# 2011

## ANNUAL REPORT AND ACCOUNTS

Prime Active Capital plc

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FINANCIAL SUMMARY

| | 2011<br>€'000 | 2010<br>€'000<br>Restated[1] |
|---|---|---|
| **Revenue** | | |
| PAC Telemedia - continuing operations | **37,004** | 36,559 |
| | **37,004** | 36,559 |
| **Group (loss) for the year** | | |
| PAC Telemedia operating (loss)/profit - continuing operations[2] | **(264)** | 692 |
| Centre costs - continuing operations[3] | **(770)** | (839) |
| | **(1,034)** | (147) |
| Other (losses)/gains | **(145)** | 104 |
| Operating loss | **(1,179)** | (43) |
| Exceptional items, interest and tax[4] | **(1,525)** | (1,374) |
| Loss after tax and exceptional items - continuing operations | **(2,704)** | (1,417) |
| Profit/(loss) after tax and exceptional items - discontinued operations | **68** | 86 |
| | **(2,636)** | (1,331) |
| | **€ cent** | € cent |
| **Basic loss per share** | | |
| Loss per share (cent) - continuing operations | **(11.64)** | (6.30) |
| Earnings/(loss) per share (cent) - discontinued operations | **0.30** | 0.38 |
| | **(11.34)** | (5.92) |
| **Adjusted loss per share** | | |
| Adjusted loss per share (cent) - continuing operations[5] | **(5.00)** | (0.80) |
| Adjusted earnings per share (cent) - discontinued operations | **0.30** | 0.38 |
| | **(4.70)** | (0.42) |
| **Equity** | | |
| Equity | **9,338** | 11,838 |

(1) the results for the prior year have been restated to reflect a change in accounting policy with regards to revenue recognition
(2) before exceptional items of €1.310 million in 2011 and of €0.153 million in 2010
(3) before exceptional items of €0.197 million in 2011 and of €1.094 million in 2010
(4) includes exceptional items per note (2) and note (3), net interest received of €0.056 million, net interest paid of €0.115 million and income tax credit of €0.041 million in 2011 and exceptional items per note (2) and note (3), net interest received of €0.056 million, net interest paid of €0.088 million and income tax charge of €0.095 million in 2010
(5) adjusted loss per share excludes exceptional costs in both 2011 and 2010

CHAIRMAN'S STATEMENT

This was a year of two very different halves. We had a growing business in the first six months with improving margins, volumes and profitability. This changed sharply in the second half with the advent of the next generation smartphones and the drive into devices that could exploit the investment in the new 4th Generation (4G) networks. When we released the accounts last year we were cautious in our statements and we felt it appropriate to update the shareholders in December.

The company had a satisfactory first half in 2011, making significant progress over the previous year and we had worked hard to get the improvements in trading and margin over the previous year. We were optimistic about the business, though we had become cautious in our statements as the trade through the middle of the year softened. Up to then we were ahead of budget and trading well. As we indicated in the Interim Statement for the period ended 30th June 2011 and as flagged in the trading update of 15th December last, there were material commercial changes with the advent of the iPhone and the launch of 4G devices through our store network.

The trading in the second half of the year was markedly different, caused by the enormous drive behind smartphones that coincided with the launch of the iPhone on the Verizon network. These devices are much more complex and expensive for the customer, and the subsidy that is offered to make them affordable was more than double that previously offered. In a period of tough recession we, and the customers, found that we were engaged in transacting on handsets that, even with big subsidies, cost more to carry, more to buy, and more to run.

The upshot of this was a significant drop in gross margin on the handsets, and a softening of volumes as the cost to the customer of all aspects of the devices and service increased. This is not a unique occurrence in technology sales, but just like 3G, it can be a year or more before the value of the devices are fully understood and appreciated, and on some networks, fully delivered.

The knock on effect of this significant step up in costs for the customer, even after subsidy, matured into a significant slowdown in unit sales in the second half, and this has carried on into 2012. Networks have continued to pour investment into the 4G networks in the USA and there are ambitious key performance indicators set by the networks for agents and the distribution channels, consistent with that investment.

The customers are lagging the networks in their appreciation of the data opportunity, their willingness to pay for the new applications, and their ability to pay more altogether in this long and deep recession.

Nevertheless the industry continues to roll out network capacity, bandwidth, and speed at up to ten times 3G on devices ever more complex, more expensive to acquire and with data plans that are a step change increase on previous bills. The devices are not simple phones anymore, they are tablet phones and indeed some manufacturers are using this as a device description.

Manufacturers, even strong brand names, that have been unable or unwilling to help drive the new technology and meet the next generation requirements of customers have been, and are being, obliterated in the marketplace. Some of these, such as Blackberry and Nokia, have been household names unable to maintain their market position, and even very large technology companies like Microsoft are finding it difficult to place any device in the market.

It is expected, in due course, that the market will normalise, that margins will improve and customers will accept the 4G and next generation phones as the default. However it cannot be anticipated when this might happen, and in 2012 there is no sign of it even half way through the year. It may be another year before this occurs, or the existing trading may be the new paradigm. We have concluded that it would be commercially sensible to take the existing margins as the new business shape.

That means that we will have to continue to reduce the costs of doing business, and since we are largely selling devices at prices that are advertised by the network, and making a gross margin scarcely differentiated from our competitor agents, the cost reduction will have to come out of the overhead.

This is the opposite of what we had expected to be doing, as the investment in our back office and systems/training was helping drive up our gross margin in the first half, but clearly if the gross margin is to continue at the current level, the lower cost operating model is the one that the business is compelled to adopt.

The territories where we have invested and rolled out our new store model, are, in general**,** holding up much better in the challenging environment in their volumes and profitability, and we are seeing competitors leave these territories. Where we have weaker stores in a territory where competitors have invested, it is our stores that are being forced out. The market is going through contraction and consolidation as it reaches saturation with the previous generation of devices, while building demand for smartphones and 4G.

We have researched key competitor agents and discussed the business and industry extensively with some of them, and we are all seeing the same pressures and outcomes from the common traits of the last year. That has led us to the conclusions that the significant step down in gross margin, and the reduction in unit sales that has occurred across the territories in which we operate, must logically extend into the carrying value of our investments in the US businesses and that can be seen in the impairment review.

We do not anticipate a return to the margins achieved in the first half of 2011, and there is nothing that we have seen since the end of 2011 that promises a significant uplift. This has become a tough business and is likely to remain that way for the foreseeable future even as we continue to reduce costs.

**Media Square plc**
**The Board of Media Square plc put Media Square plc into administration.**

Prime Active Capital plc had been a holder of 10,290,400 ordinary shares in Media Square plc representing 28.5% of the ordinary share capital of the company. This investment was held for resale and was not consolidated in the accounts as the group did not have significant influence over the company nor did it participate in the policy decisions of its board. Media Square plc was put into administration by its board in December 2011, and the business was acquired by its management team led by its executive directors.

The guidance from Media Square plc in its pre-closing update on 4th October, 2011, was that results for 2011 would be broadly in line with the previous year.

The interim results for Media Square plc, released on 30th November, 2011 confirmed that trading for the period had been in line with the previous year, but it had booked some exceptional costs. It also indicated that the performance for the current year period would be below the level reported for the prior year and the results showed that debt had increased at a time when it would have been expected to fall or remain stable.

On 8th December, 2011 the board of Media Square plc requested that its shares be suspended on AIM due to uncertainty around working capital facilities as it traded into its seasonally higher requirement. It stated that its bank had informed the board that it "cannot" commit to amending the Company's banking covenants and would not extend the facilities available to Media Square plc.

On the same day that the board of Media Square plc asked for the shares to be suspended on AIM, it appointed PricewaterhouseCoopers LLP as administrators, who immediately sold the business and assets of the company for £11 million to a management buy-out group. The proceeds of the disposal were paid to the secured creditor, the bank, which stated that it suffered a shortfall in excess of £11 million. It was announced that all other creditors were to be paid in full, and all employees were to be transferred into the new company. The announcement of the administration was made on 9th December, 2011.

The investment in Media Square plc was valued at €657,534 at 31st December, 2010 and after foreign currency movements the write off of this has led to an impairment charge of €547,000. These are non cash items.

## Closing comments

The macroeconomic environment in the USA seems to be improving, but this is fitful rather than consistent, and on the ground we see consumers as still being extremely cautious. Our experience is that customers are keeping their current handsets on their current rate plans rather than stepping up into the next generation device. The early adopters have moved on, as have the technologically literate that can see value in the 4G offer, but there is a large population of users that are content to remain with their current devices on their current rate plans, and are making their handsets last longer.

In a sense the networks have created the problems by trying to drive customers on to advanced devices, ahead of customer appreciation of and desire for these devices, driving up costs for them during a deep and prolonged recession. This should work itself out over the next couple of years as the technology becomes cheaper with the advent of new handset offerings, and an acceptance of the value and utility of the devices but in the interim period the trading will continue to be very tough for the agent distribution channel.

Eventually these users will upgrade as they tire of their current handset model, or they see the merits of the next generation device, and we will have to have attractive stores and well trained staff able to take our share of this. We continue to invest in improving our stores, their locations, and in our staff recruitment and training. We have to keep focused on our overhead structure to drive down our costs of being in the business.

