Prime Active Capital

PRIME ACTIVE CAPITAL plc
INTERIM FINANCIAL INFORMATION
(UNAUDITED)

30 JUNE 2009

FINANCIAL AND OPERATING HIGHLIGHTS

- Revenue growth of 66% from continuing operations after currency translation
- PAC Telemedia revenue up by 177% on a constant currency basis and 218% after currency translation
- Operating loss pre-exceptionals down 31% at €1.8 million compared with an operating loss of €2.7 million in 2008, as the US operations progress through their start-up phase
- A much more stable business is now in place in the US with a significant improvement in performance recorded in the second quarter as compared with the first quarter

	H1 2009	H1 2008
	€'000	€'000
Revenue		
PAC Digimedia – continuing operations	**4,869**	5,572
PAC Telemedia – continuing operations	**9,145**	2,874
	14,014	8,446
PAC Digimedia – discontinued operations(1)	**-**	10,284
	14,014	18,730
Group loss for the period		
PAC Digimedia operating profit – continuing operations	**79**	15
PAC Telemedia operating loss – continuing operations	**(1,429)**	(1,960)
Centre costs – continuing operations(2)	**(486)**	(710)
Operating loss from continuing operations	**(1,836)**	(2,655)
Exceptional items, interest, tax and other charges(3)	**(298)**	(2,546)
Loss after tax and exceptional items	**(2,134)**	(5,201)
Profit after tax and exceptional items – discontinued operations(1)	**-**	361
	(2,134)	(4,840)
	€ cent	€ cent
Basic (loss)/earnings per share		
Loss per share (cent) – continuing operations	**(9.14)**	(21.40)
Earnings per share (cent) – discontinued operations(1)	**-**	1.60
	(9.14)	(19.80)
Adjusted (loss)/earnings per share(4)		
Adjusted loss per share (cent) – continuing operations	**(8.10)**	(10.32)
Adjusted earnings per share (cent) – discontinued operations(1)	**-**	1.60
	(8.10)	(8.72)

(1) the results of the plastic cards operations, within the PAC Digimedia division, discontinued in 2008, have been disclosed separately
(2) before exceptional items of €0.236 million in 2009 and €2.514 million in 2008
(3) includes exceptional items per note 5, net finance costs of €0.046 million and income tax charge of €0.016 million
(4) adjusted earnings per share excludes exceptional items per note 5 in both 2009 and 2008

CHAIRMAN'S STATEMENT

Overview

In the latter months of the first half (H1) of this trading year we saw demand start to rise and there has been a marked improvement across all our businesses. In part this is due to better trading conditions and in part to significant cost reductions put through towards the end of last year. Lately we are seeing both revenue growth and margin improvement. The current year started as the last year finished with weak demand for the Groups services and products while the full rigour of the cost reduction programme began to have effect.

The revenue of the Group increased by 66% in H1 this year, to €14 million, from €8.4 million for continuing businesses in the first six months of last year. The operating loss before exceptional costs for the same period was reduced by 31% to €1.84 million from €2.66 million. The underlying trend is better than this, as last year we were going into a trough that saw increased trading losses in H2 when the recession in the USA and UK became more severe, whereas this year, while the economic backdrop is still difficult, we are coming out of that trough and seeing improvements in our businesses.

PAC Digimedia

The year started weakly for Bell & Bain but business has improved over the last few months and the company is now achieving budgeted profitability for the year to date. While divisional turnover has fallen by 13% in H1 compared to H1 last year this has largely been exchange difference. The gross margin has contracted but cost reductions have enabled EBITDA (earnings before taxation, depreciation and amortisation) to increase from 8.5% to 10% of turnover and the operating profit margin to improve.

There has been a much reduced requirement for capital investment with only €7,000 invested this year compared to €2.1 million in H1 last year. The capital spend of the last couple of years has left the factories well specified for efficient production and this is proving to be an advantage in these very tough economic conditions. Top Copy is sub-scale and loss making.

The companies are currently at an advanced stage of negotiation for disposal.

