# 2010
# ANNUAL REPORT AND ACCOUNTS

Prime Active Capital plc

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| | 2010 | 2009 |
|---|---|---|
| | **€000** | €000 |
| **Revenue** | | |
| PAC Telemedia - continuing operations | **36,145** | 20,928 |
| PAC Digimedia - discontinued operations | **-** | 9,274 |
| | **36,145** | 30,202 |
| **Group (loss) for the year** | | |
| PAC Telemedia operating profit/(loss) - continuing operations[1] | **519** | (2,111) |
| Centre costs - continuing operations[2] | **(839)** | (1,035) |
| | **(320)** | (3,146) |
| Other gains | **104** | - |
| Operating loss | **(216)** | (3,146) |
| Exceptional items, interest and tax[3] | **(1,374)** | (1,000) |
| Loss after tax and exceptional items - continuing operations | **(1,590)** | (4,146) |
| Profit/(loss) after tax and exceptional items - discontinued operations | **86** | (2,141) |
| | **(1,504)** | (6,287) |
| | **€cent** | € cent |
| **Basic loss per share** | | |
| Loss per share (cent) - continuing operations | **(7.05)** | (17.72) |
| Earnings/(loss) per share (cent) - discontinued operations | **0.38** | (9.43) |
| | **(6.67)** | (27.15) |
| **Adjusted loss per share** | | |
| Adjusted loss per share (cent) - continuing operations[4] | **(1.55)** | (13.06) |
| Adjusted earnings per share (cent) - discontinued operations | **0.38** | 1.65 |
| | **(1.17)** | (11.41) |
| | **€000** | €000 |
| **Net cash/(debt)** | | |
| Net cash | **2,187** | 2,286 |
| Net debt | **(661)** | - |
| | **1,526** | 2,286 |
| **Equity** | | |
| Equity | **11,541** | 12,604 |

(1) before exceptional items of €0.153 million in 2010 and €0.752 million in 2009
(2) before exceptional items of €1.094 million in 2010 and of €0.304 million in 2009
(3) includes exceptional items per note (1) and note (2), net interest received of €0.056 million, net interest paid of €0.088 million and income tax charge of €0.095 million in 2010 and exceptional items per note (1) and note (2), net interest received of €0.077 million, net interest paid of €0.050 million and income tax credit of €0.029 million in 2009
(4) adjusted loss per share excludes exceptional costs in both 2010 and 2009

**Overview**

The Group made good progress in 2010 against the recessionary backdrop and the steady improvement of the last few years has brought PAC Telemedia into operating profit. The business we acquired in 2009 traded well in the second half of the year, and across the Group the stores are beginning to show the benefits of the investments made in relocation, refurbishment, better point of sale systems and the focus on higher quality sales. PAC Telemedia now has some 80 stores operating in the Georgia/Alabama and Pittsburgh/Ohio regions.

Turnover for the continuing operations rose by 73% to €36.1 million from €20.9 million and the loss before interest and tax was €0.3 million compared with a loss of €2.7 million for 2009. The loss before tax (and after exceptional costs) was reduced by 64% in the year, and the business was profitable after all costs in the seasonally better second half. PAC Telemedia is now a profitable business before corporate overhead making Earnings before Interest and Tax (EBIT) of €1 million in 2010 after trading losses of €1.7 million in 2009, a considerably improved performance.

Building the business from scratch in this economic environment has presented many challenges, but the hard work of the local management teams, supported by the PAC team, has brought the company through the very difficult start-up period. The table extracted below from the "Overview of results" illustrates the point.

| | **2010 €million** | 2009 €million | 2008 €million |
|---|---|---|---|
| **PAC Telemedia** | | | |
| Revenue | **36.1** | 20.9 | 8.8 |
| EBITDA (1) | **1.3** | (1.4) | (4.4) |
| EBIT (2) | **1.0** | (1.7) | (4.6) |

(1) earnings before interest, tax, depreciation amortisation and Group corporate costs
(2) earnings before interest and tax excluding Group allocated corporate costs and exceptional costs

PAC Telemedia is a seasonal business, in keeping with the mobile industry, and generated its profitability in the second half of the year in 2010, overturning an interim loss at the interim stage. There is no doubt that the business is trading better, and that improvement has carried on into the current year in the seasonally quieter first half trading period.

We continue to make substantial investment in the people, processes and systems of the business, and have recently recruited experienced senior staff to strengthen and lead the management teams. The business has been changing over the last few years with smaller agents being squeezed out, and consolidation among a smaller number of larger agents and corporate stores. We have been closing smaller stores, and new units other than our mall units, are typically 2,500 sq ft to 3,000 sq ft in size. The product offering has improved so that where the retail experience and product lagged the European equivalent, now the product ranges and models are leading Europe. European high street store presentation is, in the main, still ahead of the retail experience in the USA but the significant investments being made by the distribution channels are rapidly closing the gap.

**Recent business developments**

We were recently approved to sell the iPhone 4 as Verizon positioned the product in their customer offering. There would seem to be a great future for this product stream although there are multiple routes to market and everybody in the food chain above us is bigger and commercially more powerful than the agent channel in which we operate. Nevertheless with a great range of products from the operating systems on Apple, Google and Microsoft and an ever expanding interest in the social and commercial aspects of what these devices and the tablets can do, the business seems robust for the foreseeable future.

**Improving our model**

We have now focused our management approach around a simple phrase, "great stores in great locations with great products and great people". Our business philosophy is that we have to hit all four of those objectives to create excellence in our business. Failure on any one may lead to disappointing performance in a store. Adopting the standards that we are developing from this philosophy indicates that we have still a lot of work to do. The product range continues to improve with the recent addition of the iPhone and various tablets, and the addition of accessories and service collaterals such as insurance is improving the value of a sale.

We have a number of excellent outlets and a programme of refurbishment and relocation is underway where we see the greatest opportunity to develop or protect our business. We will not be able to drive significant momentum in our business through poorly located, shabby outlets, and we have a number of these that will require investment over the next couple of years. We are investing to improve the visibility and signage of our stores since the brand we work with, Verizon, is the number one telecoms company in the USA, and we are a premium agent for them. We are seeking to develop our store model in an evolutionary style with a greater number of live devices, a range of complementary products such as tablets and netbooks, and a strong accessory line-up.

Where we have terrace store units (in-line) we may go to standalone stores or corner units (end-caps) to take advantage of the visibility of these stores, and where we have kiosks in malls, like the majority of our outlets in the Pennsylvania and Ohio region we would seek to go in-line in the mall to bigger, better units. We have made a number of these changes and on balance we are seeing growth from the changes, in some cases very strong growth. We are seeking a 12 month pay-back on capital expenditure.

We are investing in sales training for our staff across the business, and for our call centre staff in customer support and development. While we generate the cash for these activities internally, this cash generation also dictates the speed at which the Group can grow. We could double the Group size with no significant overhead growth and the fastest way would be by acquisition and improvement of what we buy.

To that end we are building a single management team in the USA to look after all the business and have recruited to that structure. This means building the local team to include call centre managers, customer management and development staff, the best people we can find in the sales leadership, and the best support office and systems. Considerable funding is being expended under these headings in the current year and these costs are included in the budget.

**Media Square plc**

We hold a 28.5% share of the equity of this company and the exceptional write off in the income statement substantially reflects the mark-to-market fall in the share price of Media Square plc in the year just gone. Since we have no significant influence over the operations of that business the shareholding is reflected as an investment in accordance with accounting guidelines.

In their accounts to 28 February 2011 just reported, the business grew revenue by 15% to £45 million and the operating profit increased by £3.3 million. While this is an improved performance from the executive team under the newly appointed CEO, there was nothing left for shareholders after the company had paid interest and fees to their bank. However if the bank had not sustained their support for the company it would have had even more severe commercial difficulties.

With net debt in excess of £19 million and net assets of £1.7 million it would realistically be a number of years before Media Square can develop a standalone strategy. There have been some references to strengthening the balance sheet over the coming year in the company's recent preliminary results release so an improved capital structure is certainly in the minds of all the stakeholders.

We note with regret the death of the Chief Operating Officer, Mr. Bruce Winfield. He came across as a decent, experienced individual on the few occasions that we met and we extend our sincere sympathy to his family on their loss.

**Other matters**

We disposed of the last business of the PAC Digimedia division at the end of 2009. There was a deferred element of the consideration for that disposal, of £1.6 million, and two tranches, totalling £0.25 million were received in 2010 in compliance with the agreed schedule. The business has been trading as expected and we wish that team well in their endeavours. We are due to receive further tranches of deferred payments of £0.4 million in the last quarter of 2011.

**Closing comments**

The USA has a fragile deficit economy sustained by government spending vastly in excess of its income. While the recession and this cycle continue customer confidence is easily shaken and this has immediate repercussions into the retail environment in which we operate. This economic context also puts pressure on volumes, margins and the credit environment.

The Group has now traded through its initial set-up period. This has taken longer than expected, in part due to the recession, but it is now budgeted to be profitable and cash generative for the current trading year. The business is sub-scale and we would seek to carry out further transactions next year subject to the availability of funding for any acquisition of scale or for more aggressive organic growth.

While there are no real signs of economic recovery, still the business should continue to trade robustly in its market if there is no significant deterioration from here. The management team is positive and confident about the products, the market, the brand we trade under and the company. The business has been trading ahead of budget in the year to date.

Peter E. Lynch
Executive Chairman
29 June 2011

**Overview of results**

*Summary financial information*

| | **2010 €000** | 2009 €000 |
|---|---|---|
| **Continuing and discontinued operations** | | |
| Revenue | **36,145** | 30,202 |
| Operating expenses (excluding exceptional costs, depreciation, amortisation and other gains) | **(36,172)** | (31,798) |
| **Earnings before interest, tax, depreciation and amortisation expense (EBITDA), exceptional costs, other income and other gains** | **(27)** | (1,596) |
| Depreciation and amortisation | **(293)** | (1,074) |
| **Adjusted earnings before interest, tax (EBIT) and exceptional costs** | **(320)** | (2,670) |
| Other income | **86** | - |
| Other gains | **104** | - |
| Exceptional costs | **(1,247)** | (1,140) |
| Net finance costs | **(32)** | (96) |
| **Loss before tax** | **(1,409)** | (3,906) |
| Income tax (charge)/credit | **(95)** | 48 |
| **Loss for the year** | **(1,504)** | (3,858) |
| Loss on disposal of subsidiary | **-** | (2,429) |
| (Profit)/loss attributable to non-controlling interest | **(10)** | 128 |
| **Loss for the year attributable to members** | **(1,514)** | (6,159) |
| | **€ cent** | € cent |
| Basic and diluted loss per share | **(6.67)** | (27.15) |

*Total Group Revenue*

The Group's operations consist of its PAC Telemedia division operating in the USA. Group revenue in 2010 amounted to €36.145 million, a 72.7% increase in revenue from continuing operations in 2009 (€20.928 million). Total revenue in 2009 included €9.274 million from the PAC Digimedia division which was discontinued in late 2009. Revenue in 2010 includes a full year's contribution from the Freedom Wireless business acquired in December 2009. Revenue from this division has grown substantially since the Group acquired a controlling interest in Cellular Center in 2007 and is summarised as follows:

| | **2010 €000** | 2009 €000 | 2008 €000 |
|---|---|---|---|
| **PAC Telemedia** | | | |
| Revenue | **36,145** | 20,928 | 8,816 |
| Operating expenses[(1)] | **(34,851)** | (22,342) | (13,246) |
| **EBITDA** | **1,294** | (1,414) | (4,430) |
| Depreciation, amortisation and other grants[(1)] | **(282)** | (322) | (136) |
| **EBIT** | **1,012** | (1,736) | (4,566) |

(1) excludes unallocated corporate costs of the Group and exceptional costs

*Operating profit before interest, taxation and exceptional costs*
One of the Group's key performance measures for its overall business is adjusted EBIT defined as operating profit before interest, taxation and exceptional costs. Adjusted EBIT amounted to a loss of €0.320 million in 2010, compared to a loss of €2.670 million in the previous year. The improvement in the year is attributed to growth in the US businesses including a full years contribution from the Freedom Wireless business acquired in December 2009 and the continued streamlining of the existing business as loss making elements were eliminated.

*Exceptional costs*
During the year, the Group incurred a total charge of €1.2 million comprising of:

- an impairment charge of €1.094 million arising on the Group's interest in Media Square plc in accordance with the requirements of IAS 39 – Financial Instruments: Recognition and Measurement – which determines that a significant decline in the fair value of an investment is objective evidence of impairment thus requiring a charge to the income statement; and
- reorganisation costs of €0.153 million comprising of a provision in respect of onerous leases.

These charges are summarised below.

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| **Continuing operations** | | |
| Impairment charge on available-for-sale financial asset | **1,094** | - |
| Reorganisation and redundancy costs | **153** | 245 |
| Unamortised other grants | **-** | (261) |
| Impairment of property, plant and equipment | **-** | 768 |
| Warrants | **-** | 304 |
| **Discontinued operations** | | |
| Redundancy costs | **-** | 84 |
| | **1,247** | 1,140 |

*Other income*
The Group recognised a gain of €0.086 million as a result of measuring at fair value its other loans and receivables balance. Other loans and receivables consist of the Group's investment in 1.350 million redeemable shares in Bell & Bain Limited, a former subsidiary undertaking disposed of on 25 November 2009. The shares were issued in settlement of a loan due to another subsidiary in the Group and are redeemable in instalments between the second and third anniversary of the sale. The terms of the redeemable shares are outlined in further detail in note 24 on page 55 of the consolidated financial statements.

After initial recognition, the fair value of other loans and receivables is based on cash flows discounted using a rate based on the market interest rate plus the risk premium specific to the industry in which Bell & Bain operates. In 2009, the fair value loss of €0.248 million, on this remeasurement, was included within the total loss for the year from discontinued operations after tax amount of €2.141 million.

*Other gains*
Other gains of €0.104 million consist of foreign exchange gains that have arisen on the retranslation of inter-company loan balances held by the parent company with foreign subsidiaries.

*Net financial expense*
The net financial expense for the year was €0.032 million compared to €0.096 million in 2009. The charge arose mainly in respect of interest costs on a loan note issued by the Group in February 2010 and interest costs on asset finance balances in the US operations.

*Non-controlling interest*
The non-controlling interest share of loss after tax for 2010 amounted to €0.010 million (2009: (€0.128 million)). The non-controlling interest relates to shareholdings held in Cellular Center Holdings.

*Earnings per share*
The adjusted fully diluted loss per share for 2010 is 1.17 cent as compared with adjusted loss per share of 11.41 cent in 2009. Adjusted loss per share excludes exceptional costs and the results from discontinued operations in both 2010 and 2009. Fully diluted loss per share, before such adjustments, amounted to 6.67 cent compared to a loss of 27.15 cent in 2009.

**Cash flow**

At the 31 December 2010 the Group had net cash of €1.526 million compared to net cash of €2.286 million at 31 December 2009.

Outflows in the year included payments totalling €0.578 million in respect of capital expenditure of which €0.535 million was for PAC Telemedia and the remainder was for the Ireland centre. Funding for capital expenditure in PAC Telemedia was partly provided by asset finance agreements. All other capital expenditure was funded from existing resources.

The Group acquired a further 7% interest in Media Square plc at a total cost of €0.584 million including transaction costs of €0.006 million. The consideration for this acquisition was satisfied by an unsecured loan note issued by the Group to the vendor.

The expected retention monies of €0.288 million relating to the previous years' disposal of the remaining operating companies within the PAC Digimedia division were received in 2010.

The table below summarises the cash flow for the year.

