Prime Active Capital plc
Annual Results
Year ended 31 December 2013

CHAIRMAN'S STATEMENT

After an encouraging start to 2013 the overall performance of the Group was hampered significantly by a change in our main customer Verizon's approach to its upgrade policy in the latter part of the year. Verizon's decision to align itself with their competitors and strictly adhere to a 24-month upgrade resulted in over 4000 unit sales being taken out of our channel in the period September to December 2013. All agents were affected and as a result the customary strong close to the financial year did not materialise.

The full year impact of this on the company saw annual revenue decrease by 1.5% however on a constant currency basis revenues were up 1.8%. Gross profit for the period was up by 12% to €12.942 million. This was through a combination of improved gross profit per unit sold and the introduction of new business lines. At an operating level the US companies delivered a loss of €0.172 million for the year compared to a loss of €2.071 million in 2012.

In May 2013 the company took out a loan from Mosaic Print Management Limited ("Mosaic") and two Mosaic Directors, Mr. Tony Gill and Mr. Steve Smith joined the board. The loan provided the working capital necessary to increase inventory which subsequently led to increased sales. Since then the company has generated enough cash to meet all of the interest payments related to this loan and also continue to pay down other interest and non-interest bearing loan notes.

It has been previously noted that the repayment of the Mosaic Loan Facility would be dependent on the trading performance of the Group, the availability of other facilities or the support of shareholders. Whilst trading conditions improved in the aftermath of the availability of the facility, this improvement was not sustained throughout the period due in the main to the change in Verizon's upgrade policy detailed above. On the 12 June 2014 the company announced it has reached agreement with Mosaic on an extension of the facility until 31 August 2014 allowing the company time to consider its options in relation to the repayment of the loan.

The company has been engaged with a number of parties with respect to a disposal of part or all of its stores, with the intention of applying the proceeds of any such disposal to the repayment in full of the Mosaic Loan Facility as well as a further potential distribution to shareholders. A letter of intent has recently been executed with one party providing for a period of exclusivity. There can be no guarantee that this will lead to a sale of the US stores. The company will continue to consider other remedial actions with respect to the Mosaic Loan Facility, including but not limited to a further extension on terms, a restructuring of the facility and/or an issue of equity.

Closing comments

Whilst the US operating companies have stabilised somewhat after a number of difficult years they remain subscale and so find themselves overly susceptible to micro and macro-economic downturns beyond their control. We have a number of excellent locations which dominate the markets in which they operate however, as a small regional agent in the retail channel we remain too vulnerable to Verizon's strategic decisions. This is the position many smaller premium retailers find themselves and consequently the industry continues to go through significant consolidation. Based on this the company has made the decision to write down the carrying value of our investments in the US businesses and that can be seen in the impairment review. Verizon, like its competitors, has recently implemented the "Edge" programme, providing a finance option to customers to upgrade to a new device each year, effectively selling an operating lease on the device/devices. The customer can choose to upgrade each year or own the device outright after 20 monthly payments. This has seen uplift in device sales in 2014 and a renewed optimism among the six national agents who between them have an average of over 300 stores each. Verizon is openly encouraging the consolidation of the premium retailer channel into the hands of the six national agents as they themselves retreat from their own strategy of operating corporate stores.

The board will continue to consider all options open to it to achieve best value for shareholders.

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FINANCIAL REVIEW

Overview of results

Summary financial information

	2013 €'000	2012 €'000
Continuing and discontinued operations		
Revenue	**40,570**	41,199
Operating expenses (excluding exceptional costs, depreciation, amortisation and other gains)	**(40,745)**	(43,353)
Earnings before interest, tax, depreciation and amortisation expense (EBITDA), exceptional costs, other income and other gains	**(175)**	(2,154)
Depreciation and amortisation	**(579)**	(537)
Adjusted earnings before interest, tax (EBIT) and exceptional costs	**(754)**	(2,691)
Other income	**-**	94
Other losses	**(6)**	(101)
Exceptional costs	**(2,407)**	-
Net finance costs	**(149)**	(60)
Loss before tax	**(3,316)**	(2,758)
Income tax charge	**(2)**	(10)
Loss for the year	**(3,318)**	(2,768)
Loss attributable to non-controlling interest	**33**	44
Loss for the year attributable to members	**(3,285)**	(2,724)
	€ cent	€ cent
Basic and diluted loss per share	**(14.48)**	(12.01)

Total Group Revenue

The Group's operations consist of its PAC Telemedia division operating in the USA. Group revenue in 2013 amounted to €40.570 million, a 1.5% decrease from the previous year. On a constant currency basis revenue increased 1.8%.