Peter E. Lynch
Executive Chairman
28 June 2012

**Overview of results**

*Summary financial information*

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| | | Restated(1) |
| **Continuing and discontinued operations** | | |
| Revenue | **37,004** | 36,559 |
| Operating expenses (excluding exceptional costs, depreciation, amortisation and other gains) | **(37,603)** | (36,387) |
| **Earnings before interest, tax, depreciation and amortisation expense (EBITDA), exceptional costs, other income and other gains** | **(599)** | 172 |
| Depreciation and amortisation | **(435)** | (319) |
| **Adjusted earnings before interest, tax (EBIT) and exceptional costs** | **(1,034)** | (147) |
| Other income | **68** | 86 |
| Other (losses)/gains | **(145)** | 104 |
| Exceptional costs | **(1,507)** | (1,247) |
| Net finance costs | **(59)** | (32) |
| **Loss before tax** | **(2,677)** | (1,236) |
| Income tax credit/(charge) | **41** | (95) |
| **Loss for the year** | **(2,636)** | (1,331) |
| (Loss)/profit attributable to non-controlling interest | **64** | (13) |
| **Loss for the year attributable to members** | **(2,572)** | (1,344) |
| | **€ cent** | € cent |
| Basic and diluted loss per share | **(11.34)** | (5.92) |

*Total Group Revenue*

The Group's operations consist of its PAC Telemedia division operating in the USA. Group revenue in 2011 amounted to €37.004 million, a 1.2% increase from the previous year. On a constant currency basis revenue increased 6.2%.

The results of the PAC Telemedia division for the past three years are summarised as follows:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| | | Restated(1) | |
| **PAC Telemedia** | | | |
| Revenue | **37,004** | 36,559 | 20,928 |
| Operating expense(2) | **(36,258)** | (35,066) | (22,342) |
| **EBITDA** | **746** | 1,493 | (1,414) |
| Depreciation, amortisation and other grants(2) | **(423)** | (308) | (322) |
| **EBIT** | **323** | 1,185 | (1,736) |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements
(2) 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 €1.034 million in 2011, compared to a loss of €0.147 million (restated) in the previous year.

*Exceptional costs*

During the year, the Group incurred a total charge of €1.507 million comprising of:

- an impairment charge of €0.547 million (2010: €1.094 million) representing the write down in full of the remaining value of the Group's interest in Media Square plc following the announcement that this Group had suspended trading on 8 December 2011. The charge consists of €0.663 million fair value loss, €0.005 million foreign currency gain arising in 2011 and €0.111 million foreign currency gain, previously recognised in other comprehensive income relating to this asset, reclassified from equity to profit or loss;

- a €0.350 million (2010: €nil) settlement gain recognised on the wind-up of the Group's defined benefit pension plan. At 31 December 2011 the plan assets have been sold, prior to the final distribution to the plan members and no further liabilities exist. No further expense in relation to the scheme is expected to be incurred in 2012; and

- an impairment charge of €1.310 million (2010: €nil) against the carrying amount of goodwill allocated to the Cellular Center Holdings CGU following an impairment review undertaken in accordance with IAS36 at 31 December 2011.

- in 2010 the Group also incurred a charge of €0.153 million in reorganisation costs comprising of a provision in respect of onerous leases in PAC Telemedia.

These charges are summarised below.

| | **2011**<br>**€'000** | 2010<br>€'000 |
|---|---|---|
| **Continuing operations** | | |
| Impairment charge on available-for-sale financial asset | **547** | 1,094 |
| Settlement gain recognised on defined benefit plan | **(350)** | - |
| Goodwill impairment | **1,310** | - |
| Reorganisation and redundancy costs | **-** | 153 |
| | **1,507** | 1,247 |

*Other income*

The Group recognised a gain of €0.068 million (2010: €0.086 million) as a result of an effective interest adjustment to its other loans and receivables balance. Other loans and receivables consist of the Group's remaining investment in 950 million redeemable shares in Bell & Bain Limited, following the receipt of the first and interim redemption repayments during the year. The shares were issued in settlement of a loan due to another subsidiary in the Group and are redeemable in instalments up to the third anniversary of the sale, which took place on 25 November 2009. The terms of the redeemable shares are outlined in further detail in note 22 on page 51 of the consolidated financial statements.

*Other (losses)/gains*

Other losses of €0.145 million (2010: €0.104 million gain) consist of foreign exchange losses that have arisen on the retranslation of inter-company loan balances held with foreign subsidiaries and a loan note held in sterling by the parent company.

*Net financial expense*

The net financial expense for the year was €0.059 million compared to €0.032 million in 2010. 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 2011 amounted to €0.064 million (2010: (€0.013 million) - restated). The non-controlling interest relates to shareholdings held in Cellular Center Holdings.

*Earnings per share*
The adjusted fully diluted loss per share for 2011 is 4.70 cent as compared with adjusted loss per share of 0.42 cent in 2010 (restated). Adjusted loss per share excludes exceptional costs and the results from discontinued operations in both 2011 and 2010. Fully diluted loss per share, before such adjustments, amounted to 11.34 cent compared to a loss of 5.92 cent (restated) in 2010.

**Cash flow**

At the 31 December 2011 the Group had net cash of €0.723 million compared to net cash of €1.526 million at 31 December 2010.

Outflows in the year included payments totalling €0.929 million (2010: €0.698 million – restated) in respect of capital expenditure of which the entire amount (2010: €0.535 million) was for PAC Telemedia. In 2010 €0.043 million of capital expenditure was incurred in the Ireland centre. Funding for capital expenditure in PAC Telemedia was partly provided by asset finance agreements, €0.018 million (2010: €0.081 million). All other capital expenditure was funded from existing resources.

The expected retention monies of €0.463 million (2010: €0.288 million) relating to the 2009 disposal of the remaining operating company within the PAC Digimedia division were received in 2011.

The table below summarises the cash flow for the year.[1]

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| | | Restated |
| Operating loss before other (losses)/gains | **(2,891)** | (1,394) |
| Depreciation | **435** | 319 |
| Available-for-sale financial assets impairment charge | **547** | 1,094 |
| Goodwill impairment charge | **1,310** | - |
| Net working capital including pension movement | **(280)** | 82 |
| **Cash (outflow)/inflow from operations[2]** | **(879)** | 101 |
| Tax paid[2] | **(7)** | (3) |
| Capital expenditure net of proceeds from disposals[2] | **(911)** | (659) |
| Net interest paid[3] | **(57)** | (30) |
| **Free cash flow** | **(1,854)** | (591) |
| Purchase of available-for-sale financial assets | **-** | (584) |
| Disposal of subsidiary, net of cash disposed of[2] | **463** | 288 |
| **Net cash outflow** | **(1,391)** | (887) |
| Opening cash and cash equivalents | **2,187** | 2,286 |
| Effect of exchange rate changes | **(73)** | 127 |
| **Closing cash and cash equivalents** | **723** | 1,526 |

(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
(2) as per the consolidated cash flow statement on page 26 of the consolidated financial statements
(3) 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**

The Group had been a holder of 10.290 million ordinary shares in Media Square plc, representing 28.5 % of the ordinary share capital of that company. This investment was accounted for under available-for-sale financial assets and was not consolidated in the financial statements as the Group did not have significant influence over the company and did not have the right to participate in the financial and operating policy decisions of the business.

On 8 December 2011 its board asked for the shares of Media Square plc to be suspended from trading on AIM. On 9 December 2011 it was announced that Media Square plc had been put into administration by its board, and the business had been acquired by its management team.

The Group's investment in Media Square plc was valued at €0.658 million at 31 December 2010 and this amount has been written off to the consolidated income statement in 2011, split between the fair value loss amount and the previously recognised foreign currency changes amount as detailed in note 8 on page 45 of the consolidated financial statements.

**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 did not apply hedge accounting for translation exposure in 2011.

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 2011.

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 54)
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 65)
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 46)
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 2011.

**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 €2.636 million, of which a loss of €0.064 million is attributable to non-controlling interest holders and a loss of €2.572 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 39 on pages 67 and 68 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 John Doris, 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 2011** | At 31 December 2010 |
|---|---|---|
| **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 2011 and 28 June 2012.

**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 2011 | Granted | At 31 December 2011 | 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 34 on page 63 of the consolidated financial statements.

These warrants were not exercised within the exercise period and have now lapsed.

**Substantial shareholdings**

At 28 June 2012 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 | **4,781,300** | **21.08** |
| 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 2011 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 28 September 2011, 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 2011, has not been exercised and will expire at the earlier of the date of the Annual General Meeting in 2012 and fifteen months after the date of the Annual General Meeting in September 2011.

**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 17 on page 48 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 34 on page 63 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 13 on page 47 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 2011 was 315 (2010: 299).

## 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 and associated risks for a period not less than 12 months from the date of this annual report. The Directors have also considered the general volatility of the business over the past 12 months in addition to 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 reflect key assumptions based on information available to the Directors at the time of approval of the financial statements and include:

- detailed monthly forecasting by individual profit centre for the current financial year reflecting trends experienced up to the date of the preparation of the forecasts and known price and other changes that are likely to arise in the coming months; and
- future revenues for the next financial year based on regional management's assessment of trends across individual regions and operating units.

After taking account of possible changes in trading performance, forecasts show that the Group will be able to continue to operate its existing businesses for a period of 12 months from the date of this annual report without the need for additional finance.

On this basis, 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
28 June 2012

## 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 2011 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 2011 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 2011; 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 2011 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.

