Prime Active Capital plc
Preliminary Results
Year ended 31 December 2009

CHAIRMAN'S STATEMENT

Overview

This year under review was another year of recession in the economies in which the Group operates, and with its emphasis on retail operations it was a challenging environment in which to grow a business. Having said that the Telemedia business doubled turnover to over €20 million from less than €9 million in 2008 and the trading loss halved, continuing the trend that was evident throughout 2009 and which has continued into the current year.

We acquired the business of Freedom Wireless in December 2009 for $3.5 million and its turnover was included for only a small number of days during the trading year. In the first half of 2010 we have reviewed the store line up of that business, closing down some unprofitable stores where we believe the business cannot be developed or recovered, relocating other stores in order to develop them, and promoting management. We have also installed new point of sale software, and are making substantial investments in people, processes and systems to bring it to at least the same standard as the Georgia/Alabama business.

PAC Digimedia

The Group has moved away from owning manufacturing print facilities over the last three years as competitive pressures from low cost countries intensified and digital production changed processes and the cost models. The UK manufacturing business had, through good management practices and cost cutting, managed to hold some profitability in this severe recession but the margins continued to be under pressure while customers cut back volumes and in turn sought cost savings of their own.

The Group disposed of the manufacturing operation in Scotland to its management team to realise £3.85m, approximately the asset number, of which £2.25m was paid on completion, with the rest on a deferred basis. It took over nine months to organise the funding of this deal as the raising of finance is a slow process in the current environment. The management team showed great tenacity and competence in executing this transaction while managing the operations. We wish them well in future years. There are deferred payments of £1.6 million to be received for the disposal of the business in Scotland, and an option to reconvert our deferred payments into the majority of the equity in the event of non-payment. As part of the contract on disposal we are entitled to receive some accounts information and this indicates that the business is trading as expected. The £100,000 first tranche of the deferred payment was received since the year end.

We disposed of our small loss making print and photocopy store in Leeds for £75,000 cash.

We have now completed the disposal of the printing businesses and there have been book-keeping write-offs, some of which go back many years, but none of which involve cash. These charges amounted to €1.9 million and they are commented on in the financial review.

PAC Telemedia

This division is made up of the organic and acquired retail cell phone stores in the USA. Becoming only recently involved in the established distribution chain we have obtained weaker agent locations from Verizon and these have taken longer to reach profitability in this recession. Where we have acquired stores we have obtained better locations and these are trading well both last year and this. We have found that developing a new store location in a challenging retail environment is an expensive cash drain and the proving out of territories is uncertain, even if well advised by a brand leader. The 2008 contracted commitment of 20 new stores in Texas coincided with the top of the lease market and a significant retrenchment in US retail and these stores have traded significantly off budget in 2009 and are responsible for most of the divisional losses.

We concluded we could not sustain these stores through a prolonged investment period to establish their customer footprint and withdrew from the market at the end of 2009. We repaid some co-investment funds to Verizon, and paid the creditors in full up to the date of exit. Where it was possible we disposed of stores at asset value to other agents and maintained the employment of our former staff. We closed the US corporate headquarters of the business.

We have a fine business of some 50 stores in Georgia/Alabama that has steadily improved since it was consolidated early in the 2009 year. We added the 40 stores in the Pittsburgh based Freedom Wireless chain in December, and these two concentrations comprised our chain at the end of the year. We are investing in the business to relocate stores to improve their business, and also to refurbish their fixtures and fittings to bring them to the same standard as the Georgia/Alabama chain. Freedom Wireless operates in two Verizon territories, and has achieved premium status in one region already. This allows improvements in signage and co-investment to better represent the Verizon brand. The Georgia/Alabama stores achieved this last year.

We have also standardised the point of sale and cash systems and appointed the new management team in conjunction with the former owner, who has now retired from the business. In common with our management approach we seek wherever possible, to promote management from within the businesses we acquire and we have managed to do this for both businesses.

With the same type of stores and the same product line up we would expect the Freedom Wireless business to follow the trading performance of the Georgia/Alabama business and we have confidence in our trading model. Overall the continuing 90 stores are trading in line with budget for the first part of 2010.

After closing out Texas, the Group now has some 90 stores and a programme of renewal is going into place for our better stores to present a modern up-market, corporate, profile. This will be funded from Group resources. As can be seen in the finance report this business has grown from a start up in 2007 with turnover of €144,000 to nearly €21 million in 2009, and we would expect to see that increase by 50% in 2010. In local currency terms we have budgeted to see growth in turnover from about $200,000 two years ago to some $45 million in 2010.