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Operating loss | **(1,567)** | (3,810) |
| Depreciation | **313** | 1,131 |
| Available-for-sale financial assets impairment charge | **1,094** | - |
| Exceptional costs-warrants | **-** | 304 |
| Net working capital including pension and loss on disposal | **141** | 1,261 |
| **Cash (outflow) from operations[(2)]** | **(19)** | (1,114) |
| Tax (paid)/received[(2)] | **(3)** | 9 |
| Capital expenditure net of grants received[(3)] | **(539)** | (338) |
| Net interest paid[(4)] | **(30)** | (90) |
| **Free cash flow** | **(591)** | (1,533) |
| Purchase of available-for-sale financial assets | **(584)** | - |
| Disposal of subsidiary, net of cash disposed of[(2)] | **288** | 2,328 |
| Acquisition of subsidiary, net of cash acquired | **-** | (2,021) |
| Borrowings disposed of | **-** | 1,393 |
| **Net cash (outflow)/inflow** | **(887)** | 167 |
| Opening net cash | **2,286** | 2,171 |
| Effect of exchange rate changes | **127** | (52) |
| **Closing net cash** | **1,526** | 2,286 |

(1) the Group has adopted a cash flow summary which seeks to highlight the movement in net cash balances during the year and does not take account of the movements in asset financing or borrowings other than borrowings disposed of with discontinued operations
(2) as per the consolidated cash flow statement on page 26 of the consolidated financial statements
(3) capital expenditure comprises purchase of property, plant and equipment €0.578 million less proceeds from sale of property, plant and equipment €0.039 million
(4) net interest paid comprises interest received of €0.004 million, interest paid of €0.032 and finance lease interest paid of €0.002 million and excludes finance income and finance costs related to the defined benefit pension plan

**Media Square plc**

As at 31 December 2010, the Group held 28.5% of the issued share capital in Media Square plc, following the acquisition of additional shares in this entity in February 2010. Media Square plc is an AIM listed marketing communications business. This investment is accounted for under available-for-sale financial assets. This investment is not accounted for as an associate as the Group does not have significant influence over it and does not have the right to participate in the financial and operating policy decisions of the business.

The additional shares were acquired from Mr. Anthony Gill, a related party. The consideration for this transaction was satisfied by an unsecured loan note issued to the vendor. The loan note is payable on 1 January 2012 and is subject to interest payable quarterly in arrears at a rate of 6% per annum. At 31 December 2010 the balance of the loan note and accrued interest payable to Mr. Gill was €0.593 million (2009: €nil).

**Financial risk management**

Financial risk management is governed by policies and guidelines approved by the Board of Directors. The principal objective of these policies and guidelines is the minimisation of financial risk at reasonable cost. It is Group policy to manage currency and interest rate risk on a non-speculative basis.

The Group's reporting currency is the euro. Exposures, primarily to sterling and the US dollar, arise in the course of ordinary trading. The Group's policy is to reduce statement of financial position exposure by matching common currency assets with common currency borrowings in so far as this is practicable and to hedge significant foreign currency transaction exposures arising from trading or capital investment where appropriate. The Group does not hedge accounting translation exposure.

The Group may use interest rate swaps, options and collars from time to time to reduce interest rate risks, but did not do so in 2010.

Further details in respect of the Group's financial risk management are set out in note 3 on pages 36 and 37 of the consolidated financial statements.

## BOARD OF DIRECTORS

**Peter E. Lynch**
Executive Chairman (aged 53)
Peter E. Lynch has been Executive Chairman of Prime Active Capital plc since May 2007. Prior to joining Prime Active Capital plc, Peter was chief financial officer of Eircom, group finance director of Adare Printing Group plc and managing director of ABN AMRO Hoare Govett Stockbrokers. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Securities Institute.

**John Doris**
Non-executive Director (aged 64)
John Doris is principal of Meridian Business Advisors Limited, a Dublin based consultancy firm. He is a director of a number of companies in the manufacturing, distribution and financial sectors. He joined the board in May 2007.

**Anne Keogh**
Non-executive Director (aged 45)
Anne Keogh is a management consultant and was previously managing director of NeedaHotel.com. She joined the board in December 2007.

## BOARD COMMITTEES

**Audit committee**
Anne Keogh (Chairman)
John Doris

**Nominations committee**
Peter E. Lynch (Chairman)
John Doris

**Remuneration committee**
John Doris (Chairman)
Peter E. Lynch
Anne Keogh

The Directors present their report and the financial statements of the Company and the Group for the year ended 31 December 2010.

## Principal activities

The Group principally derives its income from a small portfolio of companies operating within the telecommunications industry. The primary goal of the Company is to achieve value for shareholders by improving the financial performance of investee companies by growing them through the provision of operational expertise either organically or through continued bolt on acquisition.

The Group is continuing to source additional investments in accordance with statements made previously.

## Review of business

A review of the business, future developments and key performance indicators of the Group is set out in the Chairman's Statement on pages 3 to 5 and the Financial Review on pages 6 to 9.

## Risks and uncertainties

The principal risks and uncertainties faced by the Group's businesses relate to increasingly competitive markets, affecting margin and profitability, and the macroeconomic environment in the USA where the Group's trading activities take place and in Britain where the Group holds investments. The Group is sensitive to economic conditions in these markets including economic growth, interest rates, inflation, unemployment and demographic trends. The current economic environment for markets in which the Group currently operates represents a significant risk to the Group.

The Group pursues a growth strategy based on acquisitions. The Group may not be able to continue to achieve acquisition led growth if it is unable to identify suitable acquisition targets or raise funds to complete such acquisitions.

There is an ongoing process for identifying, evaluating, and managing any significant risk faced by the Group.

## Financial risk management

Details of the Group's financial risk management policies and risks are addressed in the Financial Review on page 9 and in note 3 on pages 36 and 37 of the consolidated financial statements.

## Results and dividend

The results of the Group for the year are set out in the Consolidated Income Statement on page 22. The Group's loss for the financial year was €1.504 million, of which a profit of €0.010 million is attributable to non-controlling interest holders and a loss of €1.514 million is attributable to members of the Company.

The Directors do not recommend the payment of a dividend.

## Subsidiaries

The Company's principal subsidiary undertakings are set out in note 38 on pages 69 and 70 of the consolidated financial statements.

**Research and development**

The Group is committed to ongoing research and development aimed at improving the quality and competitiveness of products and services provided by the Group. Expenditure on research and development is generally not material and is normally written off when it is incurred.

**Political contributions**

There were no political contributions which require disclosure under the Electoral Act, 1997.

**Taxation status**

The Company is not a close company within the meaning of the Corporation Tax Acts.

**Accounting records**

The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to keep proper books and accounting records in compliance with Section 202 of the Companies Act 1990. The books of accounting records of the Company are maintained at the registered office of the Company.

**Directors**

The current Directors of the Company and their biographical details are set out on page 10. The current Directors served as directors for the entire year.

In accordance with the Articles of Association of the Company one third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the nearest to one-third shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since their last appointment. For that reason, Mr Peter E. Lynch, if he remains as Director at the time of the next Annual General Meeting, will retire from the Board by rotation and, being eligible, will offer himself for reappointment.

None of the current Directors have a service contract with a notice period of one year or more. The Board confirms that the Director offering himself for reappointment continues to perform effectively and to demonstrate commitment to the role and recommends the reappointment of this Director.

**Directors' and Company Secretary's share interests**

The beneficial interests of the Directors and Company Secretary, including their respective families' interests, in the share capital of the Company were as follows:

| **Ordinary shares** | **At 31 December 2010** | At 31 December 2009 |
|---|---|---|
| **Directors** | | |
| P E Lynch | **2,820,825** | 2,820,825 |
| J Doris | **266,667** | 266,667 |
| A Keogh | **14,200** | 14,200 |
| **Secretary** | | |
| Goodbody Secretarial Limited | **-** | - |

There were no changes in the Directors' or Company Secretary's interests between 31 December 2010 and 29 June 2011.

## Directors' and Secretary's share options

None of the Executive or Non-executive Directors or the Company Secretary at the year end held share options.

## Warrants

The Group has issued warrants in respect of new ordinary shares to Directors as follows:

| | At 1 January 2010 | Granted | At 31 December 2010 | Exercise Price € | Exercise period |
|---|---|---|---|---|---|
| P E Lynch | | | | | |
| Series A | **5,000,000** | **-** | **5,000,000** | **0.75** | 15 May 2007 to 15 May 2012 |
| Series B | **5,000,000** | **-** | **5,000,000** | **0.75** | 15 May 2007 to 15 May 2012 |

Further details are provided in note 33 on page 64 of the consolidated financial statements.

## Substantial shareholdings

At 29 June 2011 the Company had been notified, in addition to Directors' interests, of the following interests in the share capital:

| | No. of shares | % |
|---|---|---|
| Anthony Stephen and Jane Gill | **4,192,982** | **18.49** |
| Ray McLoughlin | **3,360,280** | **14.82** |
| Allied Irish Banks plc and its subsidiaries | **1,106,865** | **4.88** |

## Share capital

The Company's total authorised share capital comprises 100,000,000 ordinary shares of €0.50 each. At 31 December 2010 the Company's total issued share capital comprised 22,681,198 ordinary shares of €0.50 each.

All ordinary shares rank pari passu, and the rights attaching to the ordinary shares (including as to voting and transfer) are as set out in the Company's articles of association.

At the Company's Annual General Meeting on 24 September 2010, shareholders granted authority:

- for the Company to purchase up to 10% of its own shares;
- to the Directors to allot and issue up to an aggregate amount of €3,742,397.50 in nominal value of new shares, representing one third of the nominal value of the issued ordinary share capital of the Company; and
- to the Directors to disapply the statutory pre-emption provisions relating to the issue of shares for cash, provided that the disapplication is limited to the allotment of shares in connection with a rights issue or open offer or any other issue up to an aggregate nominal value of €1,134,059.50 being equal to 10% of the nominal value of the issued ordinary share capital of the Company.

The authority granted at the Annual General Meeting in September 2010, has not been exercised and will expire at the earlier of the date of the Annual General Meeting in 2011 and fifteen months after the date of the Annual General Meeting in September 2010.

**Corporate governance**

The Company is committed to the principles of good corporate governance. Under the rules of ESM and AIM the Company is not required to comply with the Combined Code on Corporate Governance 2008. The Company has taken steps to comply with the provisions of the Code in so far as is practical, given the size of the Company and the nature of its operations. Details of the corporate governance procedures in place are set out in this report.

**The Board**

The Board is made up of one Executive and two Non-executive Directors. Biographies of each of the Directors are set out on page 10.

The Board is responsible for the strategy and direction of the Group. A formal schedule of matters reserved for Board approval has been adopted and this includes the approval of the annual financial statements, strategy and budgets, significant capital expenditure and acquisitions and disposals, board appointments and review of the Group's system of internal control. The Board has delegated responsibility for the management of the Group, through the Executive Chairman, to executive management. The Executive Chairman is accountable to the Board for all authority delegated to executive management. The strategies, operating parameters and controls on the business are implemented by the Executive Chairman through a series of formal and informal meetings and reviews involving senior management colleagues and operational management of the Group.

The Directors are empowered to take independent professional advice if necessary at the Company's expense and all Directors have access to the advice and services of the Company Secretary.

All Directors bring an independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

The Board has established a number of committees to assist in carrying out its responsibilities and meeting its obligations. The committees and their members are listed on page 10. All of the committees have written terms of reference which are available from the Company's registered office. Meetings of the Board and its committees are held on a regular basis.

**Executive Chairman and Senior Independent Director**

The Board has delegated managerial responsibility for the running of the Group to the Executive Chairman Mr Peter E. Lynch. He is responsible for the strategic direction and overall performance of the Group.

Mr John Doris is the Senior Independent Director. He is available for contact by shareholders if they have concerns which cannot be addressed through the normal channels of the Executive Chairman.

**Board balance and independence**

A majority of the Board comprises Non-executive Directors. The Combined Code requires boards of directors to identify in the annual report each Non-executive Director whom it considers to be independent and to determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Code identifies a number of relationships and circumstances which may be relevant to determining independence, including if the director has been an employee of the Company or Group within the last five years; has a material business relationship with the Company; holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or has served on the board for more than nine years from the date of the first election. In addition, the Code also requires the Chairman to be independent on appointment but that the test of independence is not appropriate thereafter.

In the opinion of the Board all of the Non-executive Directors are independent. In arriving at this conclusion the Board has referred to a number of factors that might appear to affect the independence of some of the Directors. In each case the Board decided that the independence of the relevant Director was not compromised.

**Supply of information and professional development**

The Board receives monthly Group financial information and detailed Board papers are sent to each Director in a timely manner in advance of meetings.

Directors are kept up to date on the latest corporate governance developments and ongoing developments in best practice.

**Appointment to the Board**

A Nominations Committee has been established to make recommendations to the Board on all new Board appointments. The members of the Committee are identified on page 10.

All Directors are subject to election by shareholders at the first opportunity after their appointment and to re-election at intervals of not more than three years. Non-executive Directors are appointed for specified terms subject to re-election at the next Annual General Meeting.

The terms of appointment of Non-executive Directors are available for inspection at the Company's registered office.

**Company Secretary**

The appointment and removal of the Company Secretary is a matter for the Board.

**Remuneration**

The Remuneration Committee consists solely of Non-executive Directors. Membership of the Committee is set out on page 10. The Committee is responsible for determining the remuneration of the Executive Chairman and senior management.

The Company's policy is to ensure that the remuneration of the Executive Chairman and senior management is appropriate to the nature and size of the Group's business and properly rewards and motivates them to perform in the best interests of shareholders. In framing the remuneration policy, the Remuneration Committee has given full consideration to Section B of the Best Practice Provisions annexed to the Irish Stock Exchange Listing Particulars. The main elements of the remuneration package for the Executive Chairman are basic salary, annual performance related bonus and share warrants.

The Committee is responsible for making recommendations to the Board regarding remuneration for Non-executive Directors. The remuneration of Non-executive Directors is determined by the Board within the limits set by the Articles of Association.

Details of Directors' remuneration are set out in note 16 on page 47 of the consolidated financial statements. The interests of Directors in shares are set out on pages 12 and 13. Details of the warrants granted to the Executive Chairman during 2007 are set out on page 13 and in note 33 on page 64 of the consolidated financial statements. It is the policy to grant warrants to senior executives to encourage identification with shareholders' interests.

**Accountability and audit**

An Audit Committee has been established with written terms of reference setting out its role and responsibilities. The membership of this Committee is set out on page 10. The Committee discharges its responsibilities through meetings and receipt and review of reports from the external Auditors and management and review of preliminary announcements and annual reports.

The Committee reviews the accounting policies and practices used in the preparation of the financial statements and is responsible for reviewing the scope and effectiveness of the annual external audit. It reviews and monitors the external Auditors' independence and objectivity and the supply of non-audit services taking account of the relevant regulatory requirements and ethical guidance. Details of fees paid to the Auditors for audit and other services are set out in note 12 on page 46 of the consolidated financial statements. Non-audit services are mainly related to the provision of tax related services. It is more practical and efficient for these services to be provided by the Auditors. The nature of the non-audit services and the value of them are reviewed by the Committee so that it can be satisfied that auditor objectivity and independence is safeguarded. The Committee meets the Auditors in the absence of the Executive Chairman and management at least once each year.

The Committee has reviewed the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and is satisfied that these arrangements are adequate.

The Board is satisfied that at all times at least one member of the Audit Committee has sufficient recent and relevant financial experience.

The Directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group operates through an organisation structure with clearly defined levels of responsibility and authority and appropriate procedures.

Annual budgets are prepared for all business units and these identify key risks and opportunities. The Board approves the Group budget. Performance is measured against budget and prior years and Group performance is reported to the Directors on a monthly basis.

The operating companies maintain controls and procedures which are appropriate to their size and the environment in which they operate. There are regular visits to the operating companies by the Executive Chairman and senior management at which a detailed review of operating and financial matters, including business risk and internal control issues, takes place. The Board receives regular updates on the key risks at Group level and in the individual business units and the steps taken to manage such risks.

The Group does not have an internal audit function as it is not considered necessary because of the nature and size of the Group's activities and the ongoing operating and financial reviews carried out by Group management. The need for an internal audit function is reviewed on an annual basis.