AIDAN CONNAUGHTON
For and on behalf of
Grant Thornton
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2
28 June 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

| | Notes | Pre-exceptionals 2011 €'000 | Exceptionals (note 8) 2011 €'000 | Total 2011 €'000 | Pre-exceptionals 2010 €'000 Restated(1) | Exceptionals 2010 €'000 | Total 2010 €'000 Restated(1) |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Revenue | 6 | **37,004** | **-** | **37,004** | 36,559 | - | 36,559 |
| Cost of sales | | **(23,220)** | **-** | **(23,220)** | (21,656) | - | (21,656) |
| Gross profit | | **13,784** | **-** | **13,784** | 14,903 | - | 14,903 |
| Selling and distribution costs | | **(10,501)** | **-** | **(10,501)** | (11,297) | - | (11,297) |
| Administration expenses | | **(4,317)** | **(1,857)** | **(6,174)** | (3,753) | (1,247) | (5,000) |
| Other (losses)/gains | 9 | **(145)** | **350** | **205** | 104 | - | 104 |
| Operating loss | | **(1,179)** | **(1,507)** | **(2,686)** | (43) | (1,247) | (1,290) |
| Finance costs | 10 | **(115)** | **-** | **(115)** | (88) | - | (88) |
| Finance income | 10 | **56** | **-** | **56** | 56 | - | 56 |
| Loss before tax | | **(1,238)** | **(1,507)** | **(2,745)** | (75) | (1,247) | (1,322) |
| Income tax credit/(charge) | 16 | **41** | **-** | **41** | (95) | - | (95) |
| Loss for the year from continuing operations | 6 | **(1,197)** | **(1,507)** | **(2,704)** | (170) | (1,247) | (1,417) |
| **Discontinued operations** | | | | | | | |
| Profit for the year from discontinued operations after tax | 7 | | | **68** | | | 86 |
| Loss for the year | | | | **(2,636)** | | | (1,331) |
| Attributable to: | | | | | | | |
| Equity shareholders | | | | **(2,572)** | | | (1,344) |
| Non-controlling interest | | | | **(64)** | | | 13 |
| | | | | **(2,636)** | | | (1,331) |
| | | | | **2011 € cent** | | | 2010 € cent |
| Loss per share From continuing operations - Basic and diluted | 18 | | | **(11.64)** | | | (6.30) |
| Earnings per share From discontinued operations - Basic and diluted | 18 | | | **0.30** | | | 0.38 |
| Loss per share From continuing and discontinued operations - Basic and diluted | 18 | | | **(11.34)** | | | (5.92) |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

The notes on pages 27 to 68 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 2011

| | Notes | **2011** | 2010 |
|---|---|---|---|
| | | **€'000** | €'000 |
| | | | Restated[(1)] |
| Loss for the year | | **(2,636)** | (1,331) |
| Other comprehensive income/(expense): | | | |
| Available-for-sale financial assets | | | |
| - current year gain | | **-** | 39 |
| Actuarial loss on defined benefit pension plan | 30 | **(97)** | (94) |
| Exchange movement | | **233** | 504 |
| Total comprehensive expense for the year | | **(2,500)** | (882) |
| | | | |
| Attributable to: | | | |
| Equity holders of the Company | | **(2,435)** | (904) |
| Non-controlling interest | | **(65)** | 22 |
| | | **(2,500)** | (882) |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

Items in the statement above are disclosed net of tax. The income tax charge for the year is disclosed in note 16 on page 48 of the consolidated financial statements.

The notes on pages 27 to 68 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

| | Notes | **2011 €'000** | 2010 €'000 Restated(1) | 2009 €'000 Restated(1) |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Inventories | 19 | **2,574** | 2,483 | 2,372 |
| Trade and other receivables | 20 | **4,069** | 3,423 | 3,913 |
| Cash and cash equivalents | 21 | **723** | 2,187 | 2,286 |
| Other loans and receivables | 22 | **1,043** | - | - |
| | | **8,409** | 8,093 | 8,571 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 23 | **1,884** | 1,309 | 943 |
| Intangible assets | 24 | **7,585** | 8,710 | 8,326 |
| Available-for-sale financial assets | 25 | **-** | 658 | 1,094 |
| Other loans and receivables | 22 | **-** | 1,406 | 1,272 |
| | | **9,469** | 12,083 | 11,635 |
| Total assets | | **17,878** | 20,176 | 20,206 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 26 | **7,157** | 6,386 | 6,423 |
| Current income tax liabilities | | **-** | 192 | 100 |
| Borrowings | 27 | **635** | 29 | - |
| Provisions for other liabilities and charges | 28 | **705** | 848 | 807 |
| | | **8,497** | 7,455 | 7,330 |
| **Non-current liabilities** | | | | |
| Borrowings | 27 | **43** | 632 | - |
| Retirement benefit obligations | 30 | **-** | 251 | 156 |
| | | **43** | 883 | 156 |
| Total liabilities | | **8,540** | 8,338 | 7,486 |
| Net assets | | **9,338** | 11,838 | 12,720 |
| **Equity** | | | | |
| Ordinary shares | 31 | **11,341** | 11,341 | 11,341 |
| Share premium | 31 | **16,444** | 16,444 | 16,444 |
| Other reserves | 32 | **2,532** | 2,298 | 1,764 |
| Retained earnings | 33 | **(21,054)** | (18,385) | (16,947) |
| Non-controlling interest | 33 | **75** | 140 | 118 |
| Total equity | | **9,338** | 11,838 | 12,720 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

The notes on pages 27 to 68 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 2011

| | **Share Capital €'000** | **Share premium reserve €'000** | **Other Reserves €'000** | **Retained Earnings €'000** | **Total attributable to shareholders €'000** | **Non-controlling Interest €'000** | **Total Equity €'000** |
|---|---|---|---|---|---|---|---|
| At 1 January 2011 | **11,341** | **16,444** | **2,298** | **(18,385)** | **11,698** | **140** | **11,838** |
| **Comprehensive income:** | | | | | | | |
| Loss for year | **-** | **-** | **-** | **(2,572)** | **(2,572)** | **(64)** | **(2,636)** |
| **Other comprehensive income:** | | | | | | | |
| Actuarial (loss) on defined benefit pension plan | **-** | **-** | **-** | **(97)** | **(97)** | **-** | **(97)** |
| Exchange movement | **-** | **-** | **234** | **-** | **234** | **(1)** | **233** |
| Total comprehensive income | **-** | **-** | **234** | **(2,669)** | **(2,435)** | **(65)** | **(2,500)** |
| **Transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Balance at 31 December 2011 | **11,341** | **16,444** | **2,532** | **(21,054)** | **9,263** | **75** | **9,338** |

| | Share Capital €'000 | Share premium reserve €'000 | Other Reserves €'000 | Retained Earnings €'000 | Total attributable to shareholders €'000 | Non-controlling Interest €'000 | Total Equity €'000 |
|---|---|---|---|---|---|---|---|
| Restated[(1)] | | | | | | | |
| At 1 January 2010 | 11,341 | 16,444 | 1,764 | (16,947) | 12,602 | 118 | 12,720 |
| **Comprehensive income:** | | | | | | | |
| (Loss)/profit for year | - | - | - | (1,344) | (1,344) | 13 | (1,331) |
| **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 | - | - | 495 | - | 495 | 9 | 504 |
| Total comprehensive income | - | - | 534 | (1,438) | (904) | 22 | (882) |
| **Transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Balance at 31 December 2010 | 11,341 | 16,444 | 2,298 | (18,385) | 11,698 | 140 | 11,838 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

The notes on pages 27 to 68 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

| | Notes | **2011** **€'000** | 2010 €'000 Restated[(1)] |
|---|---|---|---|
| **Operating activities** | | | |
| Cash (absorbed)/generated from operations | 35 (a) | **(879)** | 101 |
| Tax paid | | **(7)** | (3) |
| **Net cash (outflow)/inflow from operating activities** | | **(886)** | 98 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(911)** | (617) |
| Proceeds from sale of property, plant and equipment | | **-** | 39 |
| Interest received | | **-** | 4 |
| Purchase of available-for-sale financial assets | | **-** | (584) |
| Disposal of subsidiary, net of cash disposed of | 7 | **463** | 288 |
| **Net cash outflow from investing activities** | | **(448)** | (870) |
| **Financing activities** | | | |
| Proceeds from borrowings | | **-** | 588 |
| Capital element of asset finance payments | | **(21)** | (13) |
| Interest paid | | **(53)** | (32) |
| Finance lease interest | | **(4)** | (2) |
| **Net cash (outflow)/inflow from financing activities** | | **(78)** | 541 |
| **Net decrease in cash and cash equivalents** | | **(1,412)** | (231) |
| Cash and cash equivalents at 1 January | | **2,187** | 2,286 |
| Effect of exchange rate changes | | **(52)** | 132 |
| **Cash and cash equivalents at 31 December** | 21 | **723** | 2,187 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

The notes on pages 27 to 68 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 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.

Given the significant slowdown in unit sales in the second half of 2011 and the continuing trend of lower volumes into 2012, a detailed review of the Group's anticipated future results and working capital requirements has been undertaken. These detailed, bottom up financial forecasts have been prepared for each profit centre and the extent of the review reflects the still uncertain economic outlook and the weaknesses in revenues experienced in 2011 and the early part of 2012. The Group's forecasts and projections reflect key assumptions based on information available at the time of the review and include:

- detailed monthly forecasting by individual profit centre for the current financial year reflecting trends experienced up to the date of the preparation of the forecasts and known price and other changes that are likely to arise in the coming months; and
- future revenues for the next financial year based on regional management's assessment of trends across individual regions and operating units.

After taking account of possible changes in trading performance, forecasts show that the Group will be able to continue to operate its existing businesses for a period of 12 months from the date of this annual report 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 38 and 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 2011. 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 2011 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 3 (amendment) – Business Combinations
- IFRS 7 (amendment) – Financial Instruments;
- IAS 1 (amendment) – Presentation of Financial Statements;
- 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;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

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 7 (amendment) – Financial Instruments: Disclosures;
- IFRS 9 – Financial Instruments;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IAS 1 (amendment) – Presentation of Financial Statements;
- IAS 12 (amendment) – Income Taxes;
- IAS 19 (amendment) – Employee Benefits;
- IAS 27 (revised) – Separate Financial Statements; and
- IAS 28 (revised) – Investments in Associates and Joint Ventures;
- IAS 32 (amendment) – Financial Instruments; Presentation

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.

The Group has 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.

*From 1 January 2011*
Cooperative revenue is receivable from Verizon Wireless on sales of new contract activations, at varying amounts depending on the rate plan sold with the phone. These funds are to be used exclusively for the promotion of Verizon Wireless services and are repayable under certain circumstances.