Media Square plc

We hold 28.5% of the share capital of this quoted company. We have consistently offered to help this management team with the struggle of their turnaround over the last three years. They have neglected to take the offer of assistance. The Chairman who has led this has finally resigned his executive position, and he leaves a much reduced company with much increased debt.

Recently, and in order to secure continued funding for their losses, they have taken renewed facilities at onerous interest rates and have additionally agreed to give 11% of the company to the bank under ten year warrants at sterling 10 pence. Under that management and Board, Media Square plc now have a level of gearing that appears to be over 600% of their market value, some at LIBOR plus 7% and the terms reflect the relative negotiating positions. This is a significant deterioration in the year and a severe set-back from the announced profitability and signals last year.

In spite of our significant shareholding we have been excluded from Board representation in this company. Their failure can be seen in the unexpected serious losses that have been reported for 2009 and by their acknowledgement of the impaired value of their companies from the previous accounts date. No amount of representation, restatement or provision release can disguise the serious deterioration of their cash position over the last three years and their trading weakness. They are in a very exciting sector and performing badly.

Closing comments

The Group has established a retail business in the USA over the last three years though this has been a very difficult environment in which to do it. However we are in a great market that has tremendous energy, with great products that are sustainable and continue to develop and with good businesses and local management teams that we expect to mature and improve the businesses. The retail environment is fast moving and we will have to place enormous emphasis on developing organic growth through driving sales, nevertheless the market is exciting and offers tremendous opportunities for acquisition and growth.

At this stage, with the initial businesses turning towards profitability and cash generation we would seek to grow the Group by taking on sustainable debt to fund the next acquisitions. We have done this before where the early acquisitions were funded entirely through equity as the model is established and the later acquisitions funded by debt and equity as the profitability and cash flow improves and grows.

This approach explains why the Group has paid away its debt of a net €4 million to zero over the last three years and this year will establish whether we have a model sufficiently developed to carry debt, provided that banks actually have any debt to lend. If not then the Group will only grow its revenue by some 50% this year and remain sub-scale for its overhead in the absence of returning to shareholders for further funding. With the disposal of the print businesses this is the main activity of the Group for the next twelve months.

We have now a good model for the business we are undertaking, and opportunities in the market are realistically priced and offer value for the buyer after years of overpricing driven by the uncritical provision of finance. We have management teams on the ground in the USA and will be seeking a substantial acquisition to develop the footprint further. We have spent the money to acquire the knowledge and gain a foothold in US cell phone distribution, and the opportunities for acquisition and development are very significant. The speed with which we can grow the business from here will depend on the funding sources available as there is no lack of excellent opportunity.

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FINANCIAL REVIEW

Overview of results

Summary financial information

	2009 €'000	2008 €'000
Continuing and discontinued operations		
Revenue	**30,202**	33,785
Operating expenses (excluding exceptional costs, depreciation, amortisation and other gains)	**(31,798)**	(37,286)
Earnings before interest, tax, depreciation and amortisation expense (EBITDA), exceptional costs and other gains	**(1,596)**	(3,501)
Depreciation and amortisation	**(1,074)**	(1,844)
Adjusted earnings before interest, tax (EBIT) and exceptional costs	**(2,670)**	(5,345)
Exceptional costs[(1)]	**(1,140)**	(6,560)
Net finance costs	**(96)**	(151)
Loss before tax	**(3,906)**	(12,056)
Income tax credit/(expense)	**48**	(13)
Loss for the year	**(3,858)**	(12,069)
(Loss)/profit on disposal of subsidiary	**(2,429)**	7,173
Loss attributable to minority interest	**128**	796
Loss for the year attributable to members	**(6,159)**	(4,100)
	€ cent	€ cent
Basic and diluted loss per share	**(27.15)**	(18.08)

(1) the Group has adopted an income statement which seeks to highlight significant and one off items within the Group results for the year

Total Group revenue
Group revenue in 2009 amounted to €30.202 million including €9.274 million from the PAC Digimedia division which was discontinued on the disposal of Bell & Bain Limited in November 2009 and Top Copy Image Centres Limited in December 2009. Total Group revenue decreased 10.6% primarily as a result of the disposals in 2008 and 2009 of the legacy manufacturing operations in the UK.