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

	2013 €'000	2012 €'000	2011 €'000
PAC Telemedia			
Revenue	**40,570**	41,199	37,004
Operating expense(1)	**(40,170)**	(42,743)	(36,258)
EBITDA	**400**	(1,544)	746
Depreciation, amortisation and other grants(1)	**(572)**	(527)	(423)
EBIT	**(172)**	(2,071)	323

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

Operating profit before interest, taxation and exceptional costs
One of the Group's key performance measures for its overall business is adjusted EBIT defined as operating profit before interest, taxation and exceptional costs. Adjusted EBIT amounted to a loss of €0.754 million in 2013, compared to a loss of €2.691 million in the previous year.

Exceptional costs
The Group recognised an impairment charge of €2.407 million (2012:€nil), against the carrying amount of goodwill allocated to the Cellular Center Holdings CGU following an impairment review undertaken in accordance with IAS36.

Other income
The Group recognised a gain of €0.094 million in 2012 as a result of an effective interest adjustment to its other loans and receivables balance. Other loans and receivables consisted of the Group's remaining investment in redeemable shares in Bell & Bain Limited, following the receipt of the first and interim redemption repayments in 2011. The shares were issued in settlement of a loan due to another subsidiary in the Group and were redeemable in instalments up to the third anniversary of the sale, which took place on 25 November 2009. These shares were redeemed in full in 2012.

Other losses
Other losses of €0.006 million (2012: €0.101 million loss) consist of foreign exchange losses that have arisen on the retranslation of inter-company loan balances held with foreign subsidiaries and a loan note and loan finance held in sterling by the parent company.

Net financial expense
The net financial expense for the year was €0.149 million compared to €0.060 million in 2012. The charge arose mainly in respect of interest costs on a loan note issued by the Group in February 2010 and loan finance received by the Group in May 2013. The charge also includes exchange differences on finance costs.

Non-controlling interest
The non-controlling interest share of loss after tax for 2012 amounted to a loss of €0.033 million (2012: (€0.044 million)). The non-controlling interest relates to shareholdings held in Cellular Center Holdings.

Earnings per share
The adjusted fully diluted loss per share for 2013 is 3.87 cent as compared with adjusted loss per share of 12.01 cent in 2012. Adjusted loss per share excludes exceptional costs and the results from discontinued operations in 2012. Fully diluted loss per share, before such adjustments, amounted to 14.48 cent in 2013 compared to a loss of 12.42 cent in 2012.

Cash flow

At 31 December 2013 the Group had cash and cash equivalents of €0.640 million compared to cash and cash equivalents of €0.524 million at 31 December 2012.

Outflows in the year included payments totalling €0.333 million (2012: €0.752 million) in respect of capital expenditure of which €0.332 million (2012: €0.752 million) was for PAC Telemedia and the remainder was for the Ireland centre. Funding for capital expenditure in PAC Telemedia was partly provided by asset finance agreements, €0.052 million (2012: €nil). All other capital expenditure was funded from existing resources. In 2012 €0.413 million of capital expenditure in PAC Telemedia was funded by term loan.

The expected final retention monies of €1.172 million relating to the 2009 disposal of the remaining operating company within the PAC Digimedia division were received in 2012.

Cash flow (continued)

Inflows in the year included a further €0.025 million unsecured loan to the Group by Mr. Peter E. Lynch on an interest free basis taking his total loan amount to the Group to €0.125 million. This loan was repaid in equal monthly instalments, with the final repayment being made in May 2014.

Loan finance

On 8 May 2013 the company entered into a £1.000 million sterling (€1.181 million) loan facility from Mosaic Print Management Limited ("Mosaic"), a UK company owned by Mr. Anthony Gill and Mr. Stephen Smith. The purpose of this loan facility was to provide a short term working capital loan to facilitate the business trading. The loan from Mosaic carries a 15% coupon with monthly interest payments. The loan is secured on certain USA based subsidiaries of the Group. As part of the terms of this loan facility, Mr. Anthony Gill and Mr. Stephen Smith joined the board as non-executive directors in May 2013.

