Prime Active Capital

PRIME ACTIVE CAPITAL plc
INTERIM FINANCIAL INFORMATION
(UNAUDITED)

30 JUNE 2010

FINANCIAL AND OPERATING HIGHLIGHTS

- Revenue growth of 87% from continuing operations after currency translation
- Operating loss pre-exceptionals down 54% at €0.88 million compared with an operating loss of €1.9 million in 2008, as the US operations steadily improve.
- Continuing operations loss reduced by over 70% from €1.429 million to €0.424 million
- EPS loss reduced by 53% from 8.1 cent to 3.81 cent

	H1 2010	H1 2009
	€'000	€'000
Revenue		
PAC Telemedia – continuing operations	**17,100**	9,145
PAC Digimedia – discontinued operations[1]	**-**	4,869
	17,100	14,014
Group loss for the period		
PAC Telemedia operating loss – continuing operations	**(424)**	(1,429)
Centre costs – continuing operations[2]	**(451)**	(486)
Operating loss from continuing operations	**(875)**	(1,915)
Exceptional items, interest, tax and other charges[3]	**6**	(123)
Loss after tax and exceptional items	**(869)**	(2,038)
Loss after tax and exceptional items – discontinued operations[1]	**-**	(96)
	(869)	(2,134)
	€ cent	€ cent
Basic loss per share		
Loss per share (cent) – continuing operations	**(3.81)**	(8.72)
Loss per share (cent) – discontinued operations[1]	**-**	(0.42)
	(3.81)	(9.14)
Adjusted loss per share[4][5]		
Adjusted loss per share (cent) – continuing operations	**(3.81)**	(8.05)
Adjusted loss per share (cent) – discontinued operations[1]	**-**	(0.05)
	(3.81)	(8.10)

(1) the results of the books and journals production and on-demand digital print and finishing divisions, within the PAC Digimedia division, discontinued in 2009, have been disclosed separately
(2) before exceptional items of €Nil in 2010 and €0.152 million in 2009
(3) includes exceptional items per note (2), net interest received of €0.004 million, net interest paid of €0.013 million and income tax credit of €0.015 million in 2010 and net interest received of €0.029 million in 2009
(4) adjusted earnings per share excludes exceptional items per note 5 in 2009

CHAIRMAN'S STATEMENT

Overview

The revenue of the continuing businesses of the group increased by 86% compared to H1 last year from €9.1 million to €17.1 million. The operating loss for the Group was reduced by 54% to €875,000 from a loss in H1 last year of €1,915,000. The underlying business loss was reduced by over 70%, from €1,429,000 to €424,000 in the same period so there has been a considerable improvement in the trading overall.

This half year has seen the losses of the Group reduce considerably and since June the business has returned to cash generation and modest profitability. We are still shaking out some of the costs and inefficiencies of the acquisitions, but of considerably more interest is the return to organic growth by the opening of new stores and the refurbishment and relocation of existing units.

It is difficult for anybody to read the current direction of the US market with sudden uplifts in business, unexpected troughs, stimulus monies washing through and sudden gains and losses of confidence, no predictions can safely be made. However even against this backdrop the new business achieved the milestone of breakeven and is now cash generative and profitable. We believe we should continue to invest and grow our business in the US economy and our views of the opportunity and enthusiasm for the market are undiminished.

PAC Telemedia

We acquired the business and assets of Freedom Wireless up in the Pittsburgh region of the United States in December last year and the performance of that business since then is reflected in the results. It is inevitable when acquiring these small businesses from non-audit environments that systems and processes require substantial time and investment. Much of the first half of the year has been taken up not with trading that business, but with the installation of IT systems and business procedures, withdrawing from poor locations, and the recruitment and settling down of the management team subsequent to the owner/managers leaving.

The Georgia/Alabama operations started the year well trading ahead of budget, but this was impacted recently by the unavailability of heavily advertised handsets where demand was greatly in excess of supply, and where displacement to these unavailable handsets moderated demand for current stock. This has been corrected and is expected to even itself out over the year. It is, to some degree, in the nature of the products we sell and the channels of the market.

