Prime Active Capital plc
Preliminary Results
Year ended 31 December 2008

CHAIRMAN'S STATEMENT

Overview

This was a more difficult year in which to reposition the Group from manufacturing to a retail orientation. Our significant investments in PAC Telemedia to build out the US based cell phone chain, and in Media Square plc both faced severe pressure on performance, revenue and cash. That is reflected in these accounts in marking our investment in Media Square plc to market, and in start up losses in the US greater than expected as new organic stores in particular took longer to establish their profitability.

We made the disposal of the plastic card business unit earlier in the year for a net consideration of €10.8 million. This helped fund the expansion of the Telemedia chain and provided cash for follow on investment for that and for Media Square plc. In the second half of the year we acquired a further 6.5% of Media Square plc for €1.7 million to bring our shareholding to just over 21.5% and our investment in the year to €6.8 million. We do not account for Media Square plc as an associate.

We completed the acquisition of In2Wireless of Alabama for €3.1 million including costs, as part of an investment in our US subsidiary of €7.8 million in 2008 and provided working capital for it and for our Cellular Center business. This took our US cell phone chain to 71 stores, split equally between new organic stores and acquired stores with an established trade. We also invested €3.1 million in capital expenditure across the Group in the continuing business, €2.1 million in PAC Digimedia, €1.6 million gross (€1.0 million net of grants) in PAC Telemedia and the rest in group.

PAC Digimedia

After the disposal of the plastic card business last August this division consists of the Bell & Bain business printing books and technical journals in Scotland, and Top Copy, the small jobbing printer in the midlands.

Business overview

Both Bell & Bain and Top Copy came under greater margin pressure last year as recession began to hit customer's budgets, particularly in the second half. On a constant currency basis, Bell & Bain reported a small increase in revenue, however its operating profit decreased significantly, reflecting the intense competitiveness of the market and the continuing pressure on margins. This is an ongoing feature of the industry where marginal players struggle to survive, and their pricing impacts the rest of the market until they find their feet or go out of business. Three of Bell & Bain's direct competitors have gone into administration in the last year.

Performance for the year ended 31 December 2008

Financial information

	2008	2007
	€000	€000
Continuing operations		
Revenue	**11,284**	13,087
EBITDA(1).	**879**	2,038
EBITDA margin %	**7.8**	15.6
Operating (loss)/profit	**(94)**	1,019
Operating margin %	**-**	7.8
Net interest(2)	**(192)**	(216)
Capital expenditure	**2,097**	627

	2008 €000	2007 €000
Discontinued operations		
Revenue	**13,685**	21,401
EBITDA[1]	**1,148**	2,531
EBITDA margin %	**8.4**	11.8
Operating profit	**429**	1,556
Operating margin %	**3.1**	7.3
Net interest[3]	**(188)**	(448)
Capital expenditure	**787**	865
Total continuing and discontinued operations		
Revenue	**24,969**	34,488
EBITDA[1]	**2,027**	4,569
EBITDA margin %	**8.1**	13.2
Operating profit	**335**	2,575
Operating margin %	**1.3**	7.5
Net interest	**(380)**	(664)
Capital expenditure	**2,884**	1,492

(1) earnings before interest, tax, depreciation and amortisation
(2) net interest comprises total finance income of €0.004 million less total finance costs of €0.196 million in 2008 and total finance income of €0.006 million less total finance costs of €0.222 million in 2007
(3) net interest comprises total finance income of €0.006 million less total finance costs of €0.194 million in 2008 and total finance income of €0.005 million less total finance costs of €0.453 million in 2007

During the year to end of December 2008, PAC Digimedia's revenue declined by approximately 28%. This is due predominately to the sale of the plastic cards business unit in August 2008. Underlying revenue for continuing operations was up marginally on a constant currency basis.

Our capital investment in Bell & Bain over the last two years has improved that business's positioning vis-a-vis competitors and to a degree has protected it from a significant cyclical downturn in the print sector in the UK. There is really nowhere substantial for us to go with this business although it is in a sector we know well. We came to the conclusion last year that manufacturing was not where the Group should be positioned in this sector unless we had significant barriers to competition. The debt of the Group sits in Bell & Bain and comprises mainly the asset finance of their €2.1 million capital expenditure programme last year and a small seasonal overdraft.