Subsequent to the year end, Mosaic Print Management Limited has agreed a three month extension of the £1.000 million (€1.243 million), one year secured loan facility which matured in May 2014. The facility is now extended until 31 August 2014. This loan facility has incurred a late payment fee of £0.065 million (€0.081 million), which has been added to the outstanding principal. The Group will continue to pay interest at the agreed previous rate of 15% on the sum of £1.065 million (€1.324 million).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Pre-exceptionals	**Exceptionals**	**Total**	Pre-exceptionals	Exceptionals	Total
	2013	**2013**	**2013**	2012	2012	2012
Continuing operations	**€'000**	**€'000**	**€'000**	€'000	€'000	€'000
Revenue	**40,570**	**-**	**40,570**	41,199	-	41,199
Cost of sales	**(27,628)**	**-**	**(27,628)**	(29,622)	-	(29,622)
Gross profit	**12,942**	**-**	**12,942**	11,577	-	11,577
Selling and distribution costs	**(10,338)**	**-**	**(10,338)**	(11,091)	-	(11,091)
Administration expenses	**(3,358)**	**(2,407)**	**(5,765)**	(3,177)	-	(3,177)
Other losses	**(6)**	**-**	**(6)**	(101)	-	(101)
Operating loss	**(760)**	**(2,407)**	**(3,167)**	(2,792)	-	(2,792)
Finance costs	**(149)**	**-**	**(149)**	(62)	-	(62)
Finance income	**-**	**-**	**-**	2	-	2
Loss before tax	**(909)**	**(2,407)**	**(3,316)**	(2,852)	-	(2,852)
Income tax charge	**(2)**	**-**	**(2)**	(10)	-	(10)
Loss for the year from continuing operations	**(911)**	**(2,407)**	**(3,318)**	(2,862)	-	(2,862)
Discontinued operations						
Profit for the year from discontinued operations after tax			**-**			94
Loss for the year			**(3,318)**			(2,768)
Attributable to:						
Equity shareholders			**(3,285)**			(2,724)
Non-controlling interest			**(33)**			(44)
			(3,318)			(2,768)

	2013	2012
	€ cent	€ cent
Loss per share		
From continuing operations		
- Basic and diluted	**(14.48)**	(12.42)
Earnings per share		
- Basic and diluted	**-**	0.41
Loss per share		
From continuing and discontinued operations		
- Basic and diluted	**(14.48)**	(12.01)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	€'000	€'000
Loss for the year	**(3,318)**	(2,768)
Other comprehensive income/(expense):		
Items that may subsequently be reclassified to profit or loss		
Fair value adjustment on other reserves	**302**	-
Exchange movement	**(275)**	(8)
Total comprehensive expense for the year	**(3,291)**	(2,776)

Attributable to:		
Equity holders of the Company	**(3,260)**	(2,732)
Non-controlling interest	**(31)**	(44)
	(3,291)	(2,776)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	2013	2012
	€'000	€'000
Assets		
Current assets		
Inventories	**2,022**	1,096
Trade and other receivables	**2,168**	3,797
Cash and cash equivalents	**640**	524
	4,830	5,417
Non-current assets		
Property, plant and equipment	**1,724**	2,054
Intangible assets	**4,798**	7,438
	6,522	9,492
Total assets	**11,352**	14,909
Liabilities		
Current liabilities		
Trade and other payables	**6,288**	7,017
Current income tax liabilities	**1**	1
Borrowings	**1,370**	638
Provisions for other liabilities and charges	**378**	624
	8,037	8,280
Non-current liabilities		
Borrowings	**44**	67
	44	67
Total liabilities	**8,081**	8,347
Net assets	**3,271**	6,562
Equity		
Ordinary shares	**11,341**	11,341
Share premium	**16,444**	16,444
Other reserves	**2,548**	2,523
Retained earnings	**(27,062)**	(23,777)
Non-controlling interest	**-**	31
Total equity	**3,271**	6,562

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	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**
Balance at 1 January 2013	**11,341**	**16,444**	**2,523**	**(23,777)**	**6,531**	**31**	**6,562**
Comprehensive income:							
Loss for year	**-**	**-**	**-**	**(3,285)**	**(3,285)**	**(33)**	**(3,318)**
Other comprehensive income:							
Fair value adjustment on other reserves	**-**	**-**	**302**	**-**	**302**	**-**	**302**
Exchange movement	**-**	**-**	**(277)**	**-**	**(277)**	**2**	**(275)**
Total comprehensive income	**-**	**-**	**25**	**(3,285)**	**(3,260)**	**(31)**	**(3,291)**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2013	**11,341**	**16,444**	**2,548**	**(27,062)**	**3,271**	**-**	**3,271**

	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
Balance at 1 January 2012	11,341	16,444	2,532	(21,054)	9,263	75	9,338
Comprehensive income:							
Loss for year	-	-	-	(2,724)	(2,724)	(44)	(2,768)
Other comprehensive income:							
Exchange movement	-	-	(9)	1	(8)	-	(8)
Total comprehensive income	-	-	(9)	(2,723)	(2,732)	(44)	(2,776)
Transactions with owners	-	-	-	-	-	-	-
Balance at 31 December 2012	11,341	16,444	2,523	(23,777)	6,531	31	6,562