In prior years where this cooperative revenue was received relating to certain expenditure, both capital and revenue in nature, it was initially shown as deferred revenue on the date of the sale and then offset against the specific expense or addition to property, plant and equipment when the funds were used.

From 1 January 2011 this cooperative income is deemed to be receivable on the date of the sale of the qualifying new activation, and these funds are recognised in revenue immediately.

**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 34 on page 63 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 38 on page 66 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 scheme 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 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's 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 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.

**2.28 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 held available-for-sale quoted equities in a company listed on AIM for part of the year. 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 2011, 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 and classified on the statement of financial position as available-for-sale. The Group does not hedge against this exposure.

*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 (including interest payments where applicable). The amounts disclosed in the table are the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

| **At 31 December 2011** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** |
|---|---|---|---|
| | **€'000** | **€'000** | **€'000** |
| Borrowings | **673** | **26** | **20** |
| Trade and other payables | **7,157** | **-** | **-** |
| | **7,830** | **26** | **20** |

| At 31 December 2010 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| Borrowings | 30 | 706 | - |
| Trade and other payables – restated(1) | 6,386 | - | - |
| | 6,416 | 706 | - |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

*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:

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| | | Restated(1) |
| Total equity | **9,338** | 11,838 |
| Cash and cash equivalents | **(723)** | (2,187) |
| Capital | **8,615** | 9,651 |

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Total equity | **9,338** | 11,838 |
| Borrowings | **678** | 661 |
| Overall financing | **10,016** | 12,499 |
| | | |
| Capital-to-overall financing ratio | **0.86** | 0.77 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

The increase in the capital-to-overall financing ratio during 2011 resulted primarily from the decrease in cash inflow from operating activities during the year.

## 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 Going concern

As further discussed in note 2.2 on page 27 of the consolidated financial statements, the financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for a period not less than 12 months from the date of this annual report. This assumption has been based on cash flow budgets and forecasts prepared by the Group and approved by the board of directors.

These detailed, bottom up financial forecasts have been prepared for each profit centre and the extent of the review reflects the still uncertain economic outlook and the weaknesses in revenues experienced in 2011 and the early part of 2012. The Group's forecasts and projections reflect key assumptions based on information available at the time of the review and include:

- detailed monthly forecasting by individual profit centre for the current financial year reflecting trends experienced up to the date of the preparation of the forecasts and known price and other changes that are likely to arise in the coming months; and
- future revenues for the next financial year based on regional management's assessment of trends across individual regions and operating units.

While the Groups' forecasts and projections reflect key assumptions based on information available at the time of the review, by their nature they include significant judgements and estimates as they are assessing future performance of the Group.

### 4.2 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.

### 4.3 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.

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. Additional information is disclosed in note 30 on page 58 of the consolidated financial statements.

### 4.4 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.

### 4.5 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.

### 4.6 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.

### 4.7 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 34 on page 63 of the consolidated financial statements.

### 4.8 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.

### 4.9 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 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. Change in accounting policy and correction of prior period error

### Change in accounting policy

During the year the Group made a voluntary change in accounting policy with regard to cooperative revenue recognition. Cooperative revenue is receivable from Verizon Wireless on sales of new contract activations, at varying amounts depending on the rate plan sold with the phone. These funds are to be used exclusively for the promotion of Verizon Wireless services and are repayable under certain circumstances.

In prior years where this cooperative revenue was received relating to certain expenditure, both capital and revenue in nature, it was initially shown as deferred revenue on the date of the sale and then offset against the specific expense or addition to property, plant and equipment when the funds were used.

In accordance with IAS 18 – Revenue, revenue is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured. The Group is satisfied that cooperative revenue meets the definition of revenue under this standard. The directors consider that the inclusion of cooperative funds in revenue, gives a fairer presentation of the results of the Group and makes them more comparable with similar companies in the industry.
From 1 January 2011 this cooperative income is deemed to be receivable on the date of the sale of the qualifying new activation and these funds are recognised in revenue immediately.

In order to aid comparability the group has retrospectively applied the revised accounting policy.

Basic and diluted loss per share have decreased by 0.99 cent (2010: 0.75 cent) as a result of the change in accounting policy.

### Correction of prior period error

During 2008 the Group incurred an impairment charge as a result of a significant decline in the fair value of available-for-sale financial assets held. In accordance with IAS 39 when a non-monetary asset is impaired, the cumulative net loss that had been recognised in other comprehensive income should be reclassified from equity to profit or loss, and any portion of the cumulative net loss that is attributable to foreign currency changes should also be reclassified from equity to profit or loss.
An error occurred in the application of this accounting standard in the 2008 financial statements, as the attributable foreign currency changes were not reclassified from equity to profit loss and remained in the currency translation reserve, within other reserves.

This error was detected during the current financial year. As this error was made in a financial year prior to the comparative year, the statement of financial position opening balances as at 1 January 2010 have been restated to reflect the correction.

The following tables summarise the adjustments made to the consolidated financial statements as a result of the implementation of the new accounting policy and the correction of the prior period error;

**Impact of change in accounting policy on Consolidated Income Statement:**

| | Revenue | Selling and distribution costs | Administration expenses | Total effect profit or loss | Equity shareholders | Minority interest |
|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Balance reported for year ended 31 December 2010 | 36,145 | (11,083) | (4,973) | - | (1,514) | 10 |
| Effect of change in accounting policy | 414 | (214) | (27) | 173 | 170 | 3 |
| Restated balance for year ended 31 December 2010 | 36,559 | (11,297) | (5,000) | 173 | (1,344) | 13 |
| As at 31 December 2011 | **36,546** | **(10,301)** | **(6,146)** | **-** | **(2,796)** | **(70)** |
| Effect of change in accounting policy | **458** | **(200)** | **(28)** | **230** | **224** | **6** |
| Balance at 31 December 2011 | **37,004** | **(10,501)** | **(6,174)** | **230** | **(2,572)** | **(64)** |

**Impact of change in accounting policy on Consolidated Statement of Comprehensive Income:**

| | Loss for year | Exchange movement |
|---|---|---|
| | €'000 | €'000 |
| Balance reported for year ended 31 December 2010 | (1,504) | 496 |
| Effect of change in accounting policy | 173 | 8 |
| Restated balance for year ended 31 December 2010 | (1,331) | 504 |
| | | |
| As at 31 December 2011 | **(2,866)** | **212** |
| Effect of change in accounting policy | **230** | **21** |
| Balance at 31 December 2011 | **(2,636)** | **233** |

**Impact of correction of prior period error and change in accounting policy on Statement of Financial Position:**

| | Property, plant and equipment | Trade and other receivables | Trade and other payables | Other reserves | Retained earnings | Minority Interest |
|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Balance as reported at 1 January 2010 | 943 | 3,797 | 6,423 | 931 | (16,225) | 113 |
| Effect of change in accounting policy | - | 116 | - | (3) | 114 | 5 |
| Effect of correction of prior period error | - | - | - | 836 | (836) | - |
| Restated balance at 1 January 2010 | 943 | 3,913 | 6,423 | 1,764 | (16,947) | 118 |
| | | | | | | |
| Balance as reported at 31 December 2010 | 1,195 | 3,347 | 6,493 | 1,457 | (17,833) | 132 |
| Effect of change in accounting policy | 114 | 76 | (107) | 5 | 284 | 8 |
| Effect of correction of prior period error | - | - | - | 836 | (836) | - |
| Restated balance at 31 December 2010 | 1,309 | 3,423 | 6,386 | 2,298 | (18,385) | 140 |
| | | | | | | |
| As at 31 December 2011 | **1,791** | **4,023** | **7,265** | **2,515** | **(21,278)** | **69** |
| Effect of change in accounting policy | **93** | **46** | **(108)** | **17** | **224** | **6** |
| Balance at 31 December 2011 | **1,884** | **4,069** | **7,157** | **2,532** | **(21,054)** | **75** |

**Impact of change in accounting policy on Consolidated Cash Flow Statement:**

| | For year ended 31 December 2011 | Change in accounting policy | For year ended 31 December 2011 as presented | For year ended 31 December 2010 as reported | Change in accounting policy | For year ended 31 December 2010 (Restated) |
|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Operating activities** | | | | | | |
| Cash generated from operations | **(994)** | **115** | **(879)** | (19) | 120 | 101 |
| Tax paid | **(7)** | **-** | **(7)** | (3) | - | (3) |
| Net cash (outflow)/inflow from operating activities | **(1001)** | **115** | **(886)** | (22) | 120 | 98 |
| **Investing activities** | | | | | | |
| Purchase of property, plant and equipment | **(796)** | **(115)** | **(911)** | (497) | (120) | (617) |
| Proceeds from sale of property, plant and equipment | **-** | **-** | **-** | 39 | - | 39 |
| Interest received | **-** | **-** | **-** | 4 | - | 4 |
| Purchase of available-for-sale financial assets | **-** | **-** | **-** | (584) | - | (584) |
| Disposal of subsidiary, net of cash disposed of | **463** | **-** | **463** | 288 | - | 288 |
| Net cash outflow from investing activities | **(333)** | **(115)** | **(448)** | (750) | (120) | (870) |