Top Copy's overall performance deteriorated compared with the year ending 31 December 2007. Top Copy is a loss making, sub-scale operation generating sales of €1.3 million in 2008 and selling into a highly competitive market where supply continues to outweigh demand.

Current trading

Top Copy is not a material business and continues to struggle in an over supplied market. Bell & Bain had a slow start to the current year in the initial months, but since then has caught up and exceeded budget for sales, EBITDA and operating profit in the year to date. This is a good performance by the management team in difficult circumstances and while we do not anticipate that these are the green shoots indicating the end of recession, it confirms that this is a well specified factory with a professional management team and a resilient customer base. We have been approached by a potential buyer for this business and discussions are ongoing.

Media Square plc

We have invested €6.8 million in total in a 21.5% shareholding in Media Square plc, a UK listed entity with sales of c. £121 million for the year ended 28 February, 2009. Media Square plc describes itself as a leading marketing communications group and experts in advertising, design, marketing, public relations and research. As such it can be expected that their revenue and margins would be sensitive to the budget cut backs of clients and this is certainly an element of their current severe share price drop.

The management team there are entering their third year of a turnaround, and in their recent profit warning of June 2009 are forecasting breakeven at best for its first six months in the 2009/2010 year. In this context it seems sensible to write down this investment in keeping with the general diminution of quoted markets and in compliance with IAS 39. We are in a point in a market cycle where share values have been crushed, and this company is placed at the front end of retail business. We have decided to write this investment down to its market value at the end of the accounts year. This is also approximately the current market price for the shares in June 2009.

While we write down this investment this should not be taken as reflective of our view of the business the company is in, or even substantially of the management of the company. Our investment and interest is for the long term in this business where we are the largest shareholder by a considerable degree. Occasionally we get approaches about this holding from other people wanting to use it as a jumping off point for a sector roll-up, but we would intend to help solve the problems with this company by working with the company and the other shareholders.

IAS 28 – Investments in Associates – requires that a holding of more than 20% of the voting power in an investee is accounted for as an associate where the investor has significant influence. Although we have a 21.5% interest in Media Square plc, with no representation on the board and no participation in policy-making process, we do not have significant influence over the business. As such the investment is treated as an available-for-sale financial asset and the income statement does not include the Group's share of profit or losses of Media Square plc.

PAC Telemedia

PAC Telemedia currently comprises our majority stake in two operating subsidiaries – Cellular Center, LLC and Cellular Center GA-AL, LLC. Both of these 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.

Business overview

PAC Telemedia started 2008 with 22 stores and finished the year with 71 stores. The year ended 31 December 2008 was the first year of a development phase for the business. The start up costs, the capital expenditure required to fit out the stores, the initial losses incurred on opening new stores, and the acquisition of the In2Wireless business required investment by PAC Telemedia of €7.8 million during the year. The business grew substantially during 2008 with total revenues of €8.8 million up from €144,000 booked as Group revenue in 2007.

The business committed to leases for 24 new organic stores in Texas, to open in the second half of last year, and in November 2008 made an acquisition of In2Wireless with 26 stores in Alabama. The launching of the Texas group coincided with sharp reversals in US retail from July 2008, and the organic stores in Georgia and Texas began to deviate from the US management plan. Mall units were particularly hard hit.

While we budgeted that building up this business would have starting losses for a couple of years and had flagged this to the shareholders, the size of these losses in the second half of the year deviated considerably from budget as costs ramped up and revenues and margins were softer than projected. We worked closely with the US management to mitigate this situation from the last quarter of the year.

We concluded that the trading environment had deteriorated markedly, that this undermined the organic model and that the business should retrench. Through the last quarter we reduced headcount, closed out some unprofitable units, pulled out of some committed stores where we could and stabilised the business at its current size.