As the cell phone market has matured in volume terms in the USA, the requirements of our customers have changed, and the stores have become destinations. As the handsets become more complex, but also more intuitive, the cell phone ceases to be an impulse buy used primarily for voice, and to a lesser degree in the USA, texting. Our customers require a higher quality environment and to that end we are finding that newly fitted out, larger stores in strip locations proximate to big-box outlets, and crossroad locations between towns, are becoming the best locations for us.

The kiosk model that served in the Pittsburgh region still has life in it, but the kiosks may need to move in-line and we are actively seeking to improve these locations. This programme of renewal and investment will improve the quality of our US assets and businesses and differentiate ourselves from weaker competitors.

Media Square plc

We continue to hold 28.5% of the share capital of this quoted company. We have consistently offered to help this company and its Board and they have steadfastly refused our offer of assistance. The senior management team and Board are held in place by the concerned bank that recently provided renewed facilities with an equity component.

We wish to support this company and its management team at an operational level, if possible, and our interest is significant and for the foreseeable future of the business. Recent statements from the company indicate that they are profitable on an on-going basis, but all businesses are exposed to the massive forces at work in this recession and their announcements in the past have been optimistic.

CHAIRMAN'S STATEMENT (CONTINUED)

Other matters

We sold our operation in Scotland to its management team at the end of 2009 to realise £3.85 million, of which £1.6 million was deferred. We have received £100,000 of that deferred element since the transaction, and are due to receive a second tranche in the next week or so. The business continues to trade in line with expectations and there are no current indications of risk to the deferred element.

Closing comments

Cell phone distribution is a very interesting market, with great opportunity, and is entering a period of consolidation. It would be ideal if we could acquire further stores to increase our scale in the United States. We are now entering a phase of opening new organic stores, renewing, relocating and refurbishing existing stores, developing our management and we are optimistic about the business we are in. We look forward to continued improvement in our business in the second half of the year.

Peter E. Lynch
Executive Chairman
23 September 2010.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Unaudited 6 months ended 30 June 2010			Unaudited 6 months ended 30 June 2009		
		Pre-exceptionals	**Exceptionals note 5**	**Total**	Pre-exceptionals	Exceptionals note 5	Total
	Notes	**€'000**	**€'000**	**€'000**	€'000	€'000	€'000
Continuing operations							
Revenue	4	**17,100**	**-**	**17,100**	9,145	-	9,145
Cost of sales		**(10,427)**	**-**	**(10,427)**	(5,372)	-	(5,372)
Gross profit		**6,673**	**-**	**6,673**	3,773	-	3,773
Selling and distribution costs		**(5,580)**	**-**	**(5,580)**	(3,564)	-	(3,564)
Administration expenses		**(1,968)**	**-**	**(1,968)**	(2,124)	(152)	(2,276)
Operating loss	4	**(875)**	**-**	**(875)**	(1,915)	(152)	(2,067)
Finance costs		**(13)**	**-**	**(13)**	-	-	-
Finance income		**4**	**-**	**4**	29	-	29
Loss before tax		**(884)**	**-**	**(884)**	(1,886)	(152)	(2,038)
Income tax credit		**15**	**-**	**15**	-	-	-
Loss for the period from continuing operations		**(869)**	**-**	**(869)**	(1,886)	(152)	(2,038)
Discontinued operations							
Loss for the period from discontinued operations after tax				**-**			(96)
Loss for the period				**(869)**			(2,134)
Attributable to:							
Equity shareholders				**(864)**			(2,073)
Minority interest				**(5)**			(61)
				(869)			(2,134)
Loss per ordinary share (€ cent)							
- basic and diluted continuing operations	6			**(3.81c)**			(8.05c)
- basic and diluted discontinuing operations	6			**-**			(0.05c)
- basic and diluted continuing and discontinued operations	6			**(3.81c)**			(8.10c)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Unaudited 6 months ended 30 June 2010 €'000	Unaudited 6 months ended 30 June 2009 €'000
Loss for the period	**(869)**	(2,134)
Other comprehensive income/(expense):		
Available-for-sale financial assets	**(545)**	-
Exchange movement	**518**	730
Fair valuation of warrants	**-**	152
Total comprehensive expense for the period	**(896)**	(1,252)
Attributable to:		
Equity holders of the Company	**(891)**	(1,191)
Minority interest	**(5)**	(61)
	(896)	(1,252)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Unaudited 6 months ended 30 June 2010 €'000	Unaudited 6 months ended 30 June 2009 €'000	Audited year ended 31 Dec. 2009 €'000
Assets			
Current assets			
Inventories	**1,843**	2,330	2,372
Trade and other receivables	**2,861**	4,066	3,797
Cash and cash equivalents	**1,698**	2,152	2,286
	6,402	8,548	8,455
Non-current assets			
Property, plant and equipment	**1,204**	7,188	943
Intangible assets	**8,306**	6,472	8,326
Available-for-sale financial assets	**1,259**	1,181	1,094
Other loans and receivables	**1,404**	-	1,272
	12,173	14,841	11,635
Total assets	**18,575**	23,389	20,090
Liabilities			
Current liabilities			
Trade and other payables	**5,148**	4,563	6,423
Current income tax liabilities	**100**	233	100
Borrowings	**26**	751	-
Provisions for other liabilities and charges	**766**	201	807
	6,040	5,748	7,330
Non-current liabilities			
Trade and other payables	**-**	511	-
Borrowings	**674**	1,057	-
Deferred income tax liabilities	**-**	591	-
Retirement benefit obligations	**156**	240	156
Provisions for other liabilities and charges	**-**	322	-
	830	2,721	156
Total liabilities	**6,870**	8,469	7,486
Net assets	**11,705**	14,920	12,604
Equity			
Ordinary shares	**11,341**	11,341	11,341
Share premium	**16,444**	16,444	16,444
Other reserves	**882**	(819)	931
Retained earnings	**(17,089)**	(12,260)	(16,225)
Minority interest in equity	**127**	214	113
Total equity	**11,705**	14,920	12,604