The Directors have, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control.

**Corporate responsibility**

The Group has a Code of Business Conduct aimed at ensuring high standards of conduct are maintained within the Group and activities are carried out in a responsible and ethical manner.

A whistle-blowing policy is in place whereby staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Group companies have prepared safety statements as appropriate. The policies set out in these statements are kept under review.

### Employees

The Group is committed to the principle of equality and complies with all relevant and anti-discrimination legislation.

The average number employed by the Group during 2010 was 299 (2009: 343).

### Relations with shareholders

It is the Company's policy to enter into dialogue with shareholders in so far as is permissible having regard to the rules of the Stock Exchange, the Companies Acts and other legal and regulatory requirements. All Directors are encouraged to participate in this process. The Board is kept advised of any material matters arising.

The Company's Annual General Meeting affords individual shareholders the opportunity to question the Board. In addition, the Company responds throughout the year to communications from shareholders.

The Annual Report and Notice of Meeting are posted to shareholders at least twenty one working days before the Annual General Meeting. The level of proxy votes cast on each resolution, and the numbers for and against, are announced at the general meetings. Details of the resolutions passed at the Annual General Meeting are included on the Company's website.

### Directors' responsibilities

The Directors' responsibilities are contained within the Statement of Directors' Responsibilities on page 19.

### Annual general meeting

The notice of the meeting will give details of any matters which are special business to be considered at the meeting.

### Going concern

The Directors have reviewed budgets and cash flow projections for a period not less than 12 months from the date of this annual report. The Directors have also considered the current economic conditions in the markets that the Group operates in and in particular the uncertainty that these conditions create over the level of demand for the Group's products. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to continue to operate its existing businesses without the need for additional finance which, in any case, may not be forthcoming on acceptable terms.

On the basis of this review, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For that reason, they continue to adopt the going concern basis in preparing the financial statements.

### Future developments

Details of the future developments of the Group are set out in the Chairman's Statement on pages 3 to 5.

### Events after the reporting period

There have been no significant events affecting the Group since the year end.

**Auditors**

The Auditors, Grant Thornton will continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board

| | |
|---|---|
| P E Lynch | Executive Chairman |
| J Doris | Director |
| 29 June 2011 | |

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements are prepared in accordance with generally accepted accounting practice in Ireland. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable IFRSs as adopted by the European Union for the Group consolidated financial statements and applicable accounting standards for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the web site. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the group and parent company financial statements of Prime Active Capital plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We report to you our opinion as to whether the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the parent company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements;
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital; and
- whether any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, Financial Review, Financial Summary and Group Financial Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009;
- the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the parent company's affairs as at 31 December 2010; and
- the parent company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Grant Thornton
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2
29 June 2011

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

| | Notes | **Pre-exceptionals 2010 €000** | **Exceptionals (note 7) 2010 €000** | **Total 2010 €000** | Pre-exceptionals 2009 €000 | Exceptionals 2009 €000 | Total 2009 €000 |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Revenue | 5 | **36,145** | **-** | **36,145** | 20,928 | - | 20,928 |
| Cost of sales | | **(21,656)** | **-** | **(21,656)** | (12,783) | - | (12,783) |
| Gross profit | | **14,489** | **-** | **14,489** | 8,145 | - | 8,145 |
| Selling and distribution costs | | **(11,083)** | **-** | **(11,083)** | (7,182) | - | (7,182) |
| Administration expenses | | **(3,726)** | **(1,247)** | **(4,973)** | (4,109) | (1,056) | (5,165) |
| Other gains | 8 | **104** | **-** | **104** | - | - | - |
| Operating loss | | **(216)** | **(1,247)** | **(1,463)** | (3,146) | (1,056) | (4,202) |
| Finance costs | 9 | **(88)** | **-** | **(88)** | (50) | - | (50) |
| Finance income | 9 | **56** | **-** | **56** | 77 | - | 77 |
| Loss before tax | | **(248)** | **(1,247)** | **(1,495)** | (3,119) | (1,056) | (4,175) |
| Income tax (charge)/credit | 15 | **(95)** | **-** | **(95)** | 29 | - | 29 |
| Loss for the year from continuing operations | 5 | **(343)** | **(1,247)** | **(1,590)** | (3,090) | (1,056) | (4,146) |
| **Discontinued operations** | | | | | | | |
| Profit/(loss) for the year from discontinued operations after tax | 6 | | | **86** | | | (2,141) |
| Loss for the year | | | | **(1,504)** | | | (6,287) |
| Attributable to: | | | | | | | |
| Equity shareholders | | | | **(1,514)** | | | (6,159) |
| Non-controlling interest | | | | **10** | | | (128) |
| | | | | **(1,504)** | | | (6,287) |

| | | **2010 €cent** | 2009 € cent |
|---|---|---|---|
| Loss per share From continuing operations - Basic and diluted | 17 | **(7.05)** | (17.72) |
| Earnings/(loss) per share From discontinued operations - Basic and diluted | 17 | **0.38** | (9.43) |
| Loss per share From continuing and discontinued operations - Basic and diluted | 17 | **(6.67)** | (27.15) |

The notes on pages 27 to 70 are an integral part of these consolidated financial statements.

P E Lynch Executive Chairman
J Doris Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

| | Notes | **2010** | 2009 |
|---|---|---|---|
| | | **€000** | €000 |
| Loss for the year | | **(1,504)** | (6,287) |
| Other comprehensive income/(expense): | | | |
| Available-for-sale financial assets | | | |
| - current year loss | | **-** | (39) |
| Fair valuation of warrants | | **-** | 304 |
| Actuarial (loss)/gain on defined benefit pension plan | 29 | **(94)** | 90 |
| Exchange movement | | **496** | 2,364 |
| Total comprehensive expense for the year | | **(1,102)** | (3,568) |
| | | | |
| Attributable to: | | | |
| Equity holders of the Company | | **(1,121)** | (3,437) |
| Non-controlling interest | | **19** | (131) |
| | | **(1,102)** | (3,568) |

Items in the statement above are disclosed net of tax. The income tax charge for the year is disclosed in note 15 on page 47 of the consolidated financial statements.

The notes on pages 27 to 70 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

| | Notes | **2010 €000** | 2009 €000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Inventories | 18 | **2,483** | 2,372 |
| Trade and other receivables | 19 | **3,347** | 3,797 |
| Cash and cash equivalents | 20 | **2,187** | 2,286 |
| | | **8,017** | 8,455 |
| **Non-current assets** | | | |
| Property, plant and equipment | 21 | **1,195** | 943 |
| Intangible assets | 22 | **8,710** | 8,326 |
| Available-for-sale financial assets | 23 | **658** | 1,094 |
| Other loans and receivables | 24 | **1,406** | 1,272 |
| | | **11,969** | 11,635 |
| Total assets | | **19,986** | 20,090 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 25 | **6,493** | 6,423 |
| Current income tax liabilities | | **192** | 100 |
| Borrowings | 26 | **29** | - |
| Provisions for other liabilities and charges | 27 | **848** | 807 |
| | | **7,562** | 7,330 |
| **Non-current liabilities** | | | |
| Borrowings | 26 | **632** | - |
| Retirement benefit obligations | 29 | **251** | 156 |
| | | **883** | 156 |
| Total liabilities | | **8,445** | 7,486 |
| Net assets | | **11,541** | 12,604 |
| **Equity** | | | |
| Ordinary shares | 30 | **11,341** | 11,341 |
| Share premium | 30 | **16,444** | 16,444 |
| Other reserves | 31 | **1,457** | 931 |
| Retained earnings | 32 | **(17,833)** | (16,225) |
| Non-controlling interest | 32 | **132** | 113 |
| Total equity | | **11,541** | 12,604 |

The notes on pages 27 to 70 are an integral part of these consolidated financial statements.

P E Lynch Executive Chairman
J Doris Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

| | **Share Capital** | **Share premium reserve** | **Other Reserves** | **Retained Earnings** | **Total attributable to shareholders** | **Non-controlling Interest** | **Total Equity** |
|---|---|---|---|---|---|---|---|
| | **€000** | **€000** | **€000** | **€000** | **€000** | **€000** | **€000** |
| At 1 January 2010 | **11,341** | **16,444** | **931** | **(16,225)** | **12,491** | **113** | **12,604** |
| **Comprehensive income:** | | | | | | | |
| (Loss)/profit for year | **-** | **-** | **-** | **(1,514)** | **(1,514)** | **10** | **(1,504)** |
| **Other comprehensive income:** | | | | | | | |
| Available-for-sale financial assets - reclassification to profit or loss | **-** | **-** | **39** | **-** | **39** | **-** | **39** |
| Actuarial (loss) on defined benefit pension plan | **-** | **-** | **-** | **(94)** | **(94)** | **-** | **(94)** |
| Exchange movement | **-** | **-** | **487** | **-** | **487** | **9** | **496** |
| Total comprehensive income | **11,341** | **16,444** | **1,457** | **(17,833)** | **11,409** | **132** | **11,541** |
| **Transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Balance at 31 December 2010 | **11,341** | **16,444** | **1,457** | **(17,833)** | **11,409** | **132** | **11,541** |

| | Share Capital | Share premium reserve | Other Reserves | Retained Earnings | Total attributable to shareholders | Non-controlling 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 |
| **Comprehensive income:** | | | | | | | |
| Loss for year | - | - | - | (6,159) | (6,159) | (128) | (6,287) |
| Adjustment in respect of previous years | - | - | - | 31 | 31 | (31) | - |
| **Other comprehensive income:** | | | | | | | |
| Available-for-sale financial assets - current year loss | - | - | (39) | - | (39) | - | (39) |
| Actuarial gain on defined benefit pension plan | - | - | - | 90 | 90 | - | 90 |
| Exchange movement | - | - | 2,367 | - | 2,367 | (3) | 2,364 |
| Total comprehensive income | 11,341 | 16,444 | 627 | (16,225) | 12,187 | 113 | 12,300 |
| **Transactions with owners:** | | | | | | | |
| Fair valuation of warrants | - | - | 304 | - | 304 | - | 304 |
| Balance at 31 December 2009 | 11,341 | 16,444 | 931 | (16,225) | 12,491 | 113 | 12,604 |

The notes on pages 27 to 70 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

| | Notes | **2010 €000** | 2009 €000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 34 (a) | **(19)** | (1,114) |
| Tax paid | | **(3)** | 9 |
| **Net cash outflow from operating activities** | | **(22)** | (1,105) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(497)** | (338) |
| Proceeds from sale of property, plant and equipment | | **39** | - |
| Interest received | | **4** | 33 |
| Purchase of available-for-sale financial assets | | **(584)** | - |
| Disposal of subsidiary, net of cash disposed of | 6 | **288** | 2,328 |
| Acquisition of subsidiary, net of cash acquired | | **-** | (2,021) |
| **Net cash (outflow)/inflow from investing activities** | | **(750)** | 2 |
| **Financing activities** | | | |
| Proceeds from borrowings | | **588** | - |
| Repayments of borrowings | | **-** | (699) |
| Capital element of asset finance payments | | **(13)** | - |
| Interest paid | | **(32)** | (19) |
| Finance lease interest | | **(2)** | (104) |
| **Net cash inflow/(outflow) from financing activities** | | **541** | (822) |
| **Net decrease in cash and cash equivalents** | | **(231)** | (1,925) |
| Cash and cash equivalents at 1 January | | **2,286** | 4,146 |
| Effect of exchange rate changes | | **132** | 65 |
| **Cash and cash equivalents at 31 December** | 20 | **2,187** | 2,286 |

The notes on pages 27 to 70 are an integral part of these consolidated financial statements.

## 1. General information

The Company is a public limited company listed on the Enterprise Securities Market (ESM) in Dublin and on the Alternative Investment Market (AIM) in London. The address of its registered office is 18, The Hyde Building, The Park, Carrickmines, Dublin 18, Ireland.

The principal activities of the Company and its subsidiaries are described in the Directors' report on page 11.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS.

The Company financial statements have been prepared in accordance with Irish GAAP. The Company has availed of the exemption in Section 148(8) of the Companies Act 1963 not to present its individual Profit and Loss Account and related notes that form part of the approved Company financial statements. The Company has also availed of the exemption from filing its individual Profit and Loss Account with the Registrar of Companies as permitted by Section 7(1A) of the Companies (Amendment) Act 1986.

### 2.2 Basis of preparation

These consolidated financial statements, which are presented in euro thousands, have been prepared under the historical cost convention as modified by the measurement at fair value of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and available-for-sale financial assets.

There is a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future despite the current economic conditions in the markets that the Group operates in and the uncertainty these conditions create over the level of demand for the Group's products. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to continue to operate its existing businesses without the need for additional finance. For that reason, the consolidated financial statements have been prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 on pages 37 to 39 of the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain new and revised accounting standards and new IFRIC interpretations are mandatory for the Group for accounting periods beginning on or after 1 January 2010. The Group's assessment of the impact of these new standards and interpretations is set out below.

The following standards and interpretations became effective for the 2010 financial statements and have been adopted by the Group:

- 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 2010.
- 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.
- Improvements to IFRS's 2009
  The improvements to IFRSs 2009 made several minor amendments to IFRSs. None of these amendments had a material impact on the results or financial position of the Group.

The following standards and interpretations became effective for the 2010 financial statements but these were either not relevant to or did not have a material impact on the Group's financial statements:

- IFRS 1 (amendment) – First-time Adoption of International Financial Reporting Standards;
- IFRS 2 (amendments) – Share-based Payments;
- IFRS 5 (amendment) – Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 8 (amendment) – Operating Segments;
- IAS 1 (amendment) – Presentation of Financial Statements;
- IAS 7 (amendment) – Statement of Cash Flows;
- IAS 17 (amendment) – Leases;
- IAS 28 (amendment) – Investments in Associates;
- IAS 31 (amendment) – Interests in Joint Ventures;
- IAS 36 (amendment) – Impairment of Assets;
- IAS 38 (amendment) – Intangible Assets;
- IAS 39 (amendment) – Financial Instruments: Recognition and Measurement;
- IFRIC 9 (amendment) – Reassessment of Embedded Derivatives;
- IFRIC 16 (amendment) – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Distributions of Non-cash Assets to Owners; and
- IFRIC 18 – Transfer of Assets from Customers.

The Group has not applied the following standards and interpretations which have been issued and become effective for accounting periods beginning after the commencement of the Group's next financial year but either have no impact or are not expected to have a material impact on the Group's financial statements:

- IFRS 1 (amendment) – First-time Adoption of International Financial Reporting Standards;
- IFRS 3 (amendment) – Business Combinations
- IFRS 7 (amendment) – Financial Instruments: Disclosures;
- IFRS 9 – Financial Instruments;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Involvement with Other Entities;
- IAS 1 (amendment) – Presentation of Financial Statements;
- IAS 12 (amendment) – Income Taxes;
- IAS 24 (revised) – Related Party Transactions;
- IAS 27 (amendment) – Consolidated and Separate Financial Statements;
- IAS 32 (amendment) – Financial Instruments: Presentation – Classification of Rights Issues;
- IFRIC 13 (amendment) – Customer loyalty programmes;
- IFRIC 14 (amendment) – IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction; and

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

The standards and interpretations addressed above will be applied for the purposes of the Group financial statements with effect from the date they become effective.

**2.3 Basis of consolidation**

Subsidiaries are those entities over which the Group has the power to control the financial and operating policies so as to obtain economic benefit from their activities. The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) all of which prepare financial statements up to 31 December. Accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group. All intra-group transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

**2.4 Business combination**

*Acquisitions on or after 1 January 2010*

From 1 January 2010 the Group has applied IFRS 3 (revised) - Business Combinations in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount is recognised in profit or loss immediately.

Prior to 1 January 2010 business combinations have been accounted for under IFRS 3 Business Combinations (2004).

**2.5 Non-controlling interest**

Non-controlling interest represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

**2.6 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting information 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 defined by the Group as the Executive Chairman.