**Impact of correction of prior period error and change in accounting policy on Statement of Changes in Equity:**

| | 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 |
| Balance as reported at 1 January 2010 | 11,341 | 16,444 | 931 | (16,225) | 12,491 | 113 | 12,604 |
| Effect of change in accounting policy | - | - | (3) | 114 | 111 | 5 | 116 |
| Effect of correction of prior period error | - | - | 836 | (836) | - | - | - |
| Restated balance at 1 January 2010 | 11,341 | 16,444 | 1,764 | (16,947) | 12,602 | 118 | 12,720 |
| Balance at 31 December 2010 | 11,341 | 16,444 | 1,457 | (17,833) | 11,409 | 132 | 11,541 |
| Effect of change in accounting policy | - | - | 5 | 284 | 289 | 8 | 297 |
| Effect of correction of prior period error | - | - | 836 | (836) | - | - | - |
| Restated balance at 31 December 2010 | 11,341 | 16,444 | 2,298 | (18,385) | 11,698 | 140 | 11,838 |
| As at 31 December 2011 | **11,341** | **16,444** | **2,515** | **(21,278)** | **9,022** | **69** | **9,091** |
| Effect of change in accounting policy | **-** | **-** | **17** | **224** | **241** | **6** | **247** |
| Balance at 31 December 2011 | **11,341** | **16,444** | **2,532** | **(21,054)** | **9,263** | **75** | **9,338** |

## 6. 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 2011** | **PAC Telemedia €'000** | **Unallocated[1] €'000** | **Total €'000** | **PAC Digimedia €'000** | **Group €'000** |
| Revenue from external customers | **37,004** | **-** | **37,004** | **-** | **37,004** |
| EBITDA[2] | **159** | **(758)** | **(599)** | **-** | **(599)** |
| Depreciation | **(423)** | **(12)** | **(435)** | **-** | **(435)** |
| Operating loss before exceptional items | **(264)** | **(770)** | **(1,034)** | **-** | **(1,034)** |
| Other income | **-** | **-** | **-** | **68** | **68** |
| Other losses | **-** | **(145)** | **(145)** | **-** | **(145)** |
| Exceptional items | **(1,310)** | **(197)** | **(1,507)** | **-** | **(1,507)** |
| Finance costs | **(4)** | **(111)** | **(115)** | **-** | **(115)** |
| Finance income | **-** | **56** | **56** | **-** | **56** |
| (Loss)/profit before tax | **(1,578)** | **(1,167)** | **(2,745)** | **68** | **(2,677)** |
| Income tax (charge)/credit | **(56)** | **97** | **41** | **-** | **41** |
| (Loss)/profit for the year | **(1,634)** | **(1,070)** | **(2,704)** | **68** | **(2,636)** |

| | Continuing | | | Discontinued | |
|---|---|---|---|---|---|
| Year ended 31 December 2010 | PAC Telemedia €'000 | Unallocated €'000 | Total €'000 | PAC Digimedia €'000 | Group €'000 |
| Restated[3] | | | | | |
| Revenue from external customers | 36,559 | - | 36,559 | - | 36,559 |
| EBITDA[2] | 1,000 | (828) | 172 | - | 172 |
| Depreciation | (308) | (11) | (319) | - | (319) |
| Operating profit/(loss) before exceptional items | 692 | (839) | (147) | - | (147) |
| 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 | 537 | (1,859) | (1,322) | 86 | (1,236) |
| Income tax (charge)/credit | (107) | 12 | (95) | - | (95) |
| Profit/(loss) for the year | 430 | (1,847) | (1,417) | 86 | (1,331) |

(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)

(3) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

**(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.

| | Continuing operations – year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **PAC Telemedia** | **Unallocated** | **Total Group** | PAC Telemedia | Unallocated | Total Group |
| | **€'000** | **€'000** | **€'000** | €'000 | €'000 | €'000 |
| | **2011** | **2011** | **2011** | 2010 | 2010 | 2010 |
| | | | | Restated(1) | | |
| **Non-current assets** | | | | | | |
| USA | **9,444** | **-** | **9,444** | 9,982 | - | 9,982 |
| Unallocated | **-** | **25** | **25** | - | 2,101 | 2,101 |
| | **9,444** | **25** | **9,469** | 9,982 | 2,101 | 12,083 |
| **Current assets** | | | | | | |
| USA | **7,121** | **-** | **7,121** | 8,023 | - | 8,023 |
| Unallocated | **-** | **1,288** | **1,288** | - | 70 | 70 |
| | **7,121** | **1,288** | **8,409** | 8,023 | 70 | 8,093 |
| **Total assets** | **16,565** | **1,313** | **17,878** | 18,005 | 2,171 | 20,176 |
| **Total liabilities** | | | | | | |
| USA | **(7,712)** | **-** | **(7,712)** | (7,105) | - | (7,105) |
| Unallocated | **-** | **(828)** | **(828)** | - | (1,233) | (1,233) |
| | **(7,712)** | **(828)** | **(8,540)** | (7,105) | (1,233) | (8,338) |

**(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 operations – year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **USA** | **Unallocated** | **Total** | USA | Unallocated | Total |
| | **€'000** | **€'000** | **€'000** | €'000 | €'000 | €'000 |
| | **2011** | **2011** | **2011** | 2010 | 2010 | 2010 |
| | | | | Restated(1) | | |
| Sale of goods | **11,999** | **-** | **11,999** | 12,238 | - | 12,238 |
| Supply of services | **25,005** | **-** | **25,005** | 24,321 | - | 24,321 |
| | **37,004** | **-** | **37,004** | 36,559 | - | 36,559 |

During the year €25.005 million or 68% of the Group's revenue's depended on a single customer in the PAC Telemedia segment (2010: €24.321 million or 67% - restated).

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

## 7. Discontinued operations

There were no discontinued operations within the Group in 2011. The expected deferred consideration of €0.463 million (2010: €0.288 million) relating to previous years' disposals was received on 29 November 2011 and 29 December 2011.

| | 2011 | 2010 |
|---|---|---|
| | €'000 | €'000 |
| **Results of discontinued operations** | | |
| Other income[1] | **68** | 86 |
| Profit before tax from discontinued operations | **68** | 86 |
| Income tax | **-** | - |
| Profit after tax from discontinued operations | **68** | 86 |
| Basic and diluted earnings per share (cent) | **0.30** | 0.38 |
| **Cash flows from discontinued operations** | | |
| Net cash from investing activities | **463** | 288 |
| Net cash from discontinued operations | **463** | 288 |

| **Effect of disposal on the financial position of the Group** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Consideration received, satisfied in cash (net of attributable expenses) | **463** | 288 |
| Net cash inflow | **463** | 288 |
| Deferred consideration | **(463)** | (288) |
| | **-** | - |

(1) other income comprises a gain on remeasuring other loans and receivables as disclosed in note 22 on page 51 of the consolidated financial statements

## 8. Exceptional items

| | **2011** | 2010 |
|---|---|---|
| **Continuing operations** | **€'000** | €'000 |
| Impairment charge on available-for-sale financial asset[1] | **547** | 1,094 |
| Settlement gain recognised on defined benefit plan[2] (note 30) | **(350)** | - |
| Goodwill impairment[3] | **1,310** | - |
| Reorganisation provision | **-** | 153 |
| | **1,507** | 1,247 |

(1) the impairment charge represents the write down in full of the remaining value of the Group's interest in Media Square plc following the announcement that this Group had suspended trading on 8 December 2011. The charge consists of €0.663 million fair value loss, €0.005 million foreign currency gain arising in 2011 and €0.111 million foreign currency gain, previously recognised in other comprehensive income relating to this asset, reclassified from equity to profit or loss

(2) the Group recognised a settlement gain of €0.350 million as a result of the change in the fair value of plan assets and the present value of the plan obligation on the wind-up of its defined benefit pension plan

(3) the Group recognised an impairment charge of €1.310 million as a result of an impairment review undertaken in accordance with IAS 36 against the goodwill allocated to the Cellular Center Holdings CGU

**9. Other (losses)/gains**

| Continuing operations | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Net foreign exchange (losses)/gains | **(145)** | 104 |
| Settlement gain recognised on defined benefit plan (note 8) | **350** | - |
| | **205** | 104 |

**10. Finance costs and finance income**

| Continuing operations | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Finance costs: | | |
| Other borrowings | **(36)** | (32) |
| Asset finance | **(4)** | (2) |
| Defined benefit pension plan - interest cost on plan liabilities | **(58)** | (53) |
| Net foreign exchange losses on financing activities | **(17)** | (1) |
| | **(115)** | (88) |
| Finance income: | | |
| Bank deposit interest | **-** | 4 |
| Defined benefit pension plan - expected return on plan assets | **56** | 52 |
| | **56** | 56 |
| Finance costs (net) | **(59)** | (32) |

**11. Expenses**

| Continuing operations | **2011 €'000** | 2010 €'000 Restated(1) |
|---|---|---|
| Employee benefit expense (note 14) | **9,352** | 9,157 |
| Material cost of inventories consumed (included within cost of sales) | **23,220** | 21,656 |
| Depreciation of property, plant and equipment | | |
| - Included in administration expenses | **435** | 319 |
| Services provided by the Group's Auditors (note 13) | **118** | 125 |
| Operating lease rentals - property | **2,237** | 2,783 |
| Inventory provision | **35** | 194 |
| Loss on disposal of property, plant and equipment | **-** | 39 |
| Goodwill impairment | **1,310** | - |
| Impairment of available-for-sale-financial asset | **547** | 1,094 |
| Settlement gain recognised on defined benefit scheme | **(350)** | - |
| Other selling and distribution and administrative expenses | **2,641** | 2,586 |
| Other (losses)/gains | **145** | (104) |
| | **39,690** | 37,849 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

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

| Continuing operations | 2011 €'000 | 2010 €'000 |
|---|---|---|
| The exchange differences (charged)/credited to the income statement are included as follows: | | |
| Other (losses)/gains (note 9) | **(145)** | 104 |
| Net finance costs (note 10) | **(17)** | (1) |
| | **(162)** | 103 |

## 13. 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:

| Continuing operations | 2011 €'000 | 2010 €'000 |
|---|---|---|
| Audit of Group accounts | **100** | 120 |
| Other assurance services | **9** | - |
| Tax advisory services | **9** | 5 |
| | **118** | 125 |