PAC Telemedia

The Telemedia business in the US has increased its revenue by 218% from €2.9 million in H1 last year to €9.1 million in H1 this year, and should carry this momentum into the second half of the year. The operating losses of H1 last year were €1.96 million, and this was reduced by 27% to €1.43 million for H1 this year. The improvement in the business is understated by this simple comparison as the second half last year saw Telemedia operating losses before exceptional items touch €3 million.

We opened a further 20 new stores in undeveloped territory in Texas in the second half of last year just as the US economy took a severe down turn. The start-up costs in this new territory and the losses of other recently opened stores combined with the very necessary programme of cost cutting to deliver a second half loss as outlined in the following paragraph.

Telemedia operating profit performance by quarter (before exceptionals)

Tracking the last six quarters shows an improving picture as stores mature and the costs reduce, but we have still much to do to develop our retail offering, particularly in Texas.

		€'000
2008	**Q1**	(801)
	Q2	(1,159)
	Q3	(1,236)
	Q4	(1,763)
2009	**Q1**	(969)
	Q2	(460)

The second half of 2009 should be a stronger trading period. We continue to change out weaker stores, and in September 2009 we are acquiring two more existing stores to bring the total in Georgia/Alabama to 54 and, including Texas, 69 stores overall. We continue due diligence on an acquisition opportunity for up to another 47 stores for the year end, and this would be acquired using internal resources.

Media Square plc

This continues to be a problematic investment for the Group. It had promise as a base for working with management to grow a successful business, but has been managed under a laboured turnaround which has now seen three years of broker downgrades and profit warnings under the current leadership. There is much heralding of a turnaround but in reality it is forecasting losses at the half year this year after a second half last year when profits collapsed.

We have offered to help, but that assistance has been refused. This business is a harbinger of economic cycle change though, and if conditions continue to improve then even Media Square plc should benefit from that. We remain a committed long term investor with the business and will continue to take a close interest in what it does.

Closing comments

This has been an eventful period in which to build a new retail business from scratch and the economic backdrop has provided severe challenges to all the operations of the Group. The business continues to improve.