At 31 December 2010, the Group had one operating segment, PAC Telemedia. The results and financial information of this operating segment are presented and regularly reviewed by the Group's Chief Operating Decision maker. EBITDA is one of the key measures utilised in assessing the performance of this operating segment. IFRS does not define EBITDA which for the purpose of clarity is defined as earnings before interest, tax, depreciation and amortisation.

**2.7 Revenue**

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, sales taxes, rebates and returns.

Revenue from the sale of goods is recognised when a Group entity has delivered products to the customer and the significant risks and rewards of ownership have been transferred to the buyer. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Commission revenue is receivable on sales of third party wireless subscription services and is contractually committed by the provider of the wireless subscription services and for which there are ongoing performance criteria. Commission is repayable in the event that a subscriber cancels a subscription service within a defined period of time. Accumulated experience is used to estimate and provide for commission repayments. Commission revenue is recognised net of provision for cancellations when the sales related to the commission are made.

**2.8 Share-based payments**

*Warrants*

In accordance with IFRS 2- Share-based Payment, the fair value of the warrants at grant date excluding the impact of non-market conditions is recognised as an expense in the income statement over the vesting period. A corresponding amount is recognised in shareholders' equity as the warrant scheme is designated as an equity-settled share based payment transaction. The fair value of each warrant granted during the year is determined using an option pricing model with assumptions appropriate to each award at the time of grant. A detailed description is outlined in note 33 on page 64 of the consolidated financial statements.

*Share options*

Employees (including Directors) of the Group may be entitled to remuneration in the form of share – based payment transactions, whereby employees render service in exchange for shares or rights over shares. Details of the Group's share option scheme are set out in note 37 on page 68 of the consolidated financial statements.

In line with the transitional provisions applicable to a first-time adopter of IFRS, as contained in IFRS 2 – Share-based Payment, the recognition and measurement principles of this standard have been applied only in respect of share options granted after 7 November 2002 that had not vested at the date of transition to IFRS. In accordance with the standard, the disclosure requirements of IFRS 2 – Share-based Payment – are applied to all outstanding share-based payments regardless of their grant date.

For any share options granted after 7 November 2002, the fair value of the option is recognised as an expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date excluding the impact of non-market conditions and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest where vesting conditions are non-market conditions. When the options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

**2.9 Retirement benefit obligations**

The Group operates a defined contribution schemes and a defined benefit scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution schemes are charged to the income statement in the period in which they fall due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The Group accounts for the post-employment defined benefit scheme through full recognition of the scheme's surplus (unless restricted under IAS19) or deficit on the statement of financial position at the end of each year. Actuarial gains and losses are included in the statement of comprehensive income. Current costs, curtailments and settlements are recognised within operating profit. Past service costs are recognised within operating profit unless the changes to the pension plan are conditional on the employees remaining service for a specified period of time (vesting period). In this case, the past service costs are amortised over the vesting period. Expected return on scheme assets and interest on obligations are recognised as components of finance income and finance costs.

**2.10 Finance income and finance costs**

Finance income consists of income from interest earning deposits and expected returns on defined benefit pension plan assets. Deposit interest income is accrued on a time basis by reference to the principal balance and the applicable effective interest rate.

Finance costs consist of interest payable on borrowings and the interest cost on defined benefit pension plan liabilities. Interest payable on borrowings is accrued on a time basis by reference to the outstanding principal and the effective interest rate of the borrowing.

**2.11 Exceptional items**

The Group has adopted an income statement format, which seeks to highlight significant items within the Group results for the year. Such items may include restructuring costs, reorganisation costs, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements, profit or loss on disposal of investments or other significant expenses. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and notes as exceptional items.

**2.12 Taxation**

Taxation on the profit or loss for the period comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on the basis of the liability method on temporary differences at the statement of financial position date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or where, in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, the timing and reversal of the temporary differences is subject to control by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are anticipated to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. The carrying amounts of deferred tax assets are subject to review at each statement of financial position date and are reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

**2.13 Currency translation**

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the presentation currency of the Group.

Due to the ongoing growth of the US based operations and the fact that the US is the primary environment in which the Group operates, the functional currency of the Company is US dollar. Presenting the financial statements in euro is considered to be more meaningful for shareholders because the Group parent company is incorporated in Ireland, its shares are quoted on the Enterprise Securities Market (ESM), the Irish Stock Exchange market which is designed for small to mid-sized companies, and the majority of its shareholders are Irish.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at the rate of exchange ruling at the statement of financial position date are recognised in profit or loss.

*Group companies*

Results and cash flows of subsidiaries are translated into euro at average exchange rates for the period, where average exchange rates approximate the exchange rates applying at the dates of the underlying transactions, and the related statements of financial position are translated at the exchange rates applying at the financial year-end. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates applying at the financial year-end. Exchange differences arising on translation of the results of foreign currency subsidiaries and on restatement of the opening net assets at closing rates, on both the translation to the functional currency of the parent and to the reporting currency, are dealt with in a separate currency translation reserve within equity, net of any differences on related currency borrowings. On disposal of a foreign operation, accumulated currency translation differences are recognised in the income statement as part of the overall gain or loss on disposal. Cumulative currency translation differences arising prior to 1 January 2004 (the transition date to IFRS) have been set to zero.

**2.14 Property, plant and equipment**

Property, plant and equipment are recorded at original cost less accumulated depreciation (for those assets which are depreciated) and any impairment loss. Cost includes the purchase price plus costs directly incurred in bringing the asset into use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

**2.15 Depreciation and impairment of property, plant and equipment**
Depreciation is charged, on a straight-line basis, so as to write down the cost of property, plant and equipment to residual value, including those assets held under finance lease. Land is not depreciated. Depreciation charges are commenced from the dates the assets are available for their intended use and are spread over the following estimated useful economic lives (or the lease term, if shorter):

- leasehold improvements 5 to 7 years;
- fixtures and fittings 2 to 7 years; and
- vehicles 4 to 5 years.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

In accordance with IAS 36 – Impairment of Assets – the carrying values of items of property, plant and equipment are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate. For this purpose assets are grouped into cash generating units representing the lowest levels for which there are separately identifiable cash flows. Impairment is then determined by assessing the recoverable amount of the cash-generating unit to which the assets relates. Reversals of impairment losses are recognised in income when they arise.

**2.16 Intangible assets – goodwill**
Goodwill is recognised as an asset and represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the acquisition. As at the acquisition date, goodwill is allocated to cash-generating units for the purpose of impairment testing. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment annually and whenever there is a possible indicator of impairment. Impairment is determined by assessing the recoverable amount, being the higher of fair value less costs to sell and value in use, of the cash-generating unit to which the goodwill relates. If the recoverable amount of goodwill is less than its carrying amount, an impairment loss is recognised. Impairment losses for goodwill are not reversed in subsequent periods.

Where a subsidiary is sold, any goodwill arising on acquisition, net of any impairment, is included in determining the profit or loss arising on disposal.

**2.17 Available-for-sale financial assets**
The Group's investments in equity securities, that are not accounted for as a subsidiary, associate or joint venture, are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, including translation differences, are recognised directly in equity. The fair value of investments classified as available-for-sale is their quoted market price at the financial year-end. When such an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The Group assesses at each financial year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**2.18 Other loans and receivables**
Other loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are included at amortised cost in non-current assets unless the investment is due to mature within 12 months of the financial year-end. After initial recognition, gains or losses arising from changes in the amortised cost are included in other gains/(losses) in the income statement in the period in which they arise.

**2.19 Inventories**
Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Inventory is measured by taking account of cost and the expected revenues arising from the sale of packages comprising a mobile phone and a wireless subscription service for which the Company receives a commission. Where necessary, write downs in the carrying value of inventories are made for obsolete, damaged, deteriorated and unusable items on the basis of a review of individual items included in inventory.

**2.20 Trade and other receivables**
Trade and other receivables are recognised initially at fair value. Given the short-dated nature of these assets the original invoice value equates to initial fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method, less an impairment provision when there is objective evidence that it will not be possible to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original rate of interest. The amount of the provision is recognised in the income statement in selling and distribution costs.

**2.21 Cash and cash equivalents**
Cash and cash equivalents comprise cash balances and call deposits, including bank deposits of less than three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**2.22 Share capital**
Ordinary shares are classified as equity. Equity capital issued by the Group is recorded at the value of the proceeds received, net of direct issue costs.

**2.23 Trade payables**
Trade payables are initially stated at cost which, given the short-dated nature of these liabilities equates to initial fair value and are subsequently measured at amortised cost, using the effective interest rate method, when the age or payment terms of the liability indicates that initial cost no longer equates to fair value.

**2.24 Provisions**
A provision is recognised in the statement of financial position when the Group has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits would be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**2.25 Borrowings**
Borrowings are initially recorded at the fair value of the consideration received net of attributable transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the consideration received (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial year-end.

### 2.26 Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Asset finance agreements are legal agreements entered into with a provider of finance to enable Group entities to finance the purchase of plant and equipment. The substance of these agreements is equivalent to that of a finance lease and accordingly these transactions are accounted for as finance leases. The term asset finance agreement is used in the financial statements to describe both finance lease agreements and any other agreements which are equivalent to finance leases in substance.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. Benefits received as an incentive to enter into an operating lease are spread on a straight line basis over the period of the lease.

### 2.27 Derivative financial instruments and hedging activities

Derivative financial instruments may be employed by the Group from time to time to match an existing foreign currency asset or liability or to hedge a forecasted transaction. Derivative financial instruments are initially measured at fair value and remeasured at fair value at each reporting date and the movement in fair value is recognised in the income statement unless they are designated as cash flow hedges under IAS 39 – Financial Instruments: Recognition and Measurement. Where such instruments are classified as cash flow hedges, and subject to the satisfaction of certain criteria relating to documentation at inception of the relationship between the hedging instrument and the hedged item, risk management objectives and strategy, and the ongoing measurement of its effectiveness, they are accounted for under hedge accounting rules.

In such cases, any gain or loss arising on the effective portion of the derivative instrument is recognised in the hedging reserve, a separate component of equity. Gains or losses on any ineffective portion of the derivative are recognised in the income statement. When a forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### 2.28 Government and other grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Within the PAC Telemedia segment, grants related to certain expenditures incurred in respect of the opening of new mobile phone shops are receivable subject to various conditions. When there is reasonable assurance that the grant will be received and all conditions will be complied with, the grant is recognised as a reduction of the associated expense at its fair value in the period in which the related expense is incurred.

Government and other grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government and other grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

### 2.29 Discontinued operations

A discontinued operation is a component of the Group's business which represents a separate major line item of business and has been disposed of. When an operation is classified as discontinued, the comparative income statement is restated as if the operation had been discontinued from the start of the earliest period presented.

## 3. Financial risk management

The main financial instruments used by the Group throughout its businesses are interest-bearing loans and borrowings, cash and cash equivalents, trade receivables and payables and finance leases. The Group also has available-for-sale quoted equities in a company listed on AIM. The main risks attaching to the Group's financial instruments are interest rate, currency, credit, price and liquidity risk.

*Interest rate risk*

Group borrowings consist of a sterling loan note within the Irish operations and US dollar asset finance facilities within the USA based operations. At 31 December 2010, these borrowings were subject to fixed rates of interest. Interest rate exposures are reviewed regularly and financial instruments considered. At present it is not considered necessary to cover interest rate exposures by the use of financial instruments.

*Currency risk*

The Group's trading activities are conducted in US dollar, the functional currency of the Group's main subsidiaries. The Group's USA based operating companies do not incur transactional currency exposures arising from sales and purchases in currencies other than the US dollar. The Group is exposed to underlying equity securities currency risk in respect of investments held in sterling and classified as available-for-sale. The Group does not hedge against this exposure.

The translation of the Group's net investment in its subsidiaries to the Group presentation currency (euro) gives rise to an exchange movement which is recognised in the consolidated statement of comprehensive income.

*Credit risk*

Credit risk arises in the context of the Group's trading with customers. Credit risk is managed by maintaining and applying appropriate credit control policies with both new and continuing customer relationships. There were no significant concentrations of credit risk at the year end.

The Group is also exposed to credit risk relating to cash and cash equivalents. The Group places cash/deals with highly rated financial institutions and, where appropriate, seeks to diversify funds between a number of such institutions to minimise the amount of credit exposure to any financial institution.

*Price risk*

The Group is exposed to underlying equity securities price risk in respect of investments held by the Group and classified on the statement of financial position as available-for-sale. The Group does not hedge against this exposure.

At 31 December 2010, if the underlying equity securities price in respect of investments held by the Group and classified on the statement of financial position as available-for-sale had strengthened/weakened by 5% with all other variables held constant, other components of equity would have been €0.033 million/€0.033 million (2009: €0.055 million/€0.055 million) lower/higher, mainly as a result of changes in fair values of available-for-sale financial assets.

*Liquidity risk*

The Group is exposed to liquidity risk which arises primarily from the requirement to pay short term financial liabilities. The Group's policy is to ensure that sufficient resources are available either from cash balances or cash flows to ensure all obligations can be met as they fall due. To achieve this objective, the Group:

- continuously monitors and controls forecast and actual cash flows;
- maintains cash balances and liquid investments with highly-rated counterparties; and
- limits the maturity of cash balances.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances as the impact of discounting is not significant.

| **At 31 December 2010** | **Less than 1 year €000** | **Between 1 and 2 years €000** | **Between 2 and 5 years €000** |
|---|---|---|---|
| Borrowings | **30** | **706** | **-** |
| Trade and other payables | **6,493** | **-** | **-** |
| | **6,523** | **706** | **-** |

| At 31 December 2009 | Less than 1 year €000 | Between 1 and 2 years €000 | Between 2 and 5 years €000 |
|---|---|---|---|
| Trade and other payables | 6,423 | - | - |
| | 6,423 | - | - |

*Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may pay dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital for the financial year-ends under review is summarised as follows:

| | **2010 €000** | 2009 €000 |
|---|---|---|
| Total equity | **11,541** | 12,604 |
| Cash and cash equivalents | **(2,187)** | (2,286) |
| Capital | **9,354** | 10,318 |

| | **2010 €000** | 2009 €000 |
|---|---|---|
| Total equity | **11,541** | 12,604 |
| Borrowings | **661** | - |
| Overall financing | **12,202** | 12,604 |
| | | |
| Capital-to-overall financing ratio | **0.77** | 0.82 |

The decrease in the capital-to-overall financing ratio during 2010 resulted primarily from the issue of a loan note by the Group as consideration for the acquisition of additional available-for-sale financial assets.

## 4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future in preparing the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates cannot be expected to predict future results with certainty. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**4.1 Goodwill**

Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicating potential impairment exist. In accordance with accounting policy note 2.16 on page 33 of the consolidated financial statements, the Group assesses the recoverable amount of the cash generating unit to which goodwill relates to determine if goodwill has been impaired. In calculating the recoverable amount, management judgment is required to determine either the fair value less costs to sell of the cash generating unit or to determine the discounted present value of the cash flows expected to arise from the continuing use of the cash generating unit and its disposal at the end of its useful life. In testing for impairment at 31 December 2010, management assessed the value in use of the cash generating units to which goodwill related and determined that no impairment arose.

**4.2 Post-retirement benefits**

The Group operates a defined benefit pension plan. The Group's total obligation in respect of this pension plan is based on the advice of independent, qualified actuaries and updated at least annually. At 31 December 2010 the total obligation of the plan was €1.098 million and the plan assets totalled €0.847 million as detailed further in note 29 on pages 59, 60 and 61 of the consolidated financial statements.
The size of the pension deficit is sensitive to the assumptions which underlie the calculations performed by the independent actuaries. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation and benefit and salary increases together with the discount rate used. The size of the plan assets is also sensitive to asset return levels.

**4.3 Income taxes**

Significant judgement is required in determining the provision for income taxes as the taxation rules are constantly evolving and are subject to changes in legal and practical interpretation from time to time. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**4.4 Business combinations**

The Group uses the acquisition method of accounting for acquired businesses which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of the acquisition method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition.