Performance for the year ended 31 December 2008

Financial information

	2008[1]	2007[2]
	€000	€000
Continuing operations		
Revenue	**8,816**	144
EBITDA[3]	**(4,754)**	(156)
Operating loss	**(4,959)**	(158)
Net interest[4]	**7**	2
Capital expenditure	**1,649**	-

(1) 2008 performance reflects the results of Cellular Center, LLC for the full year plus the results of Cellular Center GA-AL, LLC from the date it was formed on the acquisition of the In2Wireless business on 25 November 2008 to 31 December 2008
(2) 2007 performance reflects the results of this division for the period 21 December 2007 to 31 December 2007. This is the date on which Cellular Center became a subsidiary
(3) earnings before interest, tax, depreciation and amortisation
(4) net interest comprises total finance income of €0.007 million in 2008 and €0.002 million in 2007

Current trading

We have taken the Group down to 67 stores, of which 51 are under one management team in Georgia/Alabama and 16 are co-ordinated but separately managed under the same corporate policies and principles in Texas. We have consolidated purchasing and all back-office responsibilities in a new, modest, office based in Athens, Alabama.

There are knock on effects of sorting out the Cellular Center business into the first half of the current year, particularly since we could not move the headquarters until the Alabama acquisition had been bedded down. However there has been a marked improvement in the performance of the consolidated 51 store chain in Georgia/Alabama in recent months and overall the business continues to improve. There is some residual work in relocating the occasional store to a better location or adding an organic store or small acquisition but in general the business here is stable and on a good base. The Alabama acquisition has proven to be an excellent addition to the Group, not least because of their performance, but also in the quality and commitment of that management team.

We have pulled back the Texas chain to some 16 stores and have a new management team there that is more in keeping with its scale. It has a lot of work ahead of it and is still sub-scale at that number of stores with revenue build up that is slower than originally expected. However, it has now a good model to follow with the Georgia/Alabama chain and the teams are working increasingly closely as we evolve the business model. We are seeking additional small groups and stores in Texas but we are only in initial discussions at present. Ideally we would be able to assemble a network there of 25 to 50 stores.

We have made a conditional offer for another chain of up to 48 established stores in another state in the US and are engaged in due diligence. This acquisition process is tending to be slower than would be expected since most businesses we come across do not have audited accounts and we are tending to prefer asset and business purchases rather than corporate acquisitions. Our experience of this recession has also made us cautious. We have now tracked this business for over a year and while it had significant pressure to the end of calendar 2008, it too is trading better this year.

In a recession we have found in the past that it is cheaper and safer to make acquisitions of established businesses with trading histories and repeat customers rather than to build organically. This is a change of focus for the US group and as a consequence in December 2008 we closed the corporate headquarters of the original Cellular Center business and we let go virtually all the staff. In all we reduced pay and non-pay costs by some 35% across the US group while the store count reduced by 4%.

It is likely that our activity here will be primarily adding to the Group by acquisition of established chains and stores and that it would be a rare start up we would now consider. The product set of what we sell in the stores is excellent, and Verizon, for whom we are agents, is the largest mobile phone player in the US and hugely successful even in this recession. We believe we have the right products in the right market with the right partner, and that our model has improved significantly in the last months.

Corporate overhead

We have taken steps to reduce overhead costs to reflect the environment that we all find ourselves in. To that end we have removed a layer of group management in Digimedia and overall reduced headcount at Group by 40% to match the pay and non-pay reductions in the Telemedia business. In addition I have taken a 12% pay cut and backdated it to the date of joining in May 2007.

Strategy

We have been changing this Group from a manufacturing focus to a retail focus over the last couple of years. The worldwide recession has taken its toll on all business whether manufacturing, distribution or retail. We suffered a setback in our business last year, but where we have direct line management control we have been able to work through the difficulties by improving management and attending closely to our business. We have confidence in the management teams that run our businesses and we are engaged with them to help them succeed. We continue to be optimistic about PAC Telemedia, our US business, particularly if we can acquire to grow. Our manufacturing business Bell & Bain, is weathering the recession reasonably well to date, and the underperforming investment, Media Square plc, is one where we will continue to offer support to the line management.