Revenue from continuing operations
The Group's continuing operations consists of its PAC Telemedia division operating in the US. Revenue in 2009 includes a full year's contribution from the In2Wireless business acquired in November 2008 and a small contribution from the Freedom Wireless business acquired on 1 December 2009. Revenue from this division has grown substantially since the Group acquired a controlling interest in Cellular Center in 2007 and is summarised as follows:

	2009 €'000	2008 €'000	2007 €'000
PAC Telemedia			
Revenue	**20,928**	8,816	144
Operating expenses[(1)]	**(22,342)**	(13,246)	(300)
EBITDA	**(1,414)**	(4,430)	(156)
Depreciation, amortisation and other grants[(1)]	**(322)**	(136)	(2)
EBIT	**(1,736)**	(4,566)	(158)

(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 €2.806 million in 2009, compared to a loss of €5.345 million in the previous year. The improvement in the year is attributed to growth in the US businesses including a full years contribution from the In2Wireless business acquired in November 2008 and the ongoing streamlining of the existing business as loss making elements were eliminated.

Exceptional costs
During the year, the Group incurred a total charge of €1.1 million comprising of:

- an impairment charge of €0.768 million in respect of fixed assets written off on the cessation of Cellular Center's loss making business unit in Texas;
- the write off on the cessation of the Texas business unit of the unamortised portion of other grants which are not repayable and amount to €0.261 million;
- reorganisation and redundancy costs of €0.329 million arising from the payment of redundancy payments to UK based former employees and as a result of the closure of the aforementioned Texas business including provisions in respect of onerous leases; and
- a non-cash amount of €0.304 million in respect of warrants issued in May 2007.

These charges are summarised below.

	2009 **€'000**	2008 €'000
Continuing operations		
Impairment of property, plant and equipment	**768**	-
Unamortised other grants	**(261)**	-
Reorganisation and redundancy costs	**245**	393
Warrants	**304**	813
Loss on financial instruments	**-**	2,220
Impairment charge on available-for-sale financial asset	**-**	3,123
Discontinued operations		
Redundancy costs	**84**	11
	1,140	6,560

Net financial expense
The net financial expense for the year was €0.096 million compared to €0.151 million in 2008. The charge arose mainly in respect of interest costs on asset finance balances which were disposed of on the sale of Bell & Bain in November 2009.

Loss on disposal of discontinued operations
The Group incurred a loss of €2.429 million on the discontinuation of the PAC Digimedia division following the disposal of Bell & Bain in November 2009 and Top Copy in December 2009. This loss included a non cash charge of €1.923 million on the transfer from reserves to the income statement of the cumulative currency translation differences related to the PAC Digimedia division.

Minority interest
The minority share of loss after tax for 2009 amounted to €0.128 million (2008: €0.796 million). The minority relates to the shareholdings held by minority interests in Cellular Center Holdings.

Earnings per share
The adjusted fully diluted loss per share for 2009 is 11.41 cent as compared with adjusted loss per share of 20.79 cent in 2008. Adjusted loss per share excludes exceptional costs in both 2009 and 2008, the loss on disposal of discontinued operations in 2009 and the profit on disposal of discontinued operations in 2008. Fully diluted loss per share, before such adjustments, amounted to 27.15 cent compared to a loss of 18.08 cent in 2008.

Cash flow

At the 31 December 2009 the Group had net cash of €2.286 million compared to net cash of €2.171 million at 31 December 2008. The Group had no debt at 31 December 2009 (2008: €1.975 million) following the disposal of Bell & Bain. At 31 December 2009 there were no committed borrowing facilities available for drawdown in the Group (2008: €0.169 million).

Acquisitions in the year amounted to €2.021 million representing the aggregate consideration and costs of the acquisition of the business and assets of Freedom Wireless, less the cash acquired as part of that acquisition.

The most significant cash inflow arose from the net consideration received on the disposal of Bell & Bain which amounted to €2.328 million.

The table below summarises the cash flow for the year.