Peter E. Lynch
Executive Chairman
17 September 2009.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Unaudited 6 months ended 30 June 2009			Unaudited 6 months ended 30 June 2008		
	Notes	**Pre-exceptionals €'000**	**Exceptionals note 5 €'000**	**Total €'000**	Pre-exceptionals €'000	Exceptionals note 5 €'000	Total €'000
Continuing operations							
Revenue	4	**14,014**	**-**	**14,014**	8,446	-	8,446
Cost of sales		**(9,493)**	**-**	**(9,493)**	(6,355)	-	(6,355)
Gross profit		**4,521**	**-**	**4,521**	2,091	-	2,091
Selling and distribution costs		**(1,799)**	**-**	**(1,799)**	(248)	-	(248)
Administration expenses		**(4,558)**	**(236)**	**(4,794)**	(4,387)	(407)	(4,794)
Other losses		**-**	**-**	**-**	(111)	(2,107)	(2,218)
Operating loss	4	**(1,836)**	**(236)**	**(2,072)**	(2,655)	(2,514)	(5,169)
Finance costs		**(75)**	**-**	**(75)**	(104)	-	(104)
Finance income		**29**	**-**	**29**	111	-	111
Loss before tax		**(1,882)**	**(236)**	**(2,118)**	(2,648)	(2,514)	(5,162)
Income tax charge		**(16)**	**-**	**(16)**	(39)	-	(39)
Loss for the period from continuing operations		**(1,898)**	**(236)**	**(2,134)**	(2,687)	(2,514)	(5,201)
Discontinued operations							
Profit for the period from discontinued operations after tax				**-**			361
Loss for the period				**(2,134)**			(4,840)
Attributable to:							
Equity shareholders				**(2,073)**			(4,492)
Minority interest				**(61)**			(348)
				(2,134)			(4,840)
(Loss)/earnings per ordinary share (€ cent)							
- basic and diluted continuing operations	6			**(9.14c)**			(21.40c)
- basic and diluted discontinuing operations	6			**-**			1.60c
- basic and diluted continuing and discontinued operations	6			**(9.14c)**			(19.80c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Unaudited 6 months ended 30 June 2009 €'000	Unaudited 6 months ended 30 June 2008 €'000
Loss for the period	**(2,134)**	(4,840)
Other comprehensive income:		
Exchange movement	**730**	(1,826)
Net change in available-for-sale financial assets	**-**	495
Total comprehensive expense for the period	**(1,404)**	(6,171)
Attributable to:		
Equity holders of the Company	**(1,343)**	(5,823)
Minority interest	**(61)**	(348)
	(1,404)	(6,171)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Unaudited 6 months ended 30 June 2009 €'000	Unaudited 6 months ended 30 June 2008 €'000	Audited year ended 31 Dec. 2008 €'000
Assets			
Current assets			
Inventories	**2,330**	2,810	1,779
Trade and other receivables	**4,066**	7,570	4,587
Available-for-sale financial assets	**-**	3,843	-
Cash and cash equivalents	**2,152**	3,458	4,146
	8,548	17,681	10,512
Non-current assets			
Property, plant and equipment	**7,188**	12,070	7,244
Intangible assets	**6,472**	2,941	6,472
Available-for-sale financial assets	**1,181**	-	1,057
	14,841	15,011	14,773
Total assets	**23,389**	32,692	25,285
Liabilities			
Current liabilities			
Trade and other payables	**4,563**	7,405	4,708
Current income tax liabilities	**233**	382	216
Borrowings	**751**	2,526	712
Provisions for other liabilities and charges	**201**	579	590
	5,748	10,892	6,226
Non-current liabilities			
Trade and other payables	**511**	-	527
Borrowings	**1,057**	3,052	1,263
Deferred income tax liabilities	**591**	558	529
Retirement benefit obligations	**240**	-	240
Provisions for other liabilities and charges	**322**	1,051	328
	2,721	4,661	2,887
Total liabilities	**8,469**	15,553	9,113
Net assets	**14,920**	17,139	16,172
Equity			
Ordinary shares	**11,341**	11,341	11,341
Share premium	**16,444**	16,444	16,444
Other reserves	**(819)**	(1,077)	(1,701)
Retained earnings	**(12,260)**	(9,825)	(10,187)
Minority interest in equity	**214**	256	275
Total equity	**14,920**	17,139	16,172

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital	**Share premium reserve**	**Other Reserves**	**Retained Earnings**	**Total attributable to shareholders**	**Minority Interest**	**Total Equity**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2009	**11,341**	**16,444**	**(1,701)**	**(10,187)**	**15,897**	**275**	**16,172**
Total comprehensive income for the period	**-**	**-**	**730**	**(2,073)**	**(1,343)**	**(61)**	**(1,404)**
Fair valuation of warrants	**-**	**-**	**152**	**-**	**152**	**-**	**152**
At 30 June 2009	**11,341**	**16,444**	**(819)**	**(12,260)**	**14,706**	**214**	**14,920**

	Share Capital	Share premium reserve	Other Reserves	Retained Earnings	Total attributable to shareholders	Minority Interest	Total Equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2008	11,341	16,444	342	(5,828)	22,299	275	22,574
Total comprehensive income for the period	-	-	(1,331)	(4,492)	(5,823)	(348)	(6,171)
Movement in minority interest	-	-	-	-	-	329	329
Fair valuation of warrants	-	-	407	-	407	-	407
At 30 June 2008	11,341	16,444	(582)	(10,320)	16,883	256	17,139