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital €'000	**Share premium reserve €'000**	**Other Reserves €'000**	**Retained Earnings €'000**	**Total attributable to shareholders €'000**	**Minority Interest €'000**	**Total Equity €'000**
At 1 January 2010	**11,341**	**16,444**	**931**	**(16,225)**	**12,491**	**113**	**12,604**
Comprehensive income:							
Loss for period	**-**	**-**	**-**	**(864)**	**(864)**	**(5)**	**(869)**
Other comprehensive income:							
Available-for-sale financial assets	**-**	**-**	**(545)**	**-**	**(545)**	**-**	**(545)**
Exchange movement	**-**	**-**	**496**	**-**	**496**	**19**	**515**
At 30 June 2010	**11,341**	**16,444**	**882**	**(17,089)**	**11,578**	**127**	**11,705**

	Share Capital €'000	Share premium reserve €'000	Other Reserves €'000	Retained Earnings €'000	Total attributable to shareholders €'000	Minority Interest €'000	Total Equity €'000
At 1 January 2009	11,341	16,444	(1,701)	(10,187)	15,897	275	16,172
Comprehensive income:							
Loss for period	-	-	-	(2,073)	(2,073)	(61)	(2,134)
Other comprehensive income:							
Available-for-sale financial assets	-	-	-	-	-	-	-
Exchange movement	-	-	730	-	730	-	730
Transactions with owners:							
Fair valuation of warrants	-	-	152	-	152	-	152
At 30 June 2009	11,341	16,444	(819)	(12,260)	14,706	214	14,920

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Notes	**Unaudited 6 months ended 30 June 2010 €'000**	Unaudited 6 months ended 30 June 2009 €'000
Operating activities			
Cash generated from operations	7(a)	**(780)**	(1,745)
Tax received		**15**	-
Net cash (outflow) from operating activities		**(765)**	(1,745)
Investing activities			
Purchase of property, plant and equipment		**(166)**	(89)
Interest received		**4**	29
Purchase of available-for-sale financial assets		**(584)**	-
Net cash (outflow) from investing activities		**(746)**	(60)
Financing activities			
Proceeds from asset finance obligations		**81**	-
Proceeds from borrowings		**615**	-
Capital element of finance lease rental payments		**(3)**	(380)
Interest paid		**(13)**	(13)
Finance lease interest		**-**	(62)
Other grants		**-**	65
Net cash inflow/(outflow) from financing activities		**680**	(390)
Net decrease in cash and cash equivalents		**(831)**	(2,195)
Cash and cash equivalents at beginning of period		**2,286**	4,146
Effect of exchange rate changes		**243**	201
Cash and cash equivalents at end of period		**1,698**	2,152