	2009	2008
	€'000	€'000
Operating loss	**(3,810)**	(11,905)
Depreciation	**1,131**	1,913
Available-for-sale financial assets impairment charge	**-**	3,123
Exceptional costs-warrants	**304**	813
Fair value loss on financial instruments	**-**	2,060
Net working capital including pension and loss on disposal	**1,261**	(168)
Cash (outflow) from operations[(2)]	**(1,114)**	(4,164)
Tax paid[(2)]	**9**	(14)
Capital expenditure net of grants received	**(338)**	(3,901)
Net interest paid[(3)]	**(90)**	(170)
Free cash flow	**(1,533)**	(8,249)
Purchase of available-for-sale financial assets	**-**	(6,815)
Disposal of subsidiary, net of cash disposed of[(2)]	**2,328**	10,835
Acquisition of subsidiary, net of cash acquired[(2)]	**(2,021)**	(3,136)
Acquisition of minority interest, direct costs incurred	**-**	(173)
Proceeds from issue of shares to minority interest	**-**	340
Borrowings disposed of[(4)]	**1,393**	2,341
Net cash inflow/(outflow)	**167**	(4,857)
Opening net cash	**2,171**	7,805
Effect of exchange rate changes	**(52)**	(777)
Closing net cash	**2,286**	2,171

(1) the Group has adopted a cash flow summary which seeks to highlight the movement in net cash balances during the year and does not take account of the movements in asset financing or borrowings other than borrowings disposed of with discontinued operations
(2) as per the consolidated cash flow statement
(3) net interest paid comprises interest received of €0.033 million, interest paid of €0.019 and finance lease interest paid of €0.104 million and excludes finance income and finance costs related to the defined benefit pension plan
(4) asset finance disposed of in November 2009 on the sale of Bell & Bain

Media Square plc

As at 31 December 2009, the Group held 21.5% of the issued share capital in Media Square plc, an AIM listed marketing communications business. This investment is accounted for under available-for-sale financial assets. This investment is not accounted for as an associate as the Group does not have significant influence over it and does not have the right to participate in the financial and operating policy decisions of the business.

The Group increased its shareholding to 28.5% of the issued share capital on 12 February 2010 on the acquisition of a further 3.350 million shares for €0.578 million. The consideration was satisfied by an unsecured loan note issued to the vendor Mr. Anthony Gill, a related party. The loan note is payable on 1 January 2012 and is subject to interest payable quarterly in arrears at a rate of 6% per annum.

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 balance sheet exposure by matching common currency assets with common currency borrowings in so far as this is practicable and to hedge significant foreign currency transaction exposures arising from trading or capital investment where appropriate. The Group does not hedge accounting translation exposure.

The Group may use interest rate swaps, options and collars from time to time to reduce interest rate risks, but did not do so in 2009.

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Pre-exceptionals 2009 €'000	**Exceptionals 2009 €'000**	**Total 2009 €'000**	Pre-exceptionals 2008 €'000	Exceptionals 2008 €'000	Total 2008 €'000
Continuing operations						
Revenue	**20,928**	**-**	**20,928**	8,816	-	8,816
Cost of sales	**(12,783)**	**-**	**(12,783)**	(5,649)	-	(5,649)
Gross profit	**8,145**	**-**	**8,145**	3,167	-	3,167
Selling and distribution costs	**(7,182)**	**-**	**(7,182)**	(4,041)	-	(4,041)
Administration expenses	**(4,109)**	**(1,056)**	**(5,165)**	(4,817)	(1,206)	(6,023)
Other losses	**-**	**-**	**-**	-	(5,343)	(5,343)
Operating loss	**(3,146)**	**(1,056)**	**(4,202)**	(5,691)	(6,549)	(12,240)
Finance costs	**(50)**	**-**	**(50)**	(49)	-	(49)
Finance income	**77**	**-**	**77**	278	-	278
Loss before tax	**(3,119)**	**(1,056)**	**(4,175)**	(5,462)	(6,549)	(12,011)
Income tax credit	**29**	**-**	**29**	72	-	72
Loss for the year from continuing operations	**(3,090)**	**(1,056)**	**(4,146)**	(5,390)	(6,549)	(11,939)
Discontinued operations						
(Loss)/profit for the year from discontinued operations after tax			**(2,141)**			7,043
Loss for the year			**(6,287)**			(4,896)
Attributable to:						
Equity shareholders			**(6,159)**			(4,100)
Minority interest			**(128)**			(796)
			(6,287)			(4,896)

	2009 € cent	2008 € cent
Loss per share From continuing operations - Basic and diluted	**(17.72)**	(49.13)
(Loss)/earnings per share From discontinued operations - Basic and diluted	**(9.43)**	31.05
Loss per share From continuing and discontinued operations - Basic and diluted	**(27.15)**	(18.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	€'000	€'000
Loss for the year	**(6,287)**	(4,896)
Other comprehensive income/(expense):		
Available-for-sale financial assets	**(39)**	-
Fair valuation of warrants	**304**	813
Actuarial gain/(loss) on defined benefit pension plan	**90**	(259)
Put liability extinguished	**-**	723
Movement in minority interest	**-**	859
Exchange movement	**2,364**	(3,642)
Total comprehensive expense for the year	**(3,568)**	(6,402)

