**	**26.7**	**86.8**
Net charge for the year	8.1	14.7	11.9	34.7
Utilised	(2.9)	(24.7)	(8.5)	(36.1)
Transfer	0.6	-	0.1	0.7
Exchange adjustments	-	0.7	0.2	0.9
At 31 December 2011	**20.8**	**35.8**	**30.4**	**87.0**
Due within one year	-	18.2	27.2	45.4
Due after one year	20.8	17.6	3.2	41.6

Other provisions relate to retirement and exceptional restructuring provisions within Pace Europe and deferred consideration in relation to the Latens acquisition.

8 Acquisitions

Business combinations in the year ended 31 December 2011
There has been no business combinations in the year ended 31 December 2011.

Business Combinations in the year ended 31 December 2010
During the year ended 31 December 2010 the Group acquired the following businesses:

- Bewan Systems SA
- 2Wire, Inc.
- Latens Systems Limited

The following adjustments have been made to the net assets acquired within the adjustment period for 2Wire, Inc. and Latens Systems Limited during the year ended 31 December 2011.

- $3.2m reduction of Goodwill in respect of adjustments to the provisional fair value of deferred revenue in 2Wire;
- $6.9m reduction of Goodwill in respect of tax losses brought forward in 2Wire which were found to be recognisable;
- $6.9m addition to Goodwill in respect of an adjustment to the deferred tax calculation on other timing differences; and
- $0.4m addition to Goodwill in respect of Trade Receivables within Latens which were found to be unrecoverable.

The balance sheet at 31 December 2010 included deferred and contingent consideration payable of $3.6m in respect of Bewan Systems SA, of which $3.6m has been paid during the year; and $15.5m in respect of Latens Systems Limited, of which $nil has been paid during the year.

9 Free cash flow and cash investment in acquisitions

		Restated
	2011	2010
	$m	$m
Free cash flow		
Cash generated from operations	**150.0**	137.8
Tax paid	**(29.7)**	(39.2)
Purchase of property, plant and equipment	**(41.5)**	(30.5)
Development expenditure	**(57.0)**	(56.9)
Exceptional expenditure paid in the year	**14.3**	16.8
Acquisitions working capital increase from date of acquisition to year end	**-**	31.0
Free cash flow	**36.1**	59.0

		Restated
	2011	2010
	$m	$m
Cash investment in acquisitions in the year		
Acquisition of subsidiaries, net of cash acquired	**(6.4)**	(422.4)
Acquisitions working capital increase from date of acquisition to year end	**-**	(31.0)
Cash investment in acquisitions in the year	**(6.4)**	(453.4)

Circulation to shareholders

The Annual Report and Accounts will be made available in due course to Pace shareholders via Pace's website (www.pace.com) unless a shareholder has requested to receive a printed copy. The Annual Report and Accounts will be available to the public from the Company's registered office at Pace plc, Victoria Road, Saltaire, West Yorkshire, BD18 3LF.