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 2010, 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 2010 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 2010. 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 2009. The principal accounting policies as set out in the Group’s consolidated financial statements for the year ending 31 December 2009 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 2010 and the comparative figures for the six months ending 30 June 2009 as set out in the interim statement are un-audited. The summary financial information for the year ending 31 December 2009 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 2009 except for the adoption of:

- IFRS 3 (revised) – Business Combinations
  The adoption of IFRS 3 (revised) makes changes to existing practice affecting acquisitions. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. In addition, acquisition related costs must be accounted for as expenses unless directly connected with the issue of debt or equity securities. The revised IFRS 3 applies prospectively to business combinations undertaken by the group on or after 1 January 2010. There were no acquisitions in the current period.
- IAS 27 (revised) – Consolidated and separate financial statements
  This standard requires the effects of all transactions with non-controlling interests to be recorded in equity. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS27 (revised) on the current period, as none of the non-controlling interests have a deficit balance and there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity.

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 2010	6 months ended 30 June 2009
Average rate for the period		
Sterling	**0.8700**	0.8939
US Dollar	**1.3284**	1.3322
Period-end rate		
Sterling	**0.8175**	0.8521
US Dollar	**1.2271**	1.4134

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

4. Segment information

The Group has one business segment PAC Telemedia, following the disposal of the remaining PAC Digimedia operations in late 2009. PAC Telemedia is the telecommunications division and comprises operating subsidiaries that are premium retailers of mobile phones and accessories and are authorised agents for Verizon Wireless offering its pre and post paid mobile telecommunications subscription services and wireless data products. At 30 June 2009, the Group had a second business segment PAC Digimedia.

	Unaudited 6 months ended 30 June 2010 €'000	Unaudited 6 months ended 30 June 2009 €'000
Revenue(1)		
PAC Telemedia – continuing	**17,100**	9,145
PAC Digimedia – discontinued(2)	**-**	4,869
	17,100	14,014
EBITDA(3)		
PAC Telemedia – continuing	**(285)**	(1,267)
PAC Digimedia – discontinued(2)	**-**	491
Unallocated(4)	**(447)**	(479)
	(732)	(1,255)
Depreciation, amortisation and other grants		
PAC Telemedia – continuing	**(139)**	(162)
PAC Digimedia – discontinued(2)	**-**	(412)
Unallocated(4)	**(4)**	(7)
	(143)	(581)
Group operating (loss)/profit before exceptional items		
PAC Telemedia – continuing	**(424)**	(1,429)
PAC Digimedia – discontinued(2)	**-**	79
Unallocated(4)	**(451)**	(486)
	(875)	(1,836)
Reconciliation of group operating loss to loss before income tax		
Group operating loss	**(875)**	(1,836)
Exceptional costs	**-**	(236)
Net finance costs	**(9)**	(46)
Loss before income tax	**(884)**	(2,118)

(1) intersegment revenue is not material and is not separately identified in the revenue table
(2) prior year comparatives for PAC Digimedia have been re-presented, to disclose separately the results of this segment, which was discontinued during 2009
(3) the Executive Chairman assesses segment performance based on earnings before interest, tax, depreciation and amortisation (EBITDA)
(4) unallocated costs represent corporate costs of the Group including exceptional costs of €Nil (2009: €0.152 million)

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

Segment assets and liabilities at 30 June 2010 are as follows:

	PAC Telemedia €'000	Unallocated €'000	Group €'000
Continuing operations			
Segment assets	**15,598**	**2,977**	**18,575**
Segment liabilities	**(5,632)**	**(1,235)**	**(6,867)**

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	-	12,386	2,229	14,615
Segment liabilities	-	(3,688)	(704)	(4,392)
Discontinued operations				
Segment assets	8,774	-	-	8,774
Segment liabilities	(4,077)	-	-	(4,077)
Total continuing and discontinued operations				
Segment assets	8,774	12,386	2,229	23,389
Segment liabilities	(4,077)	(3,688)	(704)	(8,469)