Attributable to:		
Equity holders of the Company	**(3,437)**	(6,402)
Minority interest	**(131)**	-
	(3,568)	(6,402)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	2009	2008
	€'000	€'000
Assets		
Current assets		
Inventories	**2,372**	1,779
Trade and other receivables	**3,797**	4,587
Cash and cash equivalents	**2,286**	4,146
	8,455	10,512
Non-current assets		
Property, plant and equipment	**943**	7,244
Intangible assets	**8,326**	6,472
Available-for-sale financial assets	**1,094**	1,057
Other loans and receivables	**1,272**	-
	11,635	14,773
Total assets	**20,090**	25,285
Liabilities		
Current liabilities		
Trade and other payables	**6,423**	4,708
Current income tax liabilities	**100**	216
Borrowings	**-**	712
Provisions for other liabilities and charges	**807**	590
	7,330	6,226
Non-current liabilities		
Trade and other payables	**-**	527
Borrowings	**-**	1,263
Deferred income tax liabilities	**-**	529
Retirement benefit obligations	**156**	240
Provisions for other liabilities and charges	**-**	328
	156	2,887
Total liabilities	**7,486**	9,113
Net assets	**12,604**	16,172
Equity		
Ordinary shares	**11,341**	11,341
Share premium	**16,444**	16,444
Other reserves	**931**	(1,701)
Retained earnings	**(16,225)**	(10,187)
Minority interest in equity	**113**	275
Total equity	**12,604**	16,172

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	**Share premium reserve**	**Other Reserves**	**Retained Earnings**	**Total attributable to shareholders**	**Minority Interest**	**Total Equity**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2009	**11,341**	**16,444**	**(1,701)**	**(10,187)**	**15,897**	**275**	**16,172**
Comprehensive income:							
Loss for year	**-**	**-**	**-**	**(6,159)**	**(6,159)**	**(128)**	**(6,287)**
Adjustment in respect of previous years	**-**	**-**	**-**	**31**	**31**	**(31)**	**-**
Other comprehensive income:							
Available-for-sale financial assets	**-**	**-**	**(39)**	**-**	**(39)**	**-**	**(39)**
Actuarial gain on defined benefit pension plan	**-**	**-**	**-**	**90**	**90**	**-**	**90**
Exchange movement	**-**	**-**	**2,367**	**-**	**2,367**	**(3)**	**2,364**
Transactions with owners:							
Fair valuation of warrants	**-**	**-**	**304**	**-**	**304**	**-**	**304**
Total comprehensive income	**11,341**	**16,444**	**931**	**(16,225)**	**12,491**	**113**	**12,604**

	Share Capital	Share premium reserve	Other Reserves	Retained Earnings	Total attributable to shareholders	Minority Interest	Total Equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2008	11,341	16,444	342	(5,828)	22,299	275	22,574
Comprehensive income:							
Loss for year	-	-	-	(4,100)	(4,100)	(796)	(4,896)
Other comprehensive income:							
Actuarial (loss) on defined benefit pension plan	-	-	-	(259)	(259)	-	(259)
Exchange movement	-	-	(3,579)	-	(3,579)	(63)	(3,642)
Put liability extinguished	-	-	723	-	723	-	723
Movement in minority interest	-	-	-	-	-	859	859
Transactions with owners:							
Fair valuation of warrants	-	-	813	-	813	-	813
Total comprehensive income	11,341	16,444	(1,701)	(10,187)	15,897	275	16,172

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	€'000	€'000
Operating activities		
Cash generated from operations	**(1,114)**	(4,164)
Tax paid	**9**	(14)
Net cash outflow from operating activities	**(1,105)**	(4,178)
Investing activities		
Purchase of property, plant and equipment	**(338)**	(4,540)
Interest received	**33**	220
Purchase of available-for-sale financial assets	**-**	(6,815)
Disposal of subsidiary, net of cash disposed of	**2,328**	10,835
Acquisition of subsidiary, net of cash acquired	**(2,021)**	(3,136)
Acquisition of minority interest, direct costs incurred	**-**	(173)
Net cash inflow/(outflow) from investing activities	**2**	(3,609)
Financing activities		
Proceeds from issue of shares to minority interest	**-**	340
Repayments of borrowings	**(699)**	(840)
Proceeds from asset finance obligations	**-**	1,887
Capital element of asset finance payments	**-**	(1,295)
Interest paid	**(19)**	(131)
Finance lease interest	**(104)**	(259)
Other grants	**-**	639
Net cash (outflow)/inflow from financing activities	**(822)**	341
Net decrease in cash and cash equivalents	**(1,925)**	(7,446)
Cash and cash equivalents at 1 January	**4,146**	13,191
Effect of exchange rate changes	**65**	(1,599)
Cash and cash equivalents at 31 December	**2,286**	4,146