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FINANCIAL REVIEW

Overview of results

Summary financial information

	2008 €000	2007 €000
Continuing and discontinued operations		
Revenue	**33,785**	34,632
Operating expenses (excluding exceptional costs, depreciation, amortisation and other gains)	**(37,217)**	(31,489)
Earnings before interest, tax, depreciation and amortisation expense (EBITDA), exceptional costs and other gains	**(3,432)**	3,143
Depreciation and amortisation	**(1,913)**	(2,004)
Adjusted earnings before interest, tax (EBIT) and exceptional costs	**(5,345)**	1,139
Exceptional costs(1)	**(6,560)**	(3,423)
Other gains	**-**	216
Net finance costs	**(151)**	(278)
Share of net (losses) of joint ventures accounted for using the equity method	**-**	(308)
(Loss) before tax	**(12,056)**	(2,654)
Income tax (expense)/credit	**(13)**	453
(Loss) for the year	**(12,069)**	(2,201)
Profit on disposal of subsidiary	**7,173**	-
Loss attributable to minority interest	**796**	31
(Loss) for the year attributable to members	**(4,100)**	(2,170)
	€cent	€ cent
Basic and diluted (loss) per share	**(18.08)**	(12.89)

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

Revenue
Group revenue in 2008 amounted to €33.785 million including €13.685 million from the plastic cards business unit which was disposed of in August 2008. While total Group revenue decreased 2.4% primarily due to the disposal of the plastic cards business unit, revenue from continuing operations grew substantially due to a full year's contribution from the Group's investment in Cellular Center and the ongoing expansion of that business. Group revenue also includes a small contribution from the In2Wireless business which was acquired on 25 November 2008.

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 €5.345 million in 2008, compared to a profit of €1.139 million in the previous year. The loss arose mainly due to the costs associated with developing and growing the Cellular Center business through 2008. In addition, PAC Digimedia's UK based operations incurred losses reflecting the increasing competitiveness of the markets that these businesses operate in.

Exceptional costs
During the year, the Group incurred a total charge of €6.560 million comprising of:

- a non-cash amount of €0.813 million in respect of warrants issued in May 2007 in connection with the corporate reorganisation the fair value of which, as per IFRS 2 – Share-based Payment, are recognised as an expense over the vesting period resulting in a charge to the income statement in 2008;

- a charge of €2.220 million in respect of the mark-to-market loss arising on the acquisition of the Group's interest in Media Square plc, part of which was acquired through the use of derivatives in place at 31 December 2007, and which includes associated costs related to these derivates;
- an impairment charge of €3.123 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 and redundancy costs of €0.404 million arising as a result of the restructuring of Cellular Center's business including the closure of its corporate office in Fort Lauderdale, Florida and the payment of redundancy payments to UK based former employees.

These charges are summarised below.

	2008	2007
	€000	€000
Warrants	**813**	2,258
Loss on financial instruments	**2,220**	-
Impairment charge on available-for-sale financial asset	**3,123**	-
Reorganisation and redundancy costs	**404**	1,165
	6,560	3,423

Net financial expense
The net financial expense for 2008 was €0.151 million compared to €0.278 million in 2007. The term debt of the Group's continuing UK-based operations was fully repaid during 2008. Finance costs also decreased as term debt and asset finance balances were disposed of as part of the plastic cards business unit in August 2008.

Minority interest
The minority share of loss after tax for 2008 amounted to €0.796 million (2007: €0.031 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 2008 is 20.79 cent as compared with adjusted earnings per share of 7.45 cent in 2007. Adjusted earnings per share excludes exceptional costs in both 2008 and 2007 and the profit on disposal of discontinued operations in 2008. Fully diluted loss per share, before such adjustments, amounted to 18.08 cent compared to a loss of 12.89 cent in 2007.

Cash flow and net debt

At the 31 December 2008 the Group had net cash of €2.171 million compared to net cash of €7.805 million at 31 December 2007. The average month end net cash during 2008 was €3.273 million. (2007: net cash €1.174 million.)

Significant outflows in the year included payments totalling €3.901 million in respect of capital expenditure of which €2.884 million was for PAC Digimedia, €1.010 million net of grants received of €0.639 million for PAC Telemedia and the remainder incurred by the UK and Ireland centre. Funding for capital expenditure in PAC Digimedia was partly provided by asset finance agreements. All other capital expenditure was funded from existing resources.