## 14. Employment information

| Continuing operations | 2011 €'000 | 2010 €'000 |
|---|---|---|
| Employment costs: | | |
| Wages and salaries | **8,588** | 8,357 |
| Social welfare costs | **746** | 782 |
| Other pension costs net | **18** | 18 |
| Employee benefit expense | **9,352** | 9,157 |

| | 2011 | 2010 |
|---|---|---|
| Average number of employees | | |
| Selling and distribution | **263** | 250 |
| Administration | **52** | 49 |
| Average number of employees for the year | **315** | 299 |

## 15. 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.

| | 2011 | 2010 |
|---|---|---|
| **Average rate** | | |
| Sterling | **0.8679** | 0.8582 |
| US dollar | **1.3920** | 1.3268 |
| **Year end rate** | | |
| Sterling | **0.8353** | 0.8608 |
| US dollar | **1.2939** | 1.3362 |

**16. Income tax credit/(charge)**

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Current tax charge | **(55)** | (95) |
| Adjustments in respect of previous years | **96** | - |
| Taxation | **41** | (95) |

| **Relationship between tax expense and accounting profit** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| | | Restated[1] |
| Loss on ordinary activities before tax | **(2,745)** | (1,322) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2010:12.5%) | **343** | 165 |
| Effects of: | | |
| Differences in effective tax rates on overseas earnings and interest income | **(33)** | (58) |
| Other items (mainly expenses not deductible for tax purposes and non taxable income) | **(297)** | (100) |
| Loss carried forward for which no deferred tax asset is recognised | **(68)** | (102) |
| Adjustments in respect of previous years | **96** | - |
| Current tax credit/(charge) for the year | **41** | (95) |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

**17. Directors' remuneration**

| **Year ended 31 December 2011** | **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 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 |

(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.

### 18. (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** | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| | | Restated(1) |
| (Loss) for the year | **(2,572)** | (1,344) |
| Less: Profit for the year from discontinued operations | **68** | 86 |
| (Loss) for the year from continuing operations | **(2,640)** | (1,430) |
| Exceptional costs – continuing operations | **1,507** | 1,247 |
| Adjusted (loss) for the year | **(1,133)** | (183) |

| **Basic and diluted (loss)/earnings per share – continuing operations** | **2011** | 2010 |
|---|---|---|
| | **€ cent** | € cent |
| (Loss) per share for the year | **(11.64)** | (6.30) |
| Exceptional costs | **6.64** | 5.50 |
| Adjusted (loss) per share for the year | **(5.00)** | (0.80) |

| **Basic and diluted earnings per share – discontinued operations** | **2011** | 2010 |
|---|---|---|
| | **€ cent** | € cent |
| Earnings per share for the year | **0.30** | 0.38 |
| | **0.30** | 0.38 |

| **Basic and diluted earnings per share – continuing and discontinued operations** | **2011** | 2010 |
|---|---|---|
| | **€ cent** | € cent |
| (Loss) per share for the year | **(11.34)** | (5.92) |
| Exceptional costs | **6.64** | 5.50 |
| Adjusted (loss) per share for the year | **(4.70)** | (0.42) |

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

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

**19. Inventories**

| | 2011 | 2010 |
|---|---|---|
| | €'000 | €'000 |
| Finished goods | **2,574** | 2,483 |
| | **2,574** | 2,483 |

The Group consumed €23.220 million (2010: €21.656 million) of inventories during this year. This expense has been recognised in the income statement within cost of sales. The Group recognised €0.035 million (2010: €0.194 million) of inventory write down expense.

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

| | 2011 | 2010 |
|---|---|---|
| | €'000 | €'000 |
| | | Restated[(1)] |
| Trade receivables | **3,374** | 2,908 |
| Less: provision for impairment of trade receivables | **-** | - |
| | **3,374** | 2,908 |
| Prepayments and accrued income | **623** | 491 |
| Value added tax | **16** | 24 |
| Corporation tax | **56** | - |
| | **4,069** | 3,423 |

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:

| | 2011 | 2010 |
|---|---|---|
| Currency: | €'000 | €'000 |
| | | Restated[(1)] |
| Sterling | **-** | 10 |
| US dollar | **4,035** | 3,396 |
| Other currencies | **34** | 17 |
| | **4,069** | 3,423 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

At 31 December 2011, trade receivables of €nil (2010: €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 (2010: €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.

## 21. Cash and cash equivalents

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Cash at bank and in hand | **719** | 2,181 |
| Short-term deposits | **4** | 6 |
| | **723** | 2,187 |

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 (2010: 0 days). The effective interest rate on the deposits was 0.0% (2010: 0.3%).

## 22. Other loans and receivables

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| At 1 January | **1,406** | 1,272 |
| Shares redeemed | **(463)** | - |
| Effective interest adjustment | **68** | 86 |
| Exchange movement | **32** | 48 |
| At 31 December | **1,043** | 1,406 |

Other loans and receivables consist of the Group's investment in the remaining 950 million redeemable shares in Bell & Bain Limited, following the receipt of the first and interim redemption repayments on 29 November 2011 and 29 December 2011 respectively. Bell & Bain Limited is 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 up to the third anniversary of the sale in consideration of a total payment of €1.043 million (2010: €1.406 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 the remaining redeemable shares were converted they would comprise approximately 77% 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 (2011: 6.0%; 2010: 8.5%).

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:

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Sterling | **1,043** | 1,406 |

**23. Property, plant and equipment**

| **Year ended 31 December 2011** | **Leasehold improvements €'000** | **Fixtures and fittings €'000** | **Vehicles €'000** | **Total €'000** |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2011 | **281** | **1,446** | **170** | **1,897** |
| Additions at cost[2] | **261** | **638** | **30** | **929** |
| Currency adjustments | **29** | **94** | **5** | **128** |
| At 31 December 2011 | **571** | **2,178** | **205** | **2,954** |
| | | | | |
| Accumulated depreciation | | | | |
| At 1 January 2011 | **96** | **431** | **61** | **588** |
| Charge for the year | **67** | **328** | **40** | **435** |
| Currency adjustments | **8** | **37** | **2** | **47** |
| At 31 December 2011 | **171** | **796** | **103** | **1,070** |
| | | | | |
| Net book amount at 31 December 2011 | **400** | **1,382** | **102** | **1,884** |

| Year ended 31 December 2010 Restated[1] | 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 | 504 | 109 | 698 |
| Disposals | (25) | (78) | (78) | (181) |
| Currency adjustments | 16 | 77 | 3 | 96 |
| At 31 December 2010 | 281 | 1,446 | 170 | 1,897 |
| | | | | |
| Accumulated depreciation | | | | |
| At 1 January 2010 | 50 | 233 | 58 | 341 |
| Charge for the year | 50 | 226 | 43 | 319 |
| Disposals | (8) | (47) | (41) | (96) |
| Currency adjustments | 4 | 19 | 1 | 24 |
| At 31 December 2010 | 96 | 431 | 61 | 588 |
| | | | | |
| Net book amount at 31 December 2010 | 185 | 1,015 | 109 | 1,309 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements
(2) property, plant and equipment additions were funded using €0.911 million from existing resources and €0.018 million by asset finance agreements

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

| | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Cost | **134** | 99 |
| Accumulated depreciation | **(50)** | (19) |
| Net book amount | **84** | 80 |
| | | |
| Depreciation charge for the year | **29** | 19 |

## 24. Intangible Assets

| Goodwill | 2011<br>€'000 | 2010<br>€'000 |
|---|---|---|
| At 1 January | **8,710** | 8,326 |
| Fair value adjustment relating to prior year acquisitions | **-** | 3 |
| Impairment charge | **(1,410)** | - |
| Exchange movement | **285** | 381 |
| At 31 December | **7,585** | 8,710 |

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 | 2011<br>€'000 | 2010<br>€'000 |
|---|---|---|
| PAC Telemedia | | |
| - Cellular Center Holdings | **5,753** | 6,935 |
| - Express Business Services | **1,832** | 1,775 |
| At 31 December | **7,585** | 8,710 |

**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 sales volumes growing at approximately 2% (2010: 7%) per annum but exclude future acquisition activity. Cash flows for a further three years are based on sales volumes remaining flat due to the current uncertainty in the market place (2010: 3% per annum). A terminal value reflecting flat sales (2011: 0.0%; 2010: 2.5%) 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 (2011: 10.5%; 2010: 9.5%) for the market in which these businesses operate. Applying these assumptions, an impairment charge of €1.410 million arose in 2011 (2010: €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 not have recognised an impairment charge (2010: €3.131 million). 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 €3.614 million (2010: €1.747 million).

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

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| At 1 January | **658** | 1,094 |
| Additions | **-** | 584 |
| Fair value adjustment | **(663)** | (1,055) |
| Exchange movement | **5** | 35 |
| At 31 December | **-** | 658 |

Available-for-sale financial assets include the following:

| | | |
|---|---|---|
| Quoted equity securities | **-** | 658 |

Quoted equity securities consisted of the Group's investment in 10.290 million ordinary shares in Media Square plc. This investment represented 28.5% of the issued share capital in that company. Media Square plc was an AIM listed marketing communications group.
On 8 December 2011 its board asked for the shares of Media Square plc to be suspended from trading on AIM. The following day it was announced that Media Square plc had been put into administration by its board, and the business had been acquired by its management team. This investment was written down in full following these announcements.