**4.5 Exceptional items**

In accordance with accounting policy note 2.11 on page 31 of the consolidated financial statements, the Group has adopted an income statement format which highlights as exceptional any significant and one off items within the Group's results for the year. Judgement is used by the Group in assessing the particular items, which by virtue of their materiality and/or nature, are presented in the income statement and related notes as exceptional items.

**4.6 Valuation of warrants**

The determination of the fair value of warrants involves the use of judgements and estimates. The fair value has been estimated using Monte Carlo simulation model in accordance with the judgemental assumptions set out in note 33 on page 64 of the consolidated financial statements.

**4.7 Available-for-sale financial assets**

Available-for-sale financial assets consist of quoted equity securities. Available-for-sale financial assets are considered for impairment if there is a significant decline in the market value of these equity securities. The Group policy is to assess such declines and if considered significant to charge an impairment loss to the income statement in accordance with the requirement of IAS 39 – Financial Instruments: Recognition and Measurement – and in accordance with note 2.17 on page 33 of the consolidated financial statements.

**4.8 Fair value of other loans and receivables**
The fair value of other loans and receivables that are not traded on an active market is determined by using discounted cash flow analysis. A present value of future cash flows is calculated using a discount rate based on the market interest rate plus a risk premium specific to the underlying loans and receivables.

**4.9 Deferred tax assets**
Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction.

**4.10 Commissions repayable**
Commission revenue is receivable within the PAC Telemedia division on sales of third party wireless subscription services and is contractually committed by the provider of the wireless subscription services and for which there are ongoing performance criteria. Commission is repayable in the event that a subscriber cancels a subscription service within a defined period of time. Accumulated experience is used to estimate and provide for such commission repayments.

**4.11 Provisions**
Provisions have been made for onerous leases and restructuring within the PAC Telemedia division. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability is accounted for in the period when such determination is made.

## 5. Segment information

In accordance with IFRS 8 the Group has one business segment, PAC Telemedia. This segment aligns with the Group's internal financial reporting system and the way in which the Chief Operating Decision Maker assesses performance. 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 telecommunication subscription services and wireless data products.

### (a) Operating segment disclosures – Consolidated Income Statement

| | **Continuing** | | | **Discontinued** | |
|---|---|---|---|---|---|
| **Year ended 31 December 2010** | **PAC Telemedia €000** | **Unallocated[1] €000** | **Total €000** | **PAC Digimedia €000** | **Group €000** |
| Revenue from external customers | **36,145** | **-** | **36,145** | **-** | **36,145** |
| EBITDA[2] | **801** | **(828)** | **(27)** | **-** | **(27)** |
| Depreciation, amortisation and other grants | **(282)** | **(11)** | **(293)** | **-** | **(293)** |
| Operating profit/(loss) before exceptional items | **519** | **(839)** | **(320)** | **-** | **(320)** |
| Other income | **-** | **-** | **-** | **86** | **86** |
| Other gains | **-** | **104** | **104** | **-** | **104** |
| Exceptional items | **(153)** | **(1,094)** | **(1,247)** | **-** | **(1,247)** |
| Finance costs | **(2)** | **(86)** | **(88)** | **-** | **(88)** |
| Finance income | **-** | **56** | **56** | **-** | **56** |
| Profit/(loss) before tax | **364** | **(1,859)** | **(1,495)** | **86** | **(1,409)** |
| Income tax (charge)/credit | **(107)** | **12** | **(95)** | **-** | **(95)** |
| Profit/(loss) for the year | **257** | **(1,847)** | **(1,590)** | **86** | **(1,504)** |

| | Continuing | | | Discontinued | |
|---|---|---|---|---|---|
| Year ended 31 December 2009 | PAC Telemedia €000 | Unallocated €000 | Total €000 | PAC Digimedia €000 | Group €000 |
| Revenue from external customers | 20,928 | - | 20,928 | 9,274 | 30,202 |
| EBITDA[2] | (1,789) | (1,024) | (2,813) | 1,217 | (1,596) |
| Depreciation, amortisation and other grants | (322) | (11) | (333) | (741) | (1,074) |
| Operating (loss)/profit before exceptional items | (2,111) | (1,035) | (3,146) | 476 | (2,670) |
| Exceptional items | (752) | (304) | (1,056) | (84) | (1,140) |
| Finance costs | - | (50) | (50) | (123) | (173) |
| Finance income | - | 77 | 77 | - | 77 |
| (Loss)/profit before tax | (2,863) | (1,312) | (4,175) | 269 | (3,906) |
| Income tax credit | - | 29 | 29 | 19 | 48 |
| Loss on disposal of subsidiary | - | - | - | (2,429) | (2,429) |
| Loss for the year | (2,863) | (1,283) | (4,146) | (2,141) | (6,287) |

(1) unallocated costs represent corporate costs of the Group

(2) the Executive Chairman assesses segment performance based on earnings before interest, tax, depreciation, amortisation, other income, other gains and exceptional items (EBITDA)

**(b) Operating segments disclosures – Statement of Financial Position**

The Group's business segments and its assets are located in the USA. Unallocated assets represent assets held by PAC Group and not allocated to an operating subsidiary and include the Group's interest in Media Square plc.

| | Continuing operations – year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **PAC Telemedia** | **Unallocated** | **Total Group** | PAC Telemedia | Unallocated | Total Group |
| | **€000** | **€000** | **€000** | €000 | €000 | €000 |
| | **2010** | **2010** | **2010** | 2009 | 2009 | 2009 |
| **Non-current assets** | | | | | | |
| USA | **9,868** | **-** | **9,868** | 9,264 | - | 9,264 |
| Unallocated | **-** | **2,101** | **2,101** | - | 2,371 | 2,371 |
| | **9,868** | **2,101** | **11,969** | 9,264 | 2,371 | 11,635 |
| **Current assets** | | | | | | |
| USA | **7,947** | **-** | **7,947** | 7,481 | - | 7,481 |
| Unallocated | **-** | **70** | **70** | - | 974 | 974 |
| | **7,947** | **70** | **8,017** | 7,481 | 974 | 8,455 |
| **Total assets** | **17,815** | **2,171** | **19,986** | 16,745 | 3,345 | 20,090 |
| **Total liabilities** | | | | | | |
| USA | **(7,212)** | **-** | **(7,212)** | (6,759) | - | (6,759) |
| Unallocated | **-** | **(1,233)** | **(1,233)** | - | (727) | (727) |
| | **(7,212)** | **(1,233)** | **(8,445)** | (6,759) | (727) | (7,486) |

**(c) Entity-wide disclosures**

The Group derives its revenue from a single collection of related products and services being the supply of mobile phones and accessories and the provision of mobile telecommunication subscription services. Group revenue is entirely from external customers. The table below shows revenue attributable to the country of operation.

| | **Continuing** | | | **Discontinued** | | |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2010** | **USA** | **Unallocated** | **Total** | **UK** | **Total** | **Group** |
| | **€000** | **€000** | **€000** | **€000** | **€000** | **€000** |
| Sale of goods | **12,238** | **-** | **12,238** | **-** | **-** | **12,238** |
| Supply of services | **23,907** | **-** | **23,907** | **-** | **-** | **23,907** |
| | **36,145** | **-** | **36,145** | **-** | **-** | **36,145** |

| | Continuing | | | Discontinued | | |
|---|---|---|---|---|---|---|
| Year ended 31 December 2009 | USA | Unallocated | Total | UK | Total | Group |
| | €000 | €000 | €000 | €000 | €000 | €000 |
| Sale of goods | 7,220 | - | 7,220 | 9,274 | 9,274 | 16,467 |
| Supply of services | 13,708 | - | 13,708 | - | - | 13,708 |
| | 20,928 | - | 20,928 | 9,274 | 9,274 | 30,202 |

During the year €23.907 million or 66% of the Group's revenue's depended on a single customer in the PAC Telemedia segment (2009: €13.708 million or 66%).

**6. Discontinued operations**

There were no discontinued operations within the Group in 2010. The expected deferred consideration of €0.288 million relating to previous years' disposals was received on 26 February 2010 and 27 September 2010.

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| **Results of discontinued operations** | | |
| Revenue | **-** | 9,274 |
| Cost of sales | **-** | (7,607) |
| Gross profit | **-** | 1,667 |
| | | |
| Selling and distribution costs | **-** | (373) |
| Administration expenses | **-** | (818) |
| Other income[1] | **86** | (248) |
| Exceptional items | **-** | (84) |
| Operating profit | **86** | 144 |
| | | |
| Finance costs | **-** | (123) |
| Finance income | **-** | - |
| Profit before tax | **86** | 21 |
| | | |
| Income tax credit | **-** | 19 |
| Loss on disposal of discontinued operations[1] | **-** | (2,181) |
| Income tax on loss on disposal of discontinued operations | **-** | - |
| Profit/(loss) after tax from discontinued operations | **86** | (2,141) |
| | | |
| Basic and diluted earnings/(loss) per share (cent) | **0.38** | (9.43) |
| | | |
| **Cash flows from (used in) discontinued operations** | | |
| Net cash used in operating activities | **-** | 1,511 |
| Net cash from investing activities | **288** | 2,271 |
| Net cash from financing activities | **-** | (2,216) |
| Net cash from discontinued operations | **288** | 1,566 |

| **Effect of disposal on the financial position of the Group** | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Property, plant and equipment | **-** | 4,937 |
| Inventories | **-** | 628 |
| Trade receivables | **-** | 2,466 |
| Cash and cash equivalents | **-** | 100 |
| Borrowings | **-** | (1,393) |
| Trade payables | **-** | (2,174) |
| Group balances not settled | **-** | (1,353) |
| Net assets disposed of | **-** | 3,211 |
| | | |
| Total (loss)/gain on disposal | **-** | (2,429) |
| Accumulated currency translation differences included in loss on disposal | **-** | 1,923 |
| Total consideration (net of attributable expenses) | **-** | 2,705 |

| | | |
|---|---|---|
| Consideration received, satisfied in cash (net of attributable expenses) | **288** | 2,428 |
| Cash and cash equivalents disposed of | **-** | (100) |
| Net cash inflow | **288** | 2,328 |
| Deferred consideration[(2)(3)] | **(288)** | 277 |
| | **-** | 2,605 |

(1) other income comprises a gain on remeasuring other loans and receivables as disclosed in note 24 on page 55 of the consolidated financial statements. The charge of €0.248 million represents a loss on remeasuring other loans and receivables in 2009 which was included within the loss on disposal of discontinued operations amount of €2,249 million in note 6 of the 2009 annual report and has been re-classed in 2009 for comparative purposes
(2) the deferred consideration received in 2010 has been translated using the exchange rates prevailing at the date the cash was received. The amount as disclosed in the 2009 annual report was translated using the exchange rate on the date the entity was disposed of, giving rise to a foreign exchange difference of €0.011 million.
(3) in addition to deferred consideration noted above, see other loans and receivables note 24 on page 55 of the consolidated financial statements

## 7. Exceptional items

| | **2010** | 2009 |
|---|---|---|
| **Continuing operations** | **€000** | €000 |
| Impairment charge on available-for-sale financial asset[(1)] | **1,094** | - |
| Reorganisation provision[(2)] | **153** | 245 |
| Warrants[(3)] | **-** | 304 |
| Deferred other grants[(4)] | **-** | (261) |
| Impairment of property, plant and equipment | **-** | 768 |
| | **1,247** | 1,056 |
| **Discontinued operations** | | |
| Redundancy payments | **-** | 84 |
| | **-** | 84 |
| Total exceptional items continuing and discontinued operations | **1,247** | 1,140 |

(1) the impairment charge arises as a result of a significant decline in the fair value of the Group's interest in Media Square plc
(2) the reorganisation provision relates to a provision for onerous leases in Express Business Service's business in the USA, in 2009 the reorganisation provision related to the restructuring of Cellular Center's business in the USA and included provisions for redundancy payments and onerous leases
(3) the charge of €0.304 million represents the fair value of the warrants issued in connection with the May 2007 corporate reorganisation as calculated by independent valuers
(4) deferred other grants is the unamortised portion of other grants received which are not repayable and were written off on the restructuring of Cellular Center's business

## 8. Other gains

| | **2010** | 2009 |
|---|---|---|
| **Continuing operations** | **€000** | €000 |
| Net foreign exchange gains | **104** | - |
| | **104** | - |

**9. Finance costs and finance income**

| | **2010** | 2009 |
|---|---|---|
| **Continuing operations** | **€000** | €000 |
| Finance costs: | | |
| Other borrowings | **(32)** | - |
| Asset finance | **(2)** | - |
| Defined benefit pension plan - interest cost on plan liabilities | **(53)** | (50) |
| Net foreign exchange losses on financing activities | **(1)** | - |
| | **(88)** | (50) |
| **Discontinued operations** | | |
| Finance costs: | | |
| Bank borrowings | **-** | (19) |
| Asset finance | **-** | (104) |
| | **-** | (123) |
| Total finance costs continuing and discontinued operations | **(88)** | (173) |
| **Continuing operations** | | |
| Finance income: | | |
| Bank deposit interest | **4** | 33 |
| Defined benefit pension plan - expected return on plan assets | **52** | 44 |
| | **56** | 77 |
| Total finance income continuing and discontinued operations | **56** | 77 |
| Finance costs (net) | **(32)** | (96) |

## 10. Expenses

| Continuing operations | 2010<br>€000 | 2009<br>€000 |
|---|---|---|
| Employee benefit expense[1] (note 13) | **9,157** | 6,696 |
| Material cost of inventories consumed (included within cost of sales) | **21,656** | 12,783 |
| Depreciation of property, plant and equipment | | |
| - Included in administration expenses | **313** | 390 |
| Services provided by the Group's Auditors (note 12) | **125** | 123 |
| Operating lease rentals | | |
| - Property | **2,783** | 2,047 |
| Inventory provision | **194** | 142 |
| Loss on disposal of property, plant and equipment | **39** | 59 |
| Impairment of property, plant and equipment | **-** | 768 |
| Impairment of available-for-sale-financial asset | **1,094** | - |
| Other selling and distribution and administrative expenses | **2,351** | 2,122 |
| Other gains | **(104)** | - |
| | **37,608** | 25,130 |
| **Discontinued operations** | | |
| Employee benefit expense (note 13) | **-** | 2,846 |
| Material cost of inventories consumed (included within cost of sales) | **-** | 4,111 |
| Depreciation of property, plant and equipment | | |
| - Included in cost of sales | **-** | 717 |
| - Included in administration expenses | **-** | 23 |
| Services provided by the Group's Auditors (note 12) | **-** | - |
| Operating lease rentals | | |
| - Property | **-** | 35 |
| - Plant and machinery | **-** | - |
| Inventory provision | **-** | 28 |
| Other selling and distribution and administrative expenses | **-** | 1,122 |
| | **-** | 8,882 |
| Total continuing and discontinued operations | **37,608** | 34,012 |

(1) fair value of warrants are included in employee benefit expense

The amount that was recognised in respect of government and other grants in the income statement was €0.029 million (2009: €0.404 million).