1. Basis of preparation

The financial information included in the preliminary statement has been extracted from the Group's financial statements for the year ended 31 December 2009 which were approved by the Board of Directors on 23 June 2010. The financial information set out herein does not constitute the Group's statutory financial statements. The Group's annual report will be distributed to shareholders and made available on the Group's website www.pacplc.com.

The financial information presented in this report has 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 2009 and 2008 financial statements have been audited and received unqualified audit reports.

2. Exceptional items

	2009	2008
Continuing operations	**€'000**	€'000
Warrants[1]	**304**	813
Reorganisation provision[2]	**245**	393
Deferred other grants[3]	**(261)**	-
Impairment of property, plant and equipment	**768**	-
Loss on financial instruments	**-**	2,220
Impairment charge on available-for-sale financial asset	**-**	3,123
	1,056	6,549
Discontinued operations		
Redundancy payments	**84**	11
	84	11
Total exceptional items continuing and discontinued operations	**1,140**	6,560

(1) the charge of €0.304 million represents the fair value of the warrants issued in connection with the May 2007 corporate reorganisation as calculated by independent valuers
(2) the reorganisation provision relates to the restructuring of Cellular Center's business in the USA and includes provisions for redundancy payments and onerous leases
(3) deferred other grants is the unamortised portion of other grants received which are not repayable and were written off on the restructuring of Cellular Center's business

3. Income tax credit

	2009	2008
	€'000	€'000
Current tax (charge)/credit	**(3)**	4
Adjustments in respect of previous years	**32**	68
Taxation	**29**	72

Relationship between tax expense and accounting profit	**2009**	2008
	€'000	€'000
Loss on ordinary activities before tax	**(4,175)**	(12,011)
Loss on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2008: 12.5%)	**522**	1,501
Effects of:		
Differences in effective tax rates on overseas earnings and interest income	**-**	-
Other items (mainly expenses not deductible for tax purposes and non taxable income)	**(116)**	(758)
Loss carried forward for which no deferred tax asset is recognised	**(409)**	(739)
Adjustments in respect of previous years	**32**	68
Current tax credit for the year	**29**	72

4. (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. The basic and diluted earnings per share as disclosed in the 2008 annual report have been re-presented to show the discontinued operations separately from continuing operations.

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

(Loss)/earnings	**2009**	2008
	€'000	€'000
(Loss) for the year	**(6,159)**	(4,100)
Less: (Loss)/profit for the year from discontinued operations	**(2,141)**	7,043
(Loss) for the year from continuing operations	**(4,018)**	(11,143)
Exceptional costs – continuing operations	**1,056**	6,549
Exceptional costs – discontinued operations	**84**	11
Adjusted (loss) for the year	**(2,878)**	(4,583)

Basic and diluted (loss)/earnings per share – continuing operations	**2009**	2008
	€ cent	€ cent
(Loss) per share for the year	**(17.72)**	(49.13)
Exceptional costs	**4.66**	28.87
Adjusted (loss) per share for the year	**(13.06)**	(20.26)

Basic and diluted earnings per share – discontinued operations	**2009**	2008
	€ cent	€ cent
(Loss)/earnings per share for the year	**(9.43)**	31.05
Exceptional costs	**0.37**	0.05
Loss/(gain) on disposal of discontinued operations	**10.71**	(31.63)
Adjusted earnings/(loss) per share for the year	**1.65**	(0.53)

Basic and diluted earnings per share – continuing and discontinued operations	**2009**	2008
	€ cent	€ cent
(Loss) per share for the year	**(27.15)**	(18.08)
Exceptional costs	**5.03**	28.92
Loss/(gain) on disposal of discontinued operations	**10.71**	(31.63)
Adjusted (loss) per share for the year	**(11.41)**	(20.79)

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