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

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Sterling | **-** | 658 |

**26. Trade and other payables**

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| | | Restated(1) |
| Trade payables | **5,956** | 5,040 |
| Payroll tax and social security | **94** | 126 |
| Value added tax | **103** | 93 |
| Accrued expenses and other payables | **863** | 990 |
| Deferred income | **141** | 137 |
| | **7,157** | 6,386 |

| Analysis of trade and other payables: | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Current | **7,157** | 6,386 |
| Non-current | **-** | - |
| | **7,157** | 6,386 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

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

## 27. Borrowings

Borrowings include the following financial liabilities:

| | **2011** | 2010 |
|---|---|---|
| **Current** | **€'000** | €'000 |
| Loan note | **611** | 9 |
| Asset finance | **24** | 20 |
| | **635** | 29 |
| | | |
| **Non-current** | | |
| Loan note | **-** | 584 |
| Asset finance | **43** | 48 |
| | **43** | 632 |
| | | |
| **Total borrowings** | **678** | 661 |

The loan note is denominated in sterling and was used to finance the acquisition of additional available-for-sale financial assets in 2010. 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 40 on page 68 of the consolidated financial statements. The loan note is unsecured and is subject to a fixed rate of interest. An amended repayment schedule was agreed with Mr. Gill in early 2012, under which the loan note will be repaid in monthly instalments during 2012, with the final repayment being made in December 2012.

Asset finance is denominated in US dollar and consists of 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:

| | | | | **2011** | | | | 2010 |
|---|---|---|---|---|---|---|---|---|
| | **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 | **611** | **-** | **-** | **611** | 9 | 584 | - | 593 |
| Asset finance - fixed rate | **24** | **26** | **17** | **67** | 20 | 48 | - | 68 |
| | **635** | **26** | **17** | **678** | 29 | 632 | - | 661 |

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

| | **2011** | 2010 |
|---|---|---|
| Loan note – fixed rate | **6.0%** | 6.0% |
| Asset finance - fixed rate | **5.3%** | 3.9% |

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

| | **Carrying amount** | | **Fair value** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Asset finance liabilities | **43** | 48 | **39** | 45 |
| Loan note | **-** | 584 | **-** | 551 |
| | **43** | 632 | **39** | 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:

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Floating rate - due for renewal within one year | **1,159** | 187 |

The facilities expiring within one year are annual facilities subject to review.

Asset finance liabilities - minimum lease payments

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| No later than 1 year | **28** | 22 |
| Later than 1 year and no later than 5 years | **45** | 51 |
| | **73** | 73 |
| Future finance charges on asset finance obligations | **(6)** | (5) |
| Present value of asset finance obligations | **67** | 68 |

The present value of asset finance liabilities is as follows:

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| No later than 1 year | **24** | 20 |
| Later than 1 year and no later than 5 years | **43** | 48 |
| | **67** | 68 |

## 28. Provisions for other liabilities and charges

| | Reorganisation €'000 | Other €'000 | Put liability €'000 | Total €'000 |
|---|---|---|---|---|
| At 1 January | 288 | 219 | 341 | 848 |
| Additional provisions charged to the income statement | **-** | **135** | **-** | **135** |
| Utilised during the year | **(137)** | **(52)** | **-** | **(189)** |
| Exchange movement | **(1)** | **(99)** | **11** | **(89)** |
| At 31 December | **150** | **203** | **352** | **705** |

| Analysis of total provisions for other liabilities and charges: | **2011 €'000** | 2010 €'000 |
|---|---|---|
| Current | **705** | 848 |
| Non-current | **-** | - |
| | **705** | 848 |

*Reorganisation*
This provision relates to future lease rentals on stores closed in Cellular Center, LLC.

*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 28 June 2012.

## 29. Deferred tax

The Group did not recognise deferred tax assets of €4.104 million (2010: €3.706 million) in respect of losses amounting to €18.720 million (2010: €17.263 million) that can be carried forward against future taxable income.

**30. 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:

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Expense for defined contribution plans | **18** | 18 |

**Defined benefit plan**
At 31 December 2011, the defined benefit pension scheme is in wind up. The plan assets were sold at the end of December 2011 prior to the final distribution to the plan members and no further liabilities exist. No further expense is expected to be incurred in 2012. 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.

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

| | **2011** | 2010 |
|---|---|---|
| | **%** | % |
| 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 | **0.00** | 0.00 |
| Discount rate | **5.20** | 5.25 |
| Expected return on plan assets | **n/a** | 6.60 |

As the scheme assets have been surrendered in order for the members' benefits to be crystallised, in line with the wind up resolution of the scheme, there is a zero asset balance and consequently no expected return on assets at year end.

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

| | **2011** | 2010 |
|---|---|---|
| Member aged 45 (life expectancy at 65) | **years** | years |
| - male | **25.7** | 25.6 |
| - female | **26.7** | 26.6 |

The sensitivity of the overall pension liability to changes in the principal assumptions is not applicable as the benefit obligation has been crystallised.

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Present value of plan obligations | **-** | (1,098) |
| Fair value of plan assets | **-** | 847 |
| Net liability recognised in the statement of financial position | **-** | (251) |

The composition of plan assets is as follows:

| | **2011** | 2010 |
|---|---|---|
| | **%** | % |
| Equities | **n/a** | 76.4 |
| Bonds | **n/a** | 13.0 |
| Real estate | **n/a** | 3.9 |
| Other | **n/a** | 6.7 |
| | **n/a** | 100.0 |

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

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Fair value of plan assets at 1 January | **847** | 764 |
| Expected return on plan assets | **56** | 52 |
| Actuarial (loss)/gain | **(78)** | 31 |
| Settlements | **(825)** | - |
| Fair value of plan assets at 31 December | **-** | 847 |

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

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Present value of plan obligations at 1 January | **1,098** | 920 |
| Interest cost | **58** | 53 |
| Actuarial loss | **19** | 125 |
| Settlements | **(1,175)** | - |
| Plan obligations at 31 December | **-** | 1,098 |

The amounts recognised in the income statement are as follows:

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Interest cost | **(58)** | (53) |
| Expected return on plan assets | **56** | 52 |
| Settlement gain recognised | **350** | - |
| Total credit/(charge) recognised in the income statement | **348** | (1) |

There were no current service costs in 2011 (2010: €nil). Interest cost and expected return on plan assets have been included within finance costs and finance income, respectively. The Group does not expect to make any contributions to the plan during 2012 as it is now in wind up.

The actual return on plan assets was (€22,000) (2010: €83,000).

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

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| Difference between the expected and actual return on plan assets | **78** | 31 |
| Experience loss on plan liabilities | **7** | 19 |
| Gain due to changes in assumptions | **(182)** | (144) |
| Actuarial loss recognised in the statement of comprehensive income | **(97)** | (94) |
| | | |
| Cumulative actuarial losses recognised in the statement of comprehensive income | **(280)** | (183) |

**Summary of plan assets and liabilities**

| At 31 December | **2011 €'000** | 2010 €'000 | 2009 €'000 | 2008 €'000 | 2007 €'000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **-** | (1,098) | (920) | (874) | (889) |
| Fair value of plan assets | **-** | 847 | 764 | 634 | 974 |
| Restriction of surplus | **-** | - | - | - | (85) |
| Deficit in the plan | **-** | (251) | (156) | (240) | - |
| | | | | | |
| Experience adjustments on plan assets | **78** | 31 | 86 | (408) | (132) |
| Experience adjustments on plan liabilities | **7** | 19 | 18 | (16) | 15 |

## 31. Share capital and premium

| | Number of shares 000's | Ordinary Shares €'000 | Share Premium €'000 | Total €'000 |
|---|---|---|---|---|
| At 1 January 2011 | 22,681 | 11,341 | 16,444 | 27,785 |
| At 31 December 2011 | **22,681** | **11,341** | **16,444** | **27,785** |

The total authorised number of ordinary shares is 100,000,000 (2010: 100,000,000) with a par value of €0.50 (2010: €0.50) per share.

## 32. Other reserves

| | Available-for-sale investments €'000 | Share based payments reserve €'000 | Currency translation reserve €'000 | Other reserves €'000 | Total €'000 |
|---|---|---|---|---|---|
| Restated[1] | | | | | |
| At 1 January 2010 | (39) | 3,375 | (1,256) | (316) | 1,764 |
| Movement in available-for-sale investments | 39 | - | - | - | 39 |
| Exchange movement | - | - | 520 | (25) | 495 |
| At 31 December 2010 | - | 3,375 | (736) | (341) | 2,298 |
| Eliminated on impairment of available-for-sale investments | **-** | **-** | **(111)** | **-** | **(111)** |
| Exchange movement | **-** | **-** | **356** | **(11)** | **345** |
| At 31 December 2011 | **-** | **3,375** | **(491)** | **(352)** | **2,532** |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

*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 28 June 2012.

## 33. Retained earnings and non-controlling interest

| **Retained earnings** | **€'000** |
|---|---|
| Restated[(1)] | |
| At 1 January 2010 | (16,947) |
| Loss for the year | (1,344) |
| Actuarial (loss) on defined benefit pension plan | (94) |
| At 31 December 2010 | (18,385) |
| | |
| Loss for the year | **(2,572)** |
| Actuarial (loss) on defined benefit pension plan | **(97)** |
| At 31 December 2011 | **(21,054)** |

| **Non-controlling interest** | |
|---|---|
| Restated[(1)] | |
| At 1 January 2010 | 118 |
| Profit for the year | 13 |
| Translation adjustment | 9 |
| At 31 December 2010 | 140 |
| | |
| Loss for the year | **(64)** |
| Translation adjustment | **(1)** |
| At 31 December 2011 | **75** |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

## 34. Warrants

The Group has 5,000,000 (2010: 5,000,000) Series A warrants and 5,000,000 (2010: 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. These warrants were not exercised within the exercise period and have now lapsed.

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. These warrants were not exercised within the exercise period and have now lapsed.

The fair value of the Series A warrants at 31 December 2011 is €nil (2010: €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.