## 11. Net foreign exchange gains/(losses)

| Continuing operations | 2010<br>€000 | 2009<br>€000 |
|---|---|---|
| The exchange differences credited/(charged) to the income statement are included as follows: | | |
| Other gains (note 8) | **104** | - |
| Net finance costs (note 9) | **(1)** | - |
| | **103** | - |

### 12. Services provided by the Group's Auditors

During the year the Group (including its USA subsidiaries) obtained the following services from the Group's Auditors at costs as detailed below:

| | **2010** | 2009 |
|---|---|---|
| **Continuing operations** | **€000** | €000 |
| Audit of Group accounts | **120** | 123 |
| Other assurance services | **-** | - |
| Tax advisory services | **5** | - |
| Other non-audit services | **-** | - |
| | **125** | 123 |

### 13. Employment information

| | **2010** | 2009 |
|---|---|---|
| **Continuing operations** | **€000** | €000 |
| Employment costs: | | |
| Wages and salaries | **8,357** | 6,018 |
| Social welfare costs | **782** | 410 |
| Other pension costs net | **18** | (36) |
| Fair valuation of warrants | **-** | 304 |
| Employee benefit expense | **9,157** | 6,696 |
| | | |
| **Discontinued operations** | **€000** | €000 |
| Employment costs: | | |
| Wages and salaries | **-** | 2,500 |
| Social welfare costs | **-** | 255 |
| Other pension costs net | **-** | 91 |
| Employee benefit expense | **-** | 2,846 |
| | | |
| Total continuing and discontinued operations | **9,157** | 9,542 |

| | **2010** | 2009 |
|---|---|---|
| Average number of employees | | |
| Production | **-** | 73 |
| Selling and distribution | **250** | 218 |
| Administration | **49** | 52 |
| Average number of employees for the year | **299** | 343 |

### 14. Foreign currency

The income statement and cash flows of the Group’s operations are translated into euro based on the average exchange rate for the year. The statements of financial position are translated using the year end exchange rate.

| | **2010** | 2009 |
|---|---|---|
| **Average rate** | | |
| Sterling | **0.8582** | 0.8911 |
| US dollar | **1.3268** | 1.3933 |
| | | |
| **Year end rate** | | |
| Sterling | **0.8608** | 0.8881 |
| US dollar | **1.3362** | 1.4406 |

## 15. Income tax (charge)/credit

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Current tax charge | **(95)** | (3) |
| Adjustments in respect of previous years | **-** | 32 |
| Taxation | **(95)** | 29 |

| **Relationship between tax expense and accounting profit** | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Loss on ordinary activities before tax | **(1,495)** | (4,175) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2009:12.5%) | **187** | 522 |
| Effects of: | | |
| Differences in effective tax rates on overseas earnings and interest income | **(58)** | - |
| Other items (mainly expenses not deductible for tax purposes and non taxable income) | **(97)** | (116) |
| Loss carried forward for which no deferred tax asset is recognised | **(127)** | (409) |
| Adjustments in respect of previous years | **-** | 32 |
| Current tax (charge)/credit for the year | **(95)** | 29 |

## 16. Directors' remuneration

| **Year ended 31 December 2010** | **Salary** | **Fees** | **Other benefits** | **Total** |
|---|---|---|---|---|
| | **€000** | **€000** | **€000** | **€000** |
| **Executive Directors [1]** | | | | |
| P E Lynch | **250** | **-** | **9** | **259** |
| | **250** | **-** | **9** | **259** |
| **Non-executive Directors [1]** | | | | |
| J Doris | **-** | **25** | **-** | **25** |
| A Keogh | **-** | **25** | **-** | **25** |
| | **-** | **50** | **-** | **50** |
| | | | | |
| | **250** | **50** | **9** | **309** |

| Year ended 31 December 2009 | Salary | Fees | Other benefits | Total |
|---|---|---|---|---|
| | €000 | €000 | €000 | €000 |
| Executive Directors[1] | | | | |
| P E Lynch | 250 | - | 9 | 259 |
| | 250 | - | 9 | 259 |
| Non-executive Directors[1] | | | | |
| J Doris | - | 25 | - | 25 |
| A Keogh | - | 25 | - | 25 |
| | - | 50 | - | 50 |
| | | | | |
| | 250 | 50 | 9 | 309 |

(1) the directors’ remuneration disclosed above relates entirely to short-term employee benefits

Details of Directors' interests in shares, share options and warrants are set out on pages 12 and 13.

**17. (Loss)/earnings per share from continuing and discontinued operations**

Basic earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all potential dilutive ordinary shares. The Group has one category of potential dilutive ordinary shares: warrants. The calculation is performed for the warrants to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the Group's shares based on the monetary value of the subscription rights attached to outstanding warrants. The weighted average number of ordinary shares is compared with the number of shares that would have been issued assuming the exercise of warrants to give the number of shares deemed to be issued at nil consideration.

The basic loss per share and the diluted loss per share are the same, as the effect of the outstanding warrants is anti-dilutive.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below.

| **(Loss)/earnings** | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| (Loss) for the year | **(1,514)** | (6,159) |
| Less: Profit/(loss) for the year from discontinued operations | **86** | (2,141) |
| (Loss) for the year from continuing operations | **(1,600)** | (4,018) |
| | | |
| Exceptional costs – continuing operations | **1,247** | 1,056 |
| Exceptional costs – discontinued operations | **-** | 84 |
| Adjusted (loss) for the year | **(353)** | (2,878) |

| **Basic and diluted (loss)/earnings per share – continuing operations** | **2010** | 2009 |
|---|---|---|
| | **€cent** | € cent |
| (Loss) per share for the year | **(7.05)** | (17.72) |
| Exceptional costs | **5.50** | 4.66 |
| Adjusted (loss) per share for the year | **(1.55)** | (13.06) |

| **Basic and diluted earnings per share – discontinued operations** | **2010** | 2009 |
|---|---|---|
| | **€cent** | € cent |
| Profit/(loss) per share for the year | **0.38** | (9.43) |
| Exceptional costs | **-** | 0.37 |
| Loss on disposal of discontinued operations | **-** | 10.71 |
| Adjusted earnings per share for the year | **0.38** | 1.65 |

| **Basic and diluted earnings per share – continuing and discontinued operations** | **2010** | 2009 |
|---|---|---|
| | **€cent** | € cent |
| (Loss) per share for the year | **(6.67)** | (27.15) |
| Exceptional costs | **5.50** | 5.03 |
| Loss on disposal of discontinued operations | **-** | 10.71 |
| Adjusted (loss) per share for the year | **(1.17)** | (11.41) |

| Weighted average number of shares ('000) | **22,681** | 22,681 |
|---|---|---|

**18. Inventories**

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Finished goods | **2,483** | 2,372 |
| | **2,483** | 2,372 |

The Group consumed €21.656 million (2009: €16.894 million) of inventories during this year. This expense has been recognised in the income statement within cost of sales and within cost of sales of continuing and discontinued operations for the year ended 31 December 2009. The Group recognised €0.194 million (2009: €0.170 million) of inventory write down expense.

**19. Trade and other receivables - current**

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Trade receivables | **2,908** | 1,869 |
| Less: provision for impairment of trade receivables | **-** | - |
| | **2,908** | 1,869 |
| Prepayments and accrued income | **415** | 1,629 |
| Value added tax | **24** | 3 |
| Deferred consideration | **-** | 277 |
| Corporation tax | **-** | 19 |
| | **3,347** | 3,797 |

The fair value of trade and other receivables approximates book value.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | **2010** | 2009 |
|---|---|---|
| Currency: | **€000** | €000 |
| Sterling | **10** | 385 |
| US dollar | **3,320** | 3,402 |
| Other currencies | **17** | 10 |
| | **3,347** | 3,797 |

Movements on the Group provision for impairment of trade receivables are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| At 1 January | **-** | (77) |
| Receivables written off during the year as uncollectible | **-** | - |
| Provision for receivables impairment | **-** | 64 |
| Impairment of trade receivables disposed of – discontinued operations | **-** | 18 |
| Exchange movement | **-** | (5) |
| | **-** | - |

At 31 December 2010, trade receivables of €nil (2009: €nil) were past due but not impaired.

Individually impaired receivables are assessed to be so, based on age profile, and in some cases, on a dispute as to the customer's contractual obligation to pay. There are no impaired receivables within trade and other receivables at the year end (2009: €nil).

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any security as collateral.

**20. Cash and cash equivalents**

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Cash at bank and in hand | **2,181** | 1,791 |
| Short-term deposits | **6** | 495 |
| | **2,187** | 2,286 |

Short-term deposits represent funds held on deposit with banks, with a maturity of less than one month. The average maturity of these deposits was 0 days (2009: 0.1 days). The effective interest rate on the deposits was 0.3% (2009: 0.5%).

**21. Property, plant and equipment**

| **Year ended 31 December 2010** | **Leasehold improvements €000** | **Fixtures and fittings €000** | **Vehicles €000** | **Total €000** |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2010 | **205** | **943** | **136** | **1,284** |
| Additions at cost | **85** | **384** | **109** | **578** |
| Disposals | **(25)** | **(78)** | **(78)** | **(181)** |
| Currency adjustments | **16** | **77** | **3** | **96** |
| At 31 December 2010 | **281** | **1,326** | **170** | **1,777** |
| | | | | |
| Accumulated depreciation | | | | |
| At 1 January 2010 | **50** | **233** | **58** | **341** |
| Charge for the year | **50** | **220** | **43** | **313** |
| Disposals | **(8)** | **(47)** | **(41)** | **(96)** |
| Currency adjustments | **4** | **19** | **1** | **24** |
| At 31 December 2010 | **96** | **425** | **61** | **582** |
| | | | | |
| Net book amount at 31 December 2010 | **185** | **901** | **109** | **1,195** |

| Year ended 31 December 2009 | Land, buildings and leasehold improvements €000 | Fixtures, fittings, plant and equipment €000 | Vehicles and office equipment €000 | Total €000 |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2009 | 1,115 | 10,169 | 1,964 | 13,248 |
| Additions at cost - net of grants received | (111) | 323 | 56 | 268 |
| Acquisition of subsidiary | - | 70 | - | 70 |
| Disposal of subsidiary | (454) | (9,430) | (1,135) | (11,019) |
| Disposals | (4) | (73) | (774) | (851) |
| Impairment | (382) | (593) | (71) | (1,046) |
| Currency adjustments | 41 | 477 | 96 | 614 |
| At 31 December 2009 | 205 | 943 | 136 | 1,284 |
| | | | | |
| Accumulated depreciation | | | | |
| At 1 January 2010 | 207 | 4,176 | 1,621 | 6,004 |
| Charge for the year | 100 | 906 | 125 | 1,131 |
| Disposal of subsidiary | (163) | (4,971) | (948) | (6,082) |
| Disposals | (1) | (14) | (763) | (778) |
| Impairment | (96) | (118) | (64) | (278) |
| Currency adjustments | 3 | 254 | 87 | 344 |
| At 31 December 2009 | 50 | 233 | 58 | 341 |
| | | | | |
| Net book amount at 31 December 2009 | 155 | 710 | 78 | 943 |

The net book amount and the depreciation charge during the year in respect of assets purchased under asset finance agreements, are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Cost | **99** | 5,059 |
| Accumulated depreciation | **(19)** | (1,582) |
| Disposal of subsidiary | **-** | (3,477) |
| Net book amount | **80** | - |
| | | |
| Depreciation charge for the year | **19** | 449 |

## 22. Intangible Assets

| Goodwill | 2010<br>€000 | 2009<br>€000 |
|---|---|---|
| At 1 January | **8,326** | 6,472 |
| Additions relating to current year acquisitions | **-** | 1,570 |
| Fair value adjustment relating to prior year acquisitions | **3** | 284 |
| Exchange movement | **381** | - |
| At 31 December | **8,710** | 8,326 |

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for management purposes and are not larger than the primary and secondary segments determined in accordance with IFRS 8 – Operating Segments.

The CGUs to which significant amounts of goodwill have been allocated and the corresponding carrying amounts of such goodwill are as follows:

| Cash generating unit | 2010<br>€000 | 2009<br>€000 |
|---|---|---|
| PAC Telemedia | | |
| - Cellular Center Holdings | **6,935** | 6,756 |
| - Express Business Service | **1,775** | 1,570 |
| At 31 December | **8,710** | 8,326 |

**Impairment testing of goodwill**

Impairment is determined by assessing the recoverable amount using value in use calculations. The cash flow forecasts employed for this computation were extracted from a two year plan and are based on revenue growth rates averaging approximately 7% (2009: 5%) per annum but exclude future acquisition activity. Cash flows for a further three years are based on revenue growth rates of 3% (2009: 3%) per annum. A terminal value reflecting long term GDP growth (2010: 2.5%; 2009 2.5%) in the market in which these businesses operate is applied to the five year cash flows. A present value of the future cash flows is calculated using a discount rate representing management's estimated weighted average cost of capital (2010: 9.5%; 2009: 9.5%) for the market in which these businesses operate. Applying these assumptions, no impairment arose in 2010 (2009: €nil).

Key assumptions include management's estimates of revenue growth, future profitability, capital expenditure requirements and working capital investment. Forecasts are generally based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business along with management's plans for the future.

A sensitivity analysis was applied using different growth and discount rates. If estimated revenue growth for all of the years assessed had been a constant 2.5% per annum, representing the long term GDP growth rate in the market in which these businesses operate, the Group would have recognised an impairment charge of €3.131 million (2009: €nil). If the discount rate used to determine the present values of the future cash flows was 50% higher than management estimates, the Group would have recognised an impairment charge of €1.747 million (2009: €0.695 million).

**23. Available-for-sale financial assets**

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| At 1 January | **1,094** | 1,057 |
| Additions (note 39) | **584** | - |
| Fair value adjustment | **(1,055)** | (39) |
| Exchange movement | **35** | 76 |
| At 31 December | **658** | 1,094 |

Available-for-sale financial assets include the following:

| | | |
|---|---|---|
| Quoted equity securities | **658** | 1,094 |

Quoted equity securities consist of the Group's investment in 10.290 million ordinary shares in Media Square plc, following the acquisition of a further 3.350 million ordinary shares on 12 February 2010. This investment represents 28.5% of the issued share capital in that company. Media Square plc is an AIM listed marketing communications group. It has not been accounted for as an associate as Prime Active Capital plc does not have significant influence over it and does not have the power to participate in the financial and operating policy decisions of the entity.

Available-for-sale financial assets are denominated in the following currencies:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Sterling | **658** | 1,094 |

## 24. Other loans and receivables

| | 2010 | 2009 |
|---|---|---|
| | **€000** | €000 |
| At 1 January 2010 | **1,272** | - |
| Additions | **-** | 1,570 |
| Fair value adjustment[(1)] | **86** | (248) |
| Exchange movement | **48** | - |
| At 31 December 2010 | **1,406** | 1,272 |

(1) fair value adjustment was included within the value of additions in 2009 and has been re-classed in 2010 for comparative purposes

Other loans and receivables consist of the Group's investment in 1.350 million redeemable shares in Bell & Bain Limited, a former subsidiary undertaking disposed of on 25 November 2009. The shares were issued in settlement of a loan due to another subsidiary in the Group and are redeemable in instalments between the second and third anniversary of the sale in consideration of a total payment of €1.406 million (2009: €1.272 million). In the event that Bell & Bain Limited fails to redeem any of these shares on the due date of redemption, the Group will have the right to convert those redeemable shares into ordinary shares of Bell & Bain Limited. If all redeemable shares were converted they would comprise approximately 82% of the ordinary share capital of Bell & Bain Limited based on its existing capital structure.

After initial recognition, the fair value of other loans and receivables is based on cash flows discounted using a rate based on the market interest rate plus the risk premium specific to the industry in which Bell & Bain operates (2010:8.5%; 2009:7.8%).

Other loans and receivables are classified in Level 3 of the fair value hierarchy, as defined in IFRS 7 – Financial Instruments: Disclosure. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities. Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. Changing inputs to the Level 3 valuations, to reasonably possible alternative assumptions, would not significantly change amounts recognised in profit or loss, total assets, total liabilities or total equity. There have been no transfers into or out of Level 3 in the reporting period.

Other loans and receivables are denominated in the following currencies:

| | 2010 | 2009 |
|---|---|---|
| | **€000** | €000 |
| Sterling | **1,406** | 1,272 |

## 25. Trade and other payables

| | 2010 | 2009 |
|---|---|---|
| | **€000** | €000 |
| Trade payables | **5,040** | 4,281 |
| Payroll tax and social security | **126** | 103 |
| Value added tax | **93** | 101 |
| Accrued expenses and other payables | **990** | 1,329 |
| Deferred income | **244** | 277 |
| Deferred consideration | **-** | 332 |
| | **6,493** | 6,423 |

| Analysis of trade and other payables: | 2010 | 2009 |
|---|---|---|
| | **€000** | €000 |
| Current | **6,493** | 6,423 |
| Non-current | **-** | - |
| | **6,493** | 6,423 |

The fair value of trade and other payables approximates book value.