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	€'000	€'000
Operating activities		
Cash absorbed by operations	**(24)**	(560)
Tax paid	**(6)**	(8)
Net cash outflow from operating activities	**(30)**	(568)
Investing activities		
Purchase of property, plant and equipment	**(333)**	(752)
Disposal of subsidiary, net of cash disposed of	**-**	1,172
Net cash (outflow)/inflow from investing activities	**(333)**	420
Financing activities		
Proceeds from borrowings	**1,270**	570
Repayment of borrowings	**(538)**	(527)
Capital element of asset finance payments	**(28)**	(25)
Net interest paid	**(148)**	(57)
Finance lease interest	**(1)**	(3)
Net cash inflow/(outflow) from financing activities	**555**	(42)
Net increase/(decrease) in cash and cash equivalents	**192**	(190)
Cash and cash equivalents at 1 January	**524**	723
Effect of exchange rate changes	**(76)**	(9)
Cash and cash equivalents at 31 December	**640**	524

1. Basis of preparation

The financial information included in this result statement has been extracted from the Group's financial statements for the year ended 31 December 2013 and is prepared on the accounting policies set out therein. As permitted by EU Law and in accordance with AIM / ESM rules, the Group financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board as adopted by the EU. The Group Financial Statements were approved by the Directors on 27 June 2014 and will be filed with the Irish Registrar of Companies and circulated to shareholders in due course.

2. Going concern

The Directors have taken time to consider the general volatility of the market place within which the businesses operate and the companies scale and general susceptibility to micro and macro-economic downturns beyond the companies control. As a small regional agent the company is vulnerable to Verizon's strategic decisions however it continues to maintain strong positions in many of the markets it operates in. As further detailed in the consolidated financial statements, subsequent to the year end, the Group agreed a three month extension to the £1.000 million one year secured Mosaic Loan Facility which matured in May, 2014. This facility now becomes repayable on 31 August 2014. The extension of the facility allows the Group further time to consider its options in relation to the repayment of the Mosaic Loan Facility including a sale of all or part of the Group's USA based stores or other forms of refinancing. The Group is in ongoing discussions with respect to a disposal of part or all of the USA based stores and has recently executed a letter of intent with one party providing for a period of exclusivity.

After taking account of the factors described above, and considering possible changes in trading performance, forecasts show that the Group, should it not have to repay the Mosaic Loan Facility, would 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.

3. Exceptional Items

	2013	2012
Continuing operations	**€'000**	€'000
Goodwill impairment[(1)]	**2,407**	-

(1) the Group recognised an impairment charge of €2.407 million as a result of an impairment review undertaken in accordance with IAS 36 against the goodwill allocated to the Cellular Center Holdings CGU

4. Expenses

	2013	2012
Continuing operations	**€'000**	€'000
Employee benefit expense (note 13)	**8,281**	8,475
Material cost of inventories consumed (included within cost of sales)	**27,628**	29,622
Depreciation of property, plant and equipment		
- Included in administration expenses	**579**	537
Services provided by the Group's Auditors (note 12)	**77**	78
Operating lease rentals - property	**1,916**	2,418
Inventory provision	**12**	161
Goodwill impairment (note7)	**2,407**	-
Other selling and distribution and administrative expenses	**2,831**	2,599
Other losses	**6**	101
	43,737	43,991

5. Events after the Reporting Period

On 23 May 2014, the Group announced that it had entered into discussions with Mosaic Print Management Limited in respect of the Mosaic loan facility. Both parties were considering a number of options including but not limited to an extension of the facility, a restructuring of the facility and or/ an issue of equity. In parallel the Group stated that it had been engaged in discussions with a number of parties with respect to a disposal of part or all of its USA based stores, with the intention of applying any such disposal proceeds to the repayment in full of the loan facility, as well as a further potential distribution to shareholders. On this date the Group also announced that, Mr. Peter E. Lynch had resigned as Director and Chief Executive of the Group. Following his resignation, Mr. Dermot Martin assumed the role of Executive Chairman.

The Group announced on 12 June 2014 that it had agreed a three month extension of the £1.000 million (€1.243 million) loan facility from Mosaic Print Management Limited, which matured in May, 2014. This loan facility has been subject to a late payment fee of £0.065 million (€0.081 million), which has been added to the principal outstanding, making the total amount due on 31 August 2014 of £1.065 million (€1.324 million). The Group will continue to pay interest on the increased amount at the agreed previous rate of 15%.

Other information

The annual report and accounts of PAC plc will be available for review on the Company's www.pacplc.com from this evening. A copy of the annual report will be sent by mail to shareholders shortly.