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Notes	**Unaudited 6 months ended 30 June 2009 €'000**	Unaudited 6 months ended 30 June 2008 €'000
Operating activities			
Cash generated from operations	7(a)	**(1,745)**	(1,575)
Net cash (outflow) from operating activities		**(1,745)**	(1,575)
Investing activities			
Purchase of property, plant and equipment		**(89)**	(3,419)
Interest received		**29**	116
Purchase of available-for-sale financial assets		**-**	(5,141)
Net cash (outflow) from investing activities		**(60)**	(8,444)
Financing activities			
New asset finance obligations		**-**	1,934
Repayments of borrowings		**-**	(732)
Capital element of finance lease rental payments		**(380)**	(598)
Interest paid		**(13)**	(133)
Finance lease interest		**(62)**	(93)
Other grants		**65**	662
Net cash (outflow)/inflow from financing activities		**(390)**	1,040
Net decrease in cash and cash equivalents		**(2,195)**	(8,979)
Cash and cash equivalents at beginning of period		**4,146**	13,191
Effect of exchange rate changes		**201**	(754)
Cash and cash equivalents at end of period		**2,152**	3,458

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

The Company is a public limited company listed on the Irish Enterprise Exchange (IEX) in Dublin and on the Alternative Investment Market (AIM) in London.

The consolidated interim financial statements, presented for the six month period ended 30 June 2009, comprise the Company and its subsidiaries (together the "Group").

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The interim results for the period ending 30 June 2009 have been prepared in accordance with the AIM Rules and in accordance with the accounting policies that the Group expects to adopt for the year ending 31 December 2009. Except as otherwise described, these accounting policies are consistent with the principal accounting policies which were set out in the Group's consolidated financial statements for the year ending 31 December 2008. The principal accounting policies as set out in the Group's consolidated financial statements for the year ending 31 December 2008 were consistent with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS.

The financial information for the six months ending 30 June 2009 and the comparative figures for the six months ending 30 June 2008 as set out in the interim statement are un-audited. The summary financial information for the year ending 31 December 2008 represent an abbreviated version of the Group's full accounts for that year, on which the Group's Auditors issued an unqualified audit opinion which has been filed with the Registrar of Companies. The interim results should be read in conjunction with the annual financial statements so filed.

2.2 Accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's consolidated financial statements for the year ended 31 December 2008 except for the adoption of:

- IAS 1 (revised) – Presentation of Financial Statements
  The adoption of IAS 1 (revised) makes certain changes to the format and titles to the primary financial statements and to the presentation of some items within these statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. All non-owner changes in equity are required to be shown in a performance statement either as one single statement (the statement of comprehensive income) or two linked statements (the income statement and statement of comprehensive income). The Group has elected to present two statements. The revised standard also introduces a number of terminology changes including revised titles for the financial statements. The consolidated interim financial statements have been prepared under the revised disclosure requirements.
- IFRS 8 – Operating Segments
  This standard replaces IAS 14 – Segment Reporting – and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Reported segments at 30 June 2009 remain the same as in the Group's consolidated financial statements for the year ended 31 December 2008, however the format and content of the segment information disclosed has been amended in the interim financial statements to ensure that the business segments are reported in a manner consistent with the internal reporting provided to the Executive Chairman.

3. Exchange rates

The income statements and cash flows of subsidiaries are translated into euro based on the average exchange rate for the period. The balance sheets are translated using the period-end exchange rates.

	6 months ended 30 June 2009	6 months ended 30 June 2008
Average rate for the period		
Sterling	**0.8939**	0.7753
US Dollar	**1.3322**	1.5309
Period-end rate		
Sterling	**0.8521**	0.7923
US Dollar	**1.4134**	1.5764

4. Segment information

The Group is organised into two main divisions: PAC Digimedia and PAC Telemedia. PAC Digimedia invests in and acquires companies operating in the digital media, marketing and communications sectors and currently has operational subsidiaries and investments in the United Kingdom. PAC Telemedia is the telecommunications division with operating subsidiaries in the United States.

The Group adopted IFRS 8 – Operating Segments – with effect from 1 January 2009. The business segments reported have not changed as a result of the adoption of IFRS 8 but there has been some minor changes to the basis of measurement of segment performance necessitating some immaterial changes to prior year numbers.