**26. Borrowings**

Borrowings include the following financial liabilities:

| | **2010** | 2009 |
|---|---|---|
| **Current** | **€000** | €000 |
| Loan note | **9** | - |
| Asset finance | **20** | - |
| | **29** | - |
| | | |
| **Non-current** | | |
| Loan note | **584** | - |
| Asset finance | **48** | - |
| | **632** | - |
| | | |
| **Total borrowings** | **661** | - |

The loan note is denominated in sterling and was used to finance the acquisition of additional available-for-sale financial assets during the year. The loan note is payable to Mr. Anthony Gill, deemed a related party of the Group. Further details of this transaction are disclosed in note 39 on page 70 of the consolidated financial statements. The loan note is unsecured and is subject to a fixed rate of interest. It is repayable on 1 January 2012 and is therefore classified as non-current.

Asset finance is denominated in US dollar and is bank borrowings used to finance the purchase of items of property, plant and equipment. Asset finance obligations bear a fixed rate of interest and are secured against the value of the asset being acquired.

The maturity of borrowings is as follows:

| | | | | **2010** | | | | 2009 |
|---|---|---|---|---|---|---|---|---|
| | **No later than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Total** | No later than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
| | **€000** | **€000** | **€000** | **€000** | €000 | €000 | €000 | €000 |
| Loan note – fixed rate | **9** | **584** | **-** | **593** | - | - | - | - |
| Asset finance - fixed rate | **20** | **48** | **-** | **68** | - | - | - | - |
| | **29** | **632** | **-** | **661** | - | - | - | - |

The effective interest rates at the financial year-end were as follows:

| | **2010** | 2009 |
|---|---|---|
| Loan note – fixed rate | **6.0%** | - |
| Asset finance - fixed rate | **3.9%** | - |

The carrying amounts and fair value of the non-current borrowings are as follows:

| | **Carrying amount** | | **Fair value** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **€000** | €000 | **€000** | €000 |
| Asset finance liabilities | **48** | - | **45** | - |
| Loan note | **584** | - | **551** | - |
| | **632** | - | **596** | - |

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on their present values at the financial year-end, using a rate based on the borrowing rates above. No fair value changes have been included in profit or loss for the year as financial liabilities are carried at amortised cost in the statement of financial position.

The Group has the following undrawn committed borrowing facilities at the financial year-end:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Floating rate - due for renewal within one year | **187** | - |

The facilities expiring within one year are annual facilities subject to review and were renewed in May 2011.

Asset finance liabilities - minimum lease payments

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| No later than 1 year | **22** | - |
| Later than 1 year and no later than 5 years | **51** | - |
| | **73** | - |
| Future finance charges on asset finance obligations | **(5)** | - |
| Present value of asset finance obligations | **68** | - |

The present value of asset finance liabilities is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| No later than 1 year | **20** | - |
| Later than 1 year and no later than 5 years | **48** | - |
| | **68** | - |

**27. Provisions for other liabilities and charges**

| | Reorganisation €000 | Other €000 | Put liability €000 | Total €000 |
|---|---|---|---|---|
| At 1 January | 263 | 228 | 316 | 807 |
| Additional provisions charged to the income statement | **153** | **209** | **-** | **362** |
| Utilised during the year | **(149)** | **(134)** | **-** | **(283)** |
| Exchange movement | **21** | **(84)** | **25** | **(38)** |
| At 31 December | **288** | **219** | **341** | **848** |

| Analysis of total provisions for other liabilities and charges: | **2010** €000 | 2009 €000 |
|---|---|---|
| Current | **848** | 807 |
| Non-current | **-** | - |
| | **848** | 807 |

*Reorganisation*
This provision relates to remaining severance payments due under a redundancy plan put in place in 2009 for employees who were made redundant in Cellular Center, LLC and a provision for future lease rentals on stores closed in Cellular Center, LLC and Express Business Services, LLC. This provision is expected to be fully utilised in 2011.

*Other provisions*
Other provisions consist primarily of probable obligations for Cellular Center GA-AL, LLC and Express Business Services, LLC to repay Verizon Wireless for financial support received in respect of customer mobile phone activations and property leases if certain conditions are not met.

*Put Liability*
This amount relates to the fair value of the liability arising if the put option on the shares held by the non-controlling interest in Cellular Center Holdings, LLC is exercised after 20 December 2010, in accordance with the requirements of IAS 32 – Financial Instruments: Presentation. The put liability had not been exercised as at 29 June 2011.

**28. Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax liability is as shown below:

| | **2010** €000 | 2009 €000 |
|---|---|---|
| At 1 January | **-** | 529 |
| Income statement charge | **-** | - |
| Deferred tax liabilities disposed of - discontinued operations | **-** | (558) |
| Exchange difference (charged to equity) | **-** | 29 |
| At 31 December | **-** | - |

The Group did not recognise deferred tax assets of €3.706 million (2009: €3.103 million) in respect of losses amounting to €17.263 million (2009: €11.319 million) that can be carried forward against future taxable income.

## 29. Retirement benefit obligations

The Group operates a defined contribution scheme and a defined benefit scheme which are funded and are independent of its assets.

**Defined contribution plans**

Pension costs for defined contribution plans are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Expense for defined contribution plans | **18** | 55 |

**Defined benefit plan**

The Group operates a defined benefit pension scheme in Ireland, with assets held in a separately administered fund. There are no active members of the scheme and the Group is not currently paying any contributions in respect of this scheme. The disclosures relating to the defined benefit plan have been based on a valuation carried out by independent and qualified actuaries, to take account of the requirements of IAS 19 – Employee Benefits, in order to assess the liabilities of the scheme at 31 December 2010.

The principal assumptions used by the actuaries to evaluate the plan liabilities were:

| | **2010** | 2009 |
|---|---|---|
| | **%** | % |
| Inflation rate | **2.00** | 2.00 |
| Rate of increase in pensionable salaries | **n/a** | n/a |
| Rate of increase in pensions in payment and deferred pensions | **-** | - |
| Discount rate | **5.25** | 5.75 |
| Expected return on plan assets | **6.60** | 6.83 |

The expected return on plan assets assumption was determined by considering the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio of assets is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to determine the expected long-term rate of return on assets assumption for the portfolio.

The weighted average life expectancies which were used to determine the benefit obligation are as follows:

| | **2010** | 2009 |
|---|---|---|
| Member aged 45 (life expectancy at 65) | **years** | years |
| - male | **25.6** | 22.7 |
| - female | **26.6** | 25.7 |

The sensitivity of the overall pension liability to changes in the principal assumptions is:

| | **Change in assumption** | **Impact on overall liability** |
|---|---|---|
| Inflation rate | Increase rate by 1% | Increase liability by 11.3% |
| Rate of increases in salaries | N/A | N/A |
| Rate of increases in pension payments | N/A | N/A |
| Discount rate | Increase rate by 1% | Decreases liability by 18.8% |
| Rate of mortality | Increase by 1 year | Increase by 1.6% |

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Present value of plan obligations | **(1,098)** | (920) |
| Fair value of plan assets | **847** | 764 |
| Net liability recognised in the statement of financial position | **(251)** | (156) |

The composition of plan assets is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **%** | % |
| Equities | **76.4** | 73.3 |
| Bonds | **13.0** | 15.1 |
| Real estate | **3.9** | 4.0 |
| Other | **6.7** | 7.6 |
| | **100.0** | 100.0 |

The movement in the fair value of plan assets during the year is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Fair value of plan assets at 1 January | **764** | 634 |
| Expected return on plan assets | **52** | 44 |
| Actuarial gain | **31** | 86 |
| Fair value of plan assets at 31 December | **847** | 764 |

The movement in plan obligations during the year is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Present value of plan obligations at 1 January | **920** | 874 |
| Interest cost | **53** | 50 |
| Actuarial loss/(gain) | **125** | (4) |
| Plan obligations at 31 December | **1,098** | 920 |

The amounts recognised in the income statement are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Interest cost | **(53)** | (50) |
| Expected return on plan assets | **52** | 44 |
| Total charge recognised in the income statement | **(1)** | (6) |

There were no current service costs in 2010 (2009: €nil). Interest cost and expected return on plan assets have been included within finance costs and finance income, respectively. The Group currently estimates that it will contribute €nil (2009: €nil) to the plan during 2010 as the last active member left active membership during 2007.

The actual return on plan assets was €83,000 (2009: €130,000).

The amounts recognised in the statement of comprehensive income are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| Difference between the expected and actual return on plan assets | **31** | 86 |
| Experience loss on plan liabilities | **19** | 18 |
| Gain due to changes in assumptions | **(144)** | (14) |
| Restriction of surplus | **-** | - |
| Actuarial (loss)/gain recognised in the statement of comprehensive income | **(94)** | 90 |
| | | |
| Cumulative actuarial losses recognised in the statement of comprehensive income | **(183)** | (89) |

**Summary of plan assets and liabilities**

| At 31 December | **2010**<br>**€000** | 2009<br>€000 | 2008<br>€000 | 2007<br>€000 | 2006<br>€000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **(1,098)** | (920) | (874) | (889) | (1,155) |
| Fair value of plan assets | **847** | 764 | 634 | 974 | 1,016 |
| Restriction of surplus | **-** | - | - | (85) | - |
| Deficit in the plan | **(251)** | (156) | (240) | - | (139) |
| | | | | | |
| Experience adjustments on plan assets | **31** | 86 | (408) | (132) | 15 |
| Experience adjustments on plan liabilities | **19** | 18 | (16) | 15 | 21 |

**30. Share capital and premium**

| | **Number of shares 000's** | **Ordinary Shares €000** | **Share Premium €000** | **Total €000** |
|---|---|---|---|---|
| At 1 January 2010 | 22,681 | 11,341 | 16,444 | 27,785 |
| At 31 December 2010 | **22,681** | **11,341** | **16,444** | **27,785** |

The total authorised number of ordinary shares is 100,000,000 (2009: 100,000,000) with a par value of €0.50 (2009: €0.50) per share.

**31. Other reserves**

| | Available-for-sale investments €000 | Share based payments reserve €000 | Currency translation reserve €000 | Other reserves €000 | Total €000 |
|---|---|---|---|---|---|
| At 1 January 2009 | - | 3,071 | (4,444) | (328) | (1,701) |
| Fair valuation of warrants | - | 304 | - | - | 304 |
| Movement in available-for-sale investments | (39) | - | - | - | (39) |
| Eliminated on disposal of subsidiary companies | - | - | 1,923 | - | 1,923 |
| Exchange movement | - | - | 432 | 12 | 444 |
| At 31 December 2009 | (39) | 3,375 | (2,089) | (316) | 931 |
| Movement in available-for-sale investments | **39** | **-** | **-** | **-** | **39** |
| Exchange movement | **-** | **-** | **512** | **(25)** | **487** |
| At 31 December 2010 | **-** | **3,375** | **(1,577)** | **(341)** | **1,457** |

*Available-for-sale investments reserve*
This reserve comprises the mark-to-market adjustments in connection with the available-for-sale financial assets.

*Share based payments reserve*
This reserve comprises amounts credited to reserves in connection with warrants issued.

*Foreign currency translation reserve*
The translation reserve comprises all foreign exchange differences, arising from the translation of the net assets of the Group’s non-euro functional currency operations, including the translation of the results of such operations from the average exchange rate for the year to the exchange rate at the financial year-end.

*Other reserves*
The other reserve is in respect of the fair value of the liability arising if the put option on the shares held by the non-controlling interest in Cellular Center Holdings, LLC was exercised after 20 December 2010, in accordance with the requirements of IAS 32 – Financial Instruments: Presentation. The put option had not been exercised as at 29 June 2011.

### 32. Retained earnings and non-controlling interest

| Retained earnings | €000 |
| --- | --- |
| At 1 January 2009 | (10,187) |
| Loss for the year | (6,159) |
| Non-controlling interest adjustment in respect of previous years | 31 |
| Actuarial gain on defined benefit pension plan | 90 |
| At 31 December 2009 | (16,225) |
| | |
| Loss for the year | **(1,514)** |
| Actuarial (loss) on defined benefit pension plan | **(94)** |
| At 31 December 2010 | **(17,833)** |
| | |
| **Non-controlling interest** | |
| At 1 January 2009 | 275 |
| Loss for the year | (128) |
| Adjustment to retained earnings in respect of previous years | (31) |
| Translation adjustment | (3) |
| At 31 December 2009 | 113 |
| | |
| Profit for the year | **10** |
| Translation adjustment | **9** |
| At 31 December 2010 | **132** |

**33. Warrants**

The Group has 5,000,000 (2009: 5,000,000) Series A warrants and 5,000,000 (2009: 5,000,000) Series B warrants in issue. These warrants were issued as part of a corporate reorganisation in May 2007 which resulted in a change to the executive management team.

The holder of the series A warrants may subscribe for one ordinary share, per warrant, in the Group at a price of €0.75. These warrants may be exercised at any time before 15 May 2012.

The Series B warrants become exercisable at the holders discretion if, within, the exercise period, the Prime Active Capital plc share price as quoted on the ESM exceeds or equals €1.75 for 30 trading days of any preceding 180 trading days. This condition was satisfied on 26 June 2007 and the warrants are now exercisable anytime up to 15 May 2012.

The fair value of the Series A warrants at 31 December 2010 is €nil (2009: €nil). As these warrants vested immediately from date of grant, this charge was expensed in 2007.

The total fair value of the Series B warrants has been expensed over the expected vesting period of these warrants as follows:

2007: €0.508 million, 2008: €0.813 million and 2009: €0.304 million.

**Assumptions**
The fair value of the Series A and Series B warrants granted has been calculated using the Monte Carlo simulation model with the following assumptions:

| | |
|---|---|
| Share price | **€0.14** |
| Exercise price | **€0.15** |
| Expected dividend yield | **0%** |
| Expected stock price volatility | **60%** |
| Risk-free interest rate | **4.30%** |
| Expected life of warrants | **5 years** |
| Minimum gain for voluntary early exercise | **100% of exercise** |
| Probability of voluntary early exercise at minimum gain | **50%** |

As the warrants are priced in euro, the risk free interest rate is based on the 5 year Eurozone zero coupon gilts yield curve, taken from Bloomberg.

The expected stock price volatility has been determined based on the historical average of monthly and weekly volatility of Prime Active Capital's stock price over a five year period up to the date the options were granted.