5. Exceptional items

	Unaudited 6 months ended 30 June 2010 €'000	Unaudited 6 months ended 30 June 2009 €'000
Continuing operations		
Warrants	**-**	152
	-	152
Discontinued operations		
Redundancy payments	**-**	84
	-	84
Total exceptional items continuing and discontinued operations	**-**	236

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

6. Loss per share

(Loss)/earnings	**Unaudited 6 months ended 30 June 2010 €'000**	Unaudited 6 months ended 30 June 2009 €'000
Loss for the period	**(864)**	(2,073)
Less: Loss for the period from discontinued operations	**-**	(96)
Loss for the period from continuing operations	**(864)**	(1,977)
Exceptional costs – continuing operations	**-**	152
Exceptional costs – discontinued operations	**-**	84
Adjusted loss for the period	**(864)**	(1,741)

Basic and diluted loss per share	**Unaudited 6 months ended 30 June 2010 € cent**	Unaudited 6 months ended 30 June 2009 € cent
Basic and diluted loss per share – continuing operations		
Loss per share for the period	**(3.81)**	(8.72)
Exceptional costs	**-**	0.67
Adjusted loss per share for the period	**(3.81)**	(8.05)
Basic and diluted loss per share – discontinued operations		
Earnings per share for the period	**-**	(0.42)
Exceptional costs	**-**	0.37
Adjusted loss per share for the period	**-**	(0.05)
Basic and diluted loss per share – continuing and discontinued operations		
Loss per share for the period	**(3.81)**	(9.14)
Exceptional costs	**-**	1.04
Adjusted loss per share for the period	**(3.81)**	(8.10)
Weighted average number of shares ('000)	**22,681**	22,681

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

7. Notes to the consolidated cash flow statement

(a) Cash generated from operations

	Unaudited 6 months ended 30 June 2010 €'000	Unaudited 6 months ended 30 June 2009 €'000
Continuing operations		
Loss before taxation	**(884)**	(1,953)
Adjustments for:		
Net finance costs/(income)	**9**	(29)
Depreciation	**143**	203
Exceptional costs - warrants	**-**	152
Decrease/(increase) in inventories	**870**	(421)
Decrease in trade and other receivables	**1,446**	39
Decrease in trade and other payables	**(2,364)**	(279)
Cash (outflow) from continuing operations	**(780)**	(2,288)
Discontinued operations		
Profit before taxation	**-**	(165)
Adjustments for:		
Net finance costs	**-**	75
Depreciation	**-**	412
(Increase) in inventories	**-**	(152)
Decrease in trade and other receivables	**-**	315
Increase in trade and other payables	**-**	58
Cash inflow from discontinued operations	**-**	543
Cash (outflow) from operations	**(780)**	(1,745)

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 2010 €'000	Unaudited 6 months ended 30 June 2009 €'000
Continuing operations		
Decrease in cash and cash equivalents	**(831)**	(2,525)
Financing		
Asset finance repayments	**3**	-
	(828)	(2,525)
New asset finance obligations	**(81)**	-
Proceeds from borrowings	**(615)**	-
Effect of foreign exchange rate changes	**236**	223
Movement in net (debt) in the period	**(1,288)**	(2,302)
Net cash at beginning of period	**2,286**	4,466
Net cash at end of period	**998**	2,164
Discontinued operations		
Increase in cash and cash equivalents	**-**	330
Financing		
Asset finance repayments	**-**	380
	-	710
Effect of foreign exchange rate changes	**-**	(235)
Movement in net (debt) in the period	**-**	475
Net debt at beginning of period	**-**	(2,295)
Net debt at end of period	**-**	(1,820)
Net cash at end of period	**998**	344

(c) Analysis of net cash/(debt)

	Unaudited 6 months ended 30 June 2010 €'000	Unaudited 6 months ended 30 June 2009 €'000
Continuing operations		
Cash and cash equivalents	**1,698**	2,164
Term debt and other loans	**(615)**	-
Asset finance obligations	**(85)**	-
	998	2,164
Discontinued operations		
Cash and cash equivalents	**-**	(12)
Asset finance obligations	**-**	(1,808)
	-	(1,820)
Net cash at end of period	**998**	344

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 23 September 2010 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 18 The Hyde Building, The Park, Carrickmines, Dublin 18.