Prime Active Capital plc
Preliminary Results
Year ended 31 December 2010

CHAIRMAN'S STATEMENT

Overview

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

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

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

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

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

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

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

Recent business developments

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

Improving our model

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

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

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

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

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

Media Square plc

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

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

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

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

Other matters

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

Closing comments

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

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

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

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FINANCIAL REVIEW

Overview of results

Summary financial information

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

Total Group Revenue

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

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

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

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

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

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

These charges are summarised below.

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

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

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

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

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

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

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

Cash flow

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

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

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

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

The table below summarises the cash flow for the year.

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

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

Media Square plc

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

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

Financial risk management

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

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

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Pre-exceptionals	**Exceptionals**	**Total**	Pre-exceptionals	Exceptionals	Total
	2010	**2010**	**2010**	2009	2009	2009
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Continuing operations						
Revenue	**36,145**	**-**	**36,145**	20,928	-	20,928
Cost of sales	**(21,656)**	**-**	**(21,656)**	(12,783)	-	(12,783)
Gross profit	**14,489**	**-**	**14,489**	8,145	-	8,145
Selling and distribution costs	**(11,083)**	**-**	**(11,083)**	(7,182)	-	(7,182)
Administration expenses	**(3,726)**	**(1,247)**	**(4,973)**	(4,109)	(1,056)	(5,165)
Other gains	**104**	**-**	**104**	-	-	-
Operating loss	**(216)**	**(1,247)**	**(1,463)**	(3,146)	(1,056)	(4,202)
Finance costs	**(88)**	**-**	**(88)**	(50)	-	(50)
Finance income	**56**	**-**	**56**	77	-	77
Loss before tax	**(248)**	**(1,247)**	**(1,495)**	(3,119)	(1,056)	(4,175)
Income tax (charge)/credit	**(95)**	**-**	**(95)**	29	-	29
Loss for the year from continuing operations	**(343)**	**(1,247)**	**(1,590)**	(3,090)	(1,056)	(4,146)
Discontinued operations						
Profit/(loss) for the year from discontinued operations after tax			**86**			(2,141)
Loss for the year			**(1,504)**			(6,287)
Attributable to:						
Equity shareholders			**(1,514)**			(6,159)
Non-controlling interest			**10**			(128)
			(1,504)			(6,287)
			2010			2009
			€ cent			€ cent
Loss per share						
From continuing operations						
- Basic and diluted			**(7.05)**			(17.72)
Earnings/(loss) per share						
From discontinued operations						
- Basic and diluted			**0.38**			(9.43)
Loss per share						
From continuing and discontinued operations						
- Basic and diluted			**(6.67)**			(27.15)

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

	2010	2009
	€'000	€'000
Loss for the year	**(1,504)**	(6,287)
Other comprehensive income/(expense):		
Available-for-sale financial assets		
- current year loss	**-**	(39)
Fair valuation of warrants	**-**	304
Actuarial (loss)/gain on defined benefit pension plan	**(94)**	90
Exchange movement	**496**	2,364
Total comprehensive expense for the year	**(1,102)**	(3,568)

Attributable to:		
Equity holders of the Company	**(1,121)**	(3,437)
Non-controlling interest	**19**	(131)
	(1,102)	(3,568)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

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

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

	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 2010	**11,341**	**16,444**	**931**	**(16,225)**	**12,491**	**113**	**12,604**
Comprehensive income:							
(Loss)/profit for year	**-**	**-**	**-**	**(1,514)**	**(1,514)**	**10**	**(1,504)**
Other comprehensive income:							
Available-for-sale financial assets							
- reclassification to profit or loss	**-**	**-**	**39**	**-**	**39**	**-**	**39**
Actuarial (loss) on defined benefit							
pension plan	**-**	**-**	**-**	**(94)**	**(94)**	**-**	**(94)**
Exchange movement	**-**	**-**	**487**	**-**	**487**	**9**	**496**
Total comprehensive income	**11,341**	**16,444**	**1,457**	**(17,833)**	**11,409**	**132**	**11,541**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2010	**11,341**	**16,444**	**1,457**	**(17,833)**	**11,409**	**132**	**11,541**

	Share Capital €'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 2009	11,341	16,444	(1,701)	(10,187)	15,897	275	16,172
Comprehensive income:							
Loss for year	-	-	-	(6,159)	(6,159)	(128)	(6,287)
Adjustment in respect of previous							
years	-	-	-	31	31	(31)	-
Other comprehensive income:							
Available-for-sale financial assets							
- current year loss	-	-	(39)	-	(39)	-	(39)
Actuarial gain on defined benefit							
pension plan	-	-	-	90	90	-	90
Exchange movement	-	-	2,367	-	2,367	(3)	2,364
Total comprehensive income	11,341	16,444	627	(16,225)	12,187	113	12,300
Transactions with owners:							
Fair valuation of warrants	-	-	304	-	304	-	304
Balance at 31 December 2009	11,341	16,444	931	(16,225)	12,491	113	12,604

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2010 which were approved by the Board of Directors on 29 June 2011. 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 2010 and 2009 financial statements have been audited and received unqualified audit reports.

2. Exceptional items

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

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

3. Income tax (charge)/credit

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

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

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.

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

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

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

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

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

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