	Unaudited 6 months ended 30 June 2009 €'000	Unaudited 6 months ended 30 June 2008[(1)] €'000
Revenue[(2)]		
PAC Digimedia – continuing	**4,869**	5,572
PAC Digimedia – discontinued[(3)]	**-**	10,284
PAC Telemedia – continuing	**9,145**	2,874
	14,014	18,730
EBITDA[(4)]		
PAC Digimedia – continuing	**491**	475
PAC Digimedia – discontinued[(3)]	**-**	1,064
PAC Telemedia – continuing	**(1,267)**	(1,933)
Unallocated[(5)]	**(479)**	(702)
	(1,255)	(1,096)
Depreciation, amortisation and other grants		
PAC Digimedia – continuing	**(412)**	(460)
PAC Digimedia – discontinued[(3)]	**-**	(542)
PAC Telemedia – continuing	**(162)**	(27)
Unallocated[(5)]	**(7)**	(8)
	(581)	(1,037)
Group operating (loss)/profit before exceptional items		
PAC Digimedia – continuing	**79**	15
PAC Digimedia – discontinued[(3)]	**-**	522
PAC Telemedia – continuing	**(1,429)**	(1,960)
Unallocated[(5)]	**(486)**	(710)
	(1,836)	(2,133)
Reconciliation of group operating loss to loss before income tax		
Group operating loss	**(1,836)**	(2,133)
Exceptional costs	**(236)**	(2,514)
Net finance costs	**(46)**	(110)
Loss before income tax	**(2,118)**	(4,757)

(1) comparative figures for the period ended 30 June 2008 have been re-stated to adopt the requirements of IFRS 8
(2) intersegment revenue is not material and is not separately identified in the revenue table
(3) prior year comparatives for PAC Digimedia have been re-presented, to disclose separately the results of the plastic cards operations, which were discontinued during 2008
(4) the Executive Chairman assess segment performance based on earnings before interest, tax, depreciation and amortisation (EBITDA)
(5) unallocated costs represent corporate costs of the Group including exceptional costs of €0.236 million (2008: €2.514 million)

Segment assets and liabilities at 30 June 2009 are as follows:

	PAC Digimedia €'000	**PAC Telemedia €'000**	**Unallocated €'000**	**Group €'000**
Continuing operations				
Segment assets	**8,774**	**12,386**	**2,229**	**23,389**
Segment liabilities	**(4,077)**	**(3,688)**	**(704)**	**(8,469)**

Segment assets and liabilities at 30 June 2008 are as follows:

	PAC Digimedia €'000	PAC Telemedia €'000	Unallocated €'000	Group €'000
Continuing operations				
Segment assets	10,653	5,638	6,870	23,161
Segment liabilities	(5,649)	(2,682)	(880)	(9,211)
Discontinued operations				
Segment assets	9,530	-	-	9,530
Segment liabilities	(6,342)	-	-	(6,342)
Total continuing and discontinued operations				
Segment assets	20,183	5,638	6,871	32,692
Segment liabilities	(11,991)	(2,682)	(880)	(15,553)

5. Exceptional items

	Unaudited 6 months ended 30 June 2009 €'000	Unaudited 6 months ended 30 June 2008 €'000
Continuing operations		
Warrants[(1)]	**152**	407
Redundancy payments	**84**	-
Loss on financial instruments	**-**	2,107
	236	2,514

(1) this charge represents the fair value of the warrants issued in connection with the May 2007 corporate reorganisation as calculated by independent valuers

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

6. (Loss)/earnings per share

(Loss)/earnings	**Unaudited 6 months ended 30 June 2009 €'000**	Unaudited 6 months ended 30 June 2008 €'000
Loss for the period	**(2,073)**	(4,492)
Less: Profit for the period from discontinued operations	**-**	361
Loss for the period from continuing operations	**(2,073)**	(4,853)
Exceptional costs	**236**	2,514
Adjusted loss for the period	**(1,837)**	(2,339)