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

**(a) Cash generated from operations**

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| | | Restated[(1)] |
| **Continuing operations** | | |
| Loss before taxation | **(2,745)** | (1,322) |
| Adjustments for: | | |
| Net finance income | **59** | 32 |
| Depreciation | **435** | 319 |
| Available-for-sale financial assets impairment charge | **547** | 1,094 |
| Movement in post employment obligations | **(2)** | (1) |
| Loss on disposal of property, plant and equipment | **-** | 37 |
| Foreign exchange (losses)/gains on operating activities | **145** | (104) |
| Settlement gain on defined benefit pension scheme | **(350)** | - |
| Goodwill impairment | **1,310** | - |
| Changes in working capital: | | |
| Inventories | **(9)** | 75 |
| Trade and other receivables | **(551)** | 496 |
| Trade and other payables | **282** | (525) |
| Cash (outflow)/inflow from continuing operations | **(879)** | 101 |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements

| | **2011** | 2010 |
|---|---|---|
| **Discontinued operations** | | |
| Profit before taxation | **68** | 86 |
| Adjustments for: | | |
| Gains on revaluation of other loans and receivables | **(68)** | (86) |
| Cash inflow from discontinued operations | **-** | - |
| | | |
| Cash (outflow)/inflow generated from operations | **(879)** | 101 |

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

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| **Continuing operations** | | |
| (Decrease) in cash and cash equivalents | **(1,412)** | (231) |
| | | |
| Financing | | |
| Asset finance repayments | **21** | 13 |
| | **(1,391)** | (218) |
| | | |
| New borrowings | **-** | (587) |
| New asset finance obligations | **(18)** | (81) |
| Effect of foreign exchange rate changes | **(72)** | 126 |
| Movement in net debt in the year | **(1,481)** | (760) |
| | | |
| Net cash at beginning of year | **1,526** | 2,286 |
| | | |
| Net cash at end of year | **45** | 1,526 |

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

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| **Continuing operations** | | |
| Cash and cash equivalents | **723** | 2,187 |
| Term debt and other loans | **(611)** | (593) |
| Asset finance obligations | **(67)** | (68) |
| | **45** | 1,526 |

**(d) Major non-cash transactions**
During the year the Group entered into asset finance agreements, in respect of property, plant and equipment, with a total capital value at the inception of the finance agreements of €0.018 million (2010: €0.081 million).

## 36. 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 (2010: €nil).

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

| | **2011** | 2010 |
|---|---|---|
| | **Property** | Property |
| | **€'000** | €'000 |
| No later than one year | **1,784** | 1,763 |
| Later than one year and no later than five years | **2,039** | 1,500 |
| Later than five years | **458** | 11 |
| | **4,281** | 3,274 |

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 11 on page 46 of the consolidated financial statements.

**37. Events after the reporting period**

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

**38. 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 2011.

## 39. 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.

## 40. Related party transactions

Key management personnel are the Board of Directors. Details of the remuneration of Directors are disclosed in note 17 on page 48 of the consolidated financial statements.

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 subject to interest payable quarterly in arrears at a rate of 6% per annum. An amended repayment schedule was agreed with Mr. Gill in early 2012, under which the loan note will be repaid in monthly instalments during 2012, with the final repayment being made in December 2012. At 31 December 2011 the balance of the loan note and accrued interest payable to Mr. Gill was €0.611 million (2010: €0.593 million). The loan note is denominated in sterling.

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

## 41. Approval of financial statements

These financial statements were approved by the Board of Directors on 28 June 2012.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2011

| | Notes | **2011 €'000** | 2010 €'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Financial assets | 1,2 | **9,107** | 15,751 |
| | | **9,107** | 15,751 |
| **Creditors: Amounts falling due within one year** | | | |
| Trade and other creditors | 3 | **-** | (40) |
| Other loans | 4 | **(611)** | (9) |
| Net current liabilities | | **(611)** | (49) |
| Total assets less current liabilities | | **8,496** | 15,702 |
| **Creditors: Amounts falling due after more than one year** | | | |
| Trade and other creditors | 3 | **(1,649)** | (1,471) |
| Other loans | | **-** | (584) |
| | | **(1,649)** | (2,055) |
| | | **6,847** | 13,647 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 5 | **11,341** | 11,341 |
| Share premium | 6 | **16,444** | 16,444 |
| Other reserves | 6 | **3,867** | 3,142 |
| Profit and loss account | 6 | **(24,805)** | (17,280) |
| | | **6,847** | 13,647 |

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 34 on page 63 of the consolidated financial statements.

**1. Investments in subsidiary undertakings**

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| At 1 January | **15,093** | 15,093 |
| Written off in year | **(5,986)** | - |
| At 31 December | **9,107** | 15,093 |

The principal subsidiary undertakings are set out in note 39 on pages 67 and 68 of the consolidated financial statements.

A write down of the investment held in the Cellular Center Holdings, LLC subsidiary was carried out following an impairment review as detailed in note 24 on page 53 of the consolidated financial statements.

**2. Other investments**

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| At 1 January | **658** | 1,094 |
| Additions | **-** | 584 |
| Impairment | **(663)** | (1,055) |
| Exchange movement | **5** | 35 |
| At 31 December | **-** | 658 |

Other investments consisted of the Company's investment in 10.290 million ordinary shares in Media Square plc. This investment was written down in full following the announcement on 8 December 2011, that Media Square plc had suspended trading.

**3. Trade and other creditors**

| | **2011** | 2010 |
|---|---|---|
| | **€'000** | €'000 |
| (Amounts falling due within one year) | | |
| Accruals | **-** | 40 |
| | | |
| (Amounts falling due after more than one year) | | |
| Amounts owed to subsidiary undertakings | **1,649** | 1,471 |

**4. Other loans**

| | **Due within 1 year €'000** | **Due 1-2 years €'000** | **Due 2-5 years €'000** | **Total €'000** |
|---|---|---|---|---|
| Loan note | 9 | 584 | - | 593 |
| At 31 December 2010 | 9 | 584 | - | 593 |
| | | | | |
| Loan note | **611** | **-** | **-** | **611** |
| At 31 December 2011 | **611** | **-** | **-** | **611** |

The loan note was issued by the company in 2010 as consideration for the acquisition of ordinary shares in Media Square plc, from Mr. Anthony Gill, a related party. The loan note is unsecured and is subject to a fixed rate of interest of 6% per annum, payable quarterly in arrears. An amended repayment schedule was agreed with Mr. Gill in early 2012, under which the loan note will be repaid in monthly instalments during 2012, with the final repayment being made in December 2012.

**5. Called-up share capital**

Details in respect of called-up share capital are presented in note 31 on page 60 of the consolidated financial statements.

**6. Movement on reserves**

| | Share premium €'000 | Share based payments reserve €'000 | Currency reserve €'000 | Profit and loss account €'000 |
|---|---|---|---|---|
| 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) |
| | | | | |
| At 1 January 2011 | **16,444** | **3,375** | **(233)** | **(17,280)** |
| Prior period adjustment[(1)] | **-** | **-** | **836** | **(836)** |
| Eliminated on impairment of other investments | **-** | **-** | **(111)** | **-** |
| Loss for the year | **-** | **-** | **-** | **(6,689)** |
| At 31 December 2011 | **16,444** | **3,375** | **492** | **(24,805)** |

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 €6.689 million (2010: €1.018 million).

(1) Details of the prior period adjustment are set out in note 5 on page 40 of the consolidated financial statements

**7. Approval of financial statements**

These Company financial statements were approved by the Board of Directors on 28 June 2012.

| | |
|---|---|
| **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.com<br>Website www.pacplc.com |
| **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 | | | |
|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 |
| | **€'000** | €'000 | €'000 | €'000 |
| | | Restated(1) | | |
| **Revenue** | | | | |
| PAC Telemedia – continuing operations | **37,004** | 36,559 | 20,928 | 8,816 |
| PAC Digimedia – discontinued operations | **-** | - | 9,274 | 24,969 |
| | **37,004** | 36,559 | 30,202 | 33,785 |
| **Operating (loss)/profit** | | | | |
| PAC Telemedia – continuing operations | **(264)** | 692 | (2,111) | (4,566) |
| PAC Digimedia – discontinued operations | **-** | - | 476 | 346 |
| | **(264)** | 692 | (1,635) | (4,220) |
| Centre costs | **(770)** | (839) | (1,035) | (1,125) |
| | **(1,034)** | (147) | (2,670) | (5,345) |
| **Group loss for the year after tax and exceptional items** | | | | |
| Loss after tax - continuing operations | **(2,704)** | (1,417) | (4,146) | (11,939) |
| Profit/(loss) after tax - discontinued operations | **68** | 86 | (2,141) | 7,043 |
| | **(2,636)** | (1,331) | (6,287) | (4,896) |
| | **€ cent** | € cent | € cent | € cent |
| **Loss per share** | | | | |
| Basic loss per share | **(11.34)** | (5.92) | (27.15) | (18.08) |
| Adjusted loss earnings per share | **(4.70)** | (0.42) | (11.41) | (20.79) |
| **Cash flow** | | | | |
| Cash generated from operations | **(879)** | 101 | (1,114) | (4,164) |
| Tax paid | **(7)** | (3) | 9 | (14) |
| Net cash flow from operating activities | **(886)** | 98 | (1,105) | (4,178) |
| Capital expenditure net of grants received (including leased assets) | **(911)** | (659) | (338) | (3,901) |
| Net interest paid | **(57)** | (30) | (90) | (170) |
| Purchase of available-for-sale financial assets | **-** | (584) | - | (6,815) |
| Disposal of subsidiary, net of cash disposed | **463** | 288 | 2,328 | 10,835 |
| Acquisition of subsidiary, net of cash acquired | **-** | - | (2,021) | (3,136) |
| Acquisition of non-controlling interest, direct costs incurred | **-** | - | - | (173) |
| Proceeds from issue of shares to non-controlling interest | **-** | - | - | 340 |
| Borrowings disposed of | **-** | - | 1,393 | 2,341 |
| Net cash flow | **(1,391)** | (887) | 167 | (4,857) |

(1) certain numbers shown above do not correspond to the 2010 financial statements as a result of retrospective restatement as set out in note 5 on page 40 of the consolidated financial statements