**34. Notes to the consolidated cash flow statement.**

**(a) Cash generated from operations**

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| **Continuing operations** | | |
| Loss before taxation | **(1,495)** | (4,175) |
| Adjustments for: | | |
| Net finance income | **32** | (27) |
| Depreciation | **313** | 390 |
| Available-for-sale financial assets impairment charge | **1,094** | - |
| Exceptional costs-warrants | **-** | 304 |
| Movement in post employment obligations | **(1)** | (6) |
| Loss on disposal of property, plant and equipment | **37** | 841 |
| Foreign exchange gains on operating activities | **(104)** | - |
| Decrease/(increase) in inventories | **75** | (472) |
| Decrease/(increase) in trade and other receivables | **447** | (1,440) |
| Increase/(decrease) in trade and other payables | **(417)** | 2,156 |
| Cash (outflow) from continuing operations | **(19)** | (2,429) |
| | | |
| **Discontinued operations** | | |
| Profit before taxation | **86** | 269 |
| Adjustments for: | | |
| Net finance costs | **-** | 123 |
| Depreciation | **-** | 741 |
| Gains on revaluation of other loans and receivables | **(86)** | - |
| (Increase) in inventories | **-** | (44) |
| Decrease in trade and other receivables | **-** | 196 |
| (Decrease) in trade and other payables | **-** | 30 |
| Cash inflow from discontinued operations | **-** | 1,315 |
| | | |
| Cash (outflow) generated from operations | **(19)** | (1,114) |

**(b) Reconciliation of net decrease in cash and bank overdrafts to movement in net debt**

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| **Continuing operations** | | |
| (Decrease) in cash and cash equivalents | **(231)** | (2,257) |
| Financing | | |
| Asset finance repayments | **13** | - |
| | **(218)** | (2,257) |
| New borrowings | **(587)** | - |
| New asset finance obligations | **(81)** | - |
| Effect of foreign exchange rate changes | **126** | 77 |
| Movement in net debt in the year | **(760)** | (2,180) |
| Net cash at beginning of year | **2,286** | 4,466 |
| Net cash at end of year from continuing operations | **1,526** | 2,286 |
| **Discontinued operations** | | |
| Increase in cash and cash equivalents | **-** | 345 |
| Financing | | |
| Repayment of borrowings | **-** | 699 |
| Disposal of subsidiary - borrowings | **-** | 1,393 |
| | **-** | 2,437 |
| Effect of foreign exchange rate changes | **-** | (142) |
| Movement in net debt in the year | **-** | 2,295 |
| Net (debt) at beginning of year | **-** | (2,295) |
| Net (debt) at end of year from discontinued operations | **-** | - |
| Net cash at end of year | **1,526** | 2,286 |

**(c) Analysis of net cash/(debt)**

| | **2010** | 2009 |
|---|---|---|
| | **€000** | €000 |
| **Continuing operations** | | |
| Cash and cash equivalents | **2,187** | 2,286 |
| Term debt and other loans | **(593)** | - |
| Asset finance obligations | **(68)** | - |
| | **1,526** | 2,286 |

**(d) Major non-cash transactions**

During the year the Group entered into asset finance agreements, in respect of motor vehicles, with a total capital value at the inception of the finance agreements of €0.081 million (2009: €nil). The Group also acquired additional available-for-sale financial assets for €0.578 million (2009: €nil), before transaction costs. The consideration for these shares was satisfied by an unsecured loan note issued to the vendor Mr. Anthony Gill, a related party.

## 35. Commitments

### (a) Capital commitments not provided for

The Group does not have any capital expenditure contracted for but not yet incurred at the year end (2009: €nil).

### (b) Operating lease commitments - minimum lease payments

| | **2010** | 2009 |
|---|---|---|
| | **Property** | Property |
| | **€000** | €000 |
| No later than one year | **1,763** | 2,615 |
| Later than one year and no later than five years | **1,500** | 2,928 |
| Later than five years | **11** | 11 |
| | **3,274** | 5,554 |

The Group leases various offices and retail outlets under non-cancellable operating lease agreements. The lease terms are between one and seven years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The lease expenditure charged to the income statement during the year is disclosed in note 10 on page 45 of the consolidated financial statements.

**36. Events after the reporting period**

There have been no significant events affecting the Group since the year end.

**37. Share option scheme**

The Group's share option scheme provides for the granting of options to full time directors and employees of the Group in order to encourage identification with shareholders' interests. Employees of the Group may be granted options at an option price no less than the middle market price of the Company shares on the day prior to the date an employee is invited to accept an option.

The number of options granted under the scheme cannot be more than 10% of the issued share capital of the Company in any ten-year period. No more than 3% of the share capital may be the subject of options in the first year after adoption of the scheme and no more than 4% of the share capital may be the subject of options in the three-year period after such date. An option may not be exercised unless the earnings per share of the Group have increased in the three-year period prior to the date of exercise of the option by an amount equal to the increase in the consumer price index plus 5% compound per annum

There were no options in issue at 31 December 2010.

## 38. Subsidiary undertakings

The principal subsidiary undertakings are:

| Name of subsidiary and registered office | % holding | Principal activity |
|---|---|---|
| **Incorporated and operating in Ireland:** | | |
| **Prime Active Capital (Services) Limited**<br>18 The Hyde Building<br>The Park<br>Carrickmines<br>Dublin 18 | 100% | Provision of management services |
| **Incorporated and operating in United Kingdom:** | | |
| **PAC Digimedia Limited**<br>1 Meridian South<br>Meridian Business Park<br>Leicester<br>LE19 1WY<br>UK | 100% | Holding company |
| **Incorporated and operating in the United States of America:** | | |
| **PAC Telemedia, LLC**<br>C/O The Corporation Service Company<br>2711 Centerville Road<br>Wilmington<br>Delaware 19808<br>USA | 100% | Holding company |
| **Cellular Center Holdings, LLC**<br>C/O National Registered Agents, Inc<br>3675 Crestwood Parkway<br>Duluth<br>Georgia 30096<br>USA | 95% | Holding company |
| **Cellular Center, LLC**<br>C/O National Registered Agents, Inc<br>3675 Crestwood Parkway<br>Duluth<br>Georgia 30096<br>USA | 95% | Retailer of mobile phones and accessories |
| **Cellular Center GA-AL, LLC**<br>C/O National Registered Agents, Inc<br>3675 Crestwood Parkway<br>Duluth<br>Georgia 30096<br>USA | 95% | Retailer of mobile phones and accessories |

| | | |
|---|---|---|
| **Express Business Services, LLC**<br>C/O CT Corporation System<br>116 Pine St, Suite 320<br>Harrisburg<br>Pennsylvania 17101<br>USA | 100% | Retailer of mobile phones and<br>and accessories |

Pursuant to Section 16 of the Companies (Amendment) Act, 1986 a full list of subsidiaries will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

### 39. Related party transactions

Key management personnel are the Board of Directors. Details of the remuneration of Directors are disclosed in note 16 on page 47 of the consolidated financial statements. In addition to Directors remuneration, a charge of €nil (2009: €0.304 million) has been recognised in the income statement for warrants issued to Mr Peter E. Lynch.

On 12 February 2010, the Group acquired shares in Media Square plc from Mr. Anthony Gill, a substantial shareholder in the Group. The consideration for this transaction was satisfied by an unsecured loan note issued to Mr. Gill. The loan note is payable on 1 January 2012 and is subject to interest payable quarterly in arrears at a rate of 6% per annum. At 31 December 2010 the balance of the loan note and accrued interest payable to Mr. Gill was €0.593 million (2009: €nil). The loan note is denominated in sterling.

Transactions between Group companies have been eliminated in the consolidated financial statements.

### 40. Approval of financial statements

These financial statements were approved by the Board of Directors on 29 June 2011.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2010

| | Notes | **2010 €000** | 2009 €000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Financial assets | 1,2 | **15,751** | 16,187 |
| | | **15,751** | 16,187 |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | **-** | 26 |
| | | **-** | 26 |
| **Creditors: Amounts falling due within one year** | | | |
| Trade and other creditors | 4 | **(40)** | (98) |
| Other loans | 5 | **(9)** | - |
| Net current liabilities | | **(49)** | (72) |
| Total assets less current liabilities | | **15,702** | 16,115 |
| **Creditors: Amounts falling due after more than one year** | | | |
| Trade and other creditors | 4 | **(1,471)** | (1,485) |
| Other loans | 5 | **(584)** | - |
| | | **(2,055)** | (1,485) |
| | | **13,647** | 14,630 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 6 | **11,341** | 11,341 |
| Share premium | 7 | **16,444** | 16,444 |
| Other reserves | 7 | **3,142** | 3,107 |
| Profit and loss account | 7 | **(17,280)** | (16,262) |
| | | **13,647** | 14,630 |

P E Lynch Executive Chairman
J Doris Director

**Basis of accounting**
The financial statements are prepared under the historical cost convention. The Company Balance Sheet together with the accompanying notes has been prepared in accordance with accounting standards generally accepted in Ireland and with Irish Statute comprising the Companies Acts, 1963 to 2009. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

**Investments**
Investments are initially recognised at the purchase cost of the investment. The carrying value of investments is subsequently adjusted to take account of any impairment which has resulted in the recoverable amount of the investment being lower than the carrying value.

**Foreign currencies**
Transactions in foreign currencies during the year are translated to euro at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated to euro at the exchange rate ruling at the balance sheet date except where covered by a forward exchange agreement where the financial rate is used. Differences arising on translation are included in the results for the year.

**Share based payments**
*Warrants*
In accordance with FRS 20, the fair value of the warrants at grant date excluding the impact of non-market conditions is recognised as an expense in the income statement over the vesting period. A corresponding amount is recognised in shareholders' equity as the warrant scheme is designated as an equity-settled share based payment transaction. The fair value of each warrant granted during the year is determined using an option pricing model with assumptions appropriate to each award at the time of grant. A detailed description is outlined in note 33 on page 64 of the consolidated financial statements.

**1. Investments**

| | 2010 | 2009 |
|---|---|---|
| | €000 | €000 |
| Investment in subsidiary undertakings at cost. | **15,093** | 15,093 |

The principal subsidiary undertakings are set out in note 38 on pages 69 and 70 of the consolidated financial statements.

**2. Other investments**

| | 2010 | 2009 |
|---|---|---|
| | €000 | €000 |
| At 1 January | **1,094** | 1,057 |
| Additions (note 5) | **584** | - |
| Impairment | **(1,055)** | (39) |
| Exchange movement | **35** | 76 |
| At 31 December | **658** | 1,094 |

Other investments consist of the Company's investment in 10.290 million ordinary shares in Media Square plc, following the acquisition of a further 3.350 million ordinary shares on 12 February 2010. The additional shares were acquired from Mr. Anthony Gill, a related party of the company. Further details of this transaction are disclosed in note 39 on page 70 of the consolidated financial statements.

This investment represents 28.5% of the issued share capital in that company. Media Square plc is an AIM listed marketing communications group.

**3. Cash and cash equivalents**

| | 2010 | 2009 |
|---|---|---|
| | €000 | €000 |
| Cash at bank and in hand | **-** | 20 |
| Short-term deposits | **-** | 6 |
| | **-** | 26 |

Details of short-term deposits are presented in note 20 on page 50 of the consolidated financial statements.

**4. Trade and other creditors**

| | 2010 | 2009 |
|---|---|---|
| | €000 | €000 |
| (Amounts falling due within one year) | | |
| Accruals | **40** | 98 |
| | | |
| (Amounts falling due after more than one year) | | |
| Amounts owed to subsidiary undertakings | **1,471** | 1,485 |

**5. Other loans**

| | Due within 1 year €000 | Due 1-2 years €000 | Due 2-5 years €000 | Total €000 |
|---|---|---|---|---|
| At 31 December 2009 | - | - | - | - |
| | | | | |
| Loan note | **9** | **584** | **-** | **593** |
| At 31 December 2010 | **9** | **584** | **-** | **593** |

The Company acquired a further 3.350 million ordinary shares in Media Square plc on February 12, 2010. The consideration for this transaction, was satisfied by a loan note issued by the Company to the vendor, Mr. Anthony Gill, a related party. The loan note, which is unsecured, is repayable on 1 January 2012 with interest payable quarterly in arrears at a rate of 6% per annum.

**6. Called-up share capital**

Details in respect of called-up share capital are presented in note 30 on page 61 of the consolidated financial statements.

**7. Movement on reserves**

| | Share premium €000 | Share based payments reserve €000 | Currency reserve €000 | Profit and loss account €000 |
|---|---|---|---|---|
| At 1 January 2009 | 16,444 | 3,071 | (344) | (15,642) |
| Fair valuation of warrants | - | 304 | - | - |
| Loss for the year | - | - | - | (620) |
| Exchange movement | - | - | 76 | - |
| At 31 December 2009 | 16,444 | 3,375 | (268) | (16,262) |
| | | | | |
| At 1 January 2010 | **16,444** | **3,375** | **(268)** | **(16,262)** |
| Loss for the year | **-** | **-** | **-** | **(1,018)** |
| Exchange movement | **-** | **-** | **35** | **-** |
| At 31 December 2010 | **16,444** | **3,375** | **(233)** | **(17,280)** |

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the year determined in accordance with Irish GAAP is €1.018 million (2009: €0.620 million).

**8. Approval of financial statements**

These Company financial statements were approved by the Board of Directors on 29 June 2011.

OTHER INFORMATION

| | |
|---|---|
| **Registered office** | 18 The Hyde Building<br>The Park<br>Carrickmines<br>Dublin 18 |
| | Telephone: 353 1 295 9895<br>Fax: 353 1 295 9685<br>Email: info@pacplc.ie<br>Website www.pacplc.ie |
| **Registrar and transfer office** | Computershare Investor Services (Ireland) Ltd<br>Heron House<br>Corrig Road<br>Sandyford Industrial Estate<br>Dublin 18 |
| **Auditors** | Grant Thornton<br>Chartered Accountants &<br>Registered Auditors<br>24-26 City Quay<br>Dublin 2 |
| **Stockbrokers** | Davy Stockbrokers<br>Davy House<br>49 Dawson Street<br>Dublin 2 |
| **Solicitors** | Arthur Cox<br>Earlsfort Centre<br>Earlsfort Terrace<br>Dublin 2 |

| | IFRS | | | |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 |
| | **€000** | €000 | €000 | €000 |
| **Revenue** | | | | |
| PAC Digimedia – discontinued operations | **-** | 9,274 | 24,969 | 34,488 |
| PAC Telemedia – continuing operations | **36,145** | 20,928 | 8,816 | 144 |
| | **36,145** | 30,202 | 33,785 | 34,632 |
| **Operating profit/(loss)** | | | | |
| PAC Digimedia – discontinued operations | **-** | 476 | 346 | 2,575 |
| PAC Telemedia – continuing operations | **519** | (2,111) | (4,566) | (158) |
| | **519** | (1,635) | (4,220) | 2,417 |
| Centre costs | **(839)** | (1,035) | (1,125) | (1,062) |
| | **(320)** | (2,670) | (5,345) | 1,355 |
| **Group (loss)/profit for the year after tax and exceptional items** | | | | |
| (Loss) after tax - continuing operations | **(1,590)** | (4,146) | (11,939) | (3,403) |
| Profit/(loss) after tax - discontinued operations | **86** | (2,141) | 7,043 | 1,202 |
| | **(1,504)** | (6,287) | (4,896) | (2,201) |
| | **€cent** | € cent | € cent | € cent |
| **(Loss)/earnings per share** | | | | |
| Basic loss per share | **(6.67)** | (27.15) | (18.08) | (12.89) |
| Adjusted (loss)/earnings per share | **(1.17)** | (11.41) | (20.79) | 7.45 |
| | **€000** | €000 | €000 | €000 |
| **Statement of Financial Position** | | | | |
| Goodwill | **8,710** | 8,326 | 6,472 | 3,149 |
| Net assets (excluding goodwill and net cash/(debt)) | **1,305** | 1,992 | 7,529 | 11,620 |
| Net cash/(debt) | **1,526** | 2,286 | 2,171 | 7,805 |
| Equity interests | **11,541** | 12,604 | 16,172 | 22,574 |
| **Cash flow** | | | | |
| Cash generated from operations | **(19)** | (1,114) | (4,164) | 753 |
| Tax paid | **(3)** | 9 | (14) | (11) |
| Net cash flow from operating activities | **(22)** | (1,105) | (4,178) | 742 |
| Capital expenditure net of grants received (including leased assets) | **(540)** | (338) | (3,901) | (1,383) |
| Net interest paid | **(29)** | (90) | (170) | (294) |
| Purchase of available-for-sale financial assets | **(584)** | - | (6,815) | - |
| Disposal of subsidiary, net of cash disposed | **288** | 2,328 | 10,835 | - |
| Acquisition of subsidiary, net of cash acquired | **-** | (2,021) | (3,136) | (3,423) |
| Acquisition of non-controlling interest, direct costs incurred | **-** | - | (173) | - |
| Proceeds from issue of shares | **-** | - | - | 16,190 |
| Proceeds from issue of shares to non-controlling interest | **-** | - | 340 | - |
| Borrowings disposed of | **-** | 1,393 | 2,341 | - |
| Net cash flow | **(887)** | 167 | (4,857) | 11,832 |