Basic and diluted loss per share	**Unaudited 6 months ended 30 June 2009 € cent**	Unaudited 6 months ended 30 June 2008 € cent
Basic and diluted loss per share – continuing operations		
Loss per share for the period	**(9.14)**	(21.40)
Exceptional costs	**1.04**	11.08
Adjusted loss per share for the period	**(8.10)**	(10.32)
Basic and diluted earnings per share – discontinued operations		
Earnings per share for the period	**-**	1.60
Exceptional costs	**-**	-
Adjusted earnings per share for the period	**-**	1.60
Basic and diluted loss per share – continuing and discontinued operations		
Loss per share for the period	**(9.14)**	(19.80)
Exceptional costs	**1.04**	11.08
Gain on disposal of discontinued operations	**-**	-
Adjusted loss per share for the period	**(8.10)**	(8.72)
Weighted average number of shares ('000)	**22,681**	22,681

7. Notes to the consolidated cash flow statement

(a) Cash generated from operations

	Unaudited 6 months ended 30 June 2009 €'000	Unaudited 6 months ended 30 June 2008 €'000
Continuing operations		
Loss before taxation	**(2,118)**	(5,162)
Adjustments for:		
Net finance costs/(income)	**46**	(7)
Depreciation	**615**	495
Exceptional costs - warrants	**152**	407
(Increase) in inventories	**(573)**	(440)
Decrease in trade and other receivables	**354**	154
(Decrease)/increase in trade and other payables	**(221)**	49
Fair value loss on financial instruments	**-**	2,053
Cash (outflow) from continuing operations	**(1,745)**	(2,451)
Discontinued operations		
Profit before taxation	**-**	405
Adjustments for:		
Net finance costs	**-**	117
Depreciation	**-**	542
(Increase) in inventories	**-**	(207)
Decrease in trade and other receivables	**-**	57
(Decrease) in trade and other payables	**-**	(38)
Cash inflow from discontinued operations	**-**	876
Cash (outflow) from operations	**(1,745)**	(1,575)

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(b) Reconciliation of net decrease in cash and cash equivalents to movement in net debt

	Unaudited 6 months ended 30 June 2009 €'000	Unaudited 6 months ended 30 June 2008 €'000
Continuing operations		
(Decrease) in cash and cash equivalents	**(2,195)**	(7,994)
Financing		
Repayment of borrowings	**-**	453
Asset finance repayments	**380**	131
	(1,815)	(7,410)
New asset finance obligations	**-**	(1,934)
Effect of foreign exchange rate changes	**(12)**	(527)
Movement in net (debt) in the period	**(1,827)**	(9,871)
Net cash at beginning of period	**2,171**	10,230
Net cash at end of period	**344**	359
Discontinued operations		
Decrease in cash and cash equivalents	**-**	(985)
Financing		
Repayment of borrowings	**-**	279
Asset finance repayments	**-**	467
	-	(239)
Effect of foreign exchange rate changes	**-**	185
Movement in net (debt) in the period	**-**	(54)
Net debt at beginning of period	**-**	(2,425)
Net debt at end of period	**-**	(2,479)
Net cash/(debt) at end of period	**344**	(2,120)

(c) Analysis of net cash/ (debt)

	Unaudited 6 months ended 30 June 2009 €'000	Unaudited 6 months ended 30 June 2008 €'000
Continuing operations		
Cash and cash equivalents	**2,152**	3,387
Term debt and other loans	**-**	(2,525)
Asset finance obligations	**(1,808)**	(503)
	344	(359)
Discontinued operations		
Cash and cash equivalents	**-**	71
Term debt and other loans	**-**	(1,472)
Asset finance obligations	**-**	(1,078)
	-	(2,479)
Net cash/(debt) at end of period	**344**	(2,120)

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

8. Events after the balance sheet date

There have been no significant events affecting the Group since the balance sheet date.

9. Interim report

This interim report was approved by the Board of Directors on 17 September 2009 and is included on the Company's website, www.pacplc.com. Copies of the interim report are available from the Company's registered office at 2A Sandymount Green, Sandymount, Dublin 4.