Acquisitions in the year amounted to €3.136 million representing the aggregate consideration and costs of the acquisition of the business and assets of In2Wireless, less the cash acquired as part of that acquisition.

The Group also acquired a 21.5% interest in Media Square plc at a total cost of €6.815 million.

The most significant cash inflow arose from the net consideration received on the disposal of The Plastic Card Company Limited and PCC (Services) Limited which amounted to €10.835 million.

The table below summarises the cash flow for the year.

	2008	2007
	€000	€000
Operating loss	**(11,905)**	(2,068)
Depreciation	**1,913**	2,004
Available-for-sale financial assets impairment charge	**3,123**	-
Exceptional costs-warrants	**813**	2,258
Fair value loss on financial instruments	**2,060**	-
Other financial assets at fair value through profit or loss	**-**	(261)
Curtailment gain on defined benefit pension scheme	**-**	(125)
Net working capital including pension and loss on disposal	**(168)**	(1,055)
Cash generated from operations(2)	**(4,164)**	753
Tax paid(2)	**(14)**	(11)
Capital expenditure net of grants received(3)	**(3,901)**	(1,383)
Net interest paid(4)	**(170)**	(294)
Purchase of available-for-sale financial assets(2)	**(6,815)**	-
Disposal of subsidiary, net of cash disposed of(2)	**10,835**	-
Acquisition of subsidiary, net of cash acquired(2)	**(3,136)**	(3,423)
Acquisition of minority interest, direct costs incurred (2)	**(173)**	-
Proceeds from issue of shares(2)	**-**	16,190
Proceeds from issue of shares to minority interest(2)	**340**	-
Borrowings disposed off(5)	**2,341**	-
	(4,857)	11,832
Opening net cash/(debt)	**7,805**	(3,826)
Effect of exchange rate changes	**(777)**	(201)
Closing net cash	**2,171**	7,805

(1) the Group has adopted a cash flow summary which seeks to highlight the movement in net cash balances during the year and does not take account of the movements in asset financing or borrowings other than borrowings disposed of with discontinued operations
(2) as per the consolidated cash flow statement on page 26 of the consolidated financial statements
(3) capital expenditure net of grants received comprises purchase of property, plant and equipment of €4.540 less other grants of €0.639 million
(4) net interest paid comprises interest received of €0.220 million, interest paid of €0.131 and finance lease interest paid of €0.259 million
(5) term debt and asset finance disposed of in August 2008 as part of the plastic cards business unit

Net debt as at 31 December 2008 is analysed as follows:

	PAC Digimedia €000	**PAC Telemedia €000**	**Centre €000**	**Group €000**
Continuing operations				
Cash	**36**	**881**	**3,585**	**4,502**
Overdraft	**(356)**	**-**	**-**	**(356)**
Asset finance	**(1,975)**	**-**	**-**	**(1,975)**
	(2,295)	**881**	**3,585**	**2,171**

At 31 December 2008 there were committed borrowing facilities available for drawdown of €0.169 million (2007:€1.704 million) in the digital media division.

The term debt of the continuing operations within the digital media division was fully repaid during 2008.

Treasury policy and management

The Group has a central treasury function which manages financial risk and 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 uses interest rate swaps, options and collars from time to time to reduce interest rate risks, but did not do so in 2008.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Pre-exceptionals 2008 €000	**Exceptionals (note 7) 2008 €000**	**Total 2008 €000**	Pre-exceptionals 2007 €000	Exceptionals 2007 €000	Total 2007 €000
Continuing operations						
Revenue	**20,100**	**-**	**20,100**	13,231	-	13,231
Cost of sales	**(14,970)**	**-**	**(14,970)**	(10,614)	-	(10,614)
Gross profit	**5,130**	**-**	**5,130**	2,617	-	2,617
Selling and distribution costs	**(4,519)**	**-**	**(4,519)**	(594)	-	(594)
Administration expenses	**(6,385)**	**(1,206)**	**(7,591)**	(2,440)	(2,289)	(4,729)
Other operating expenses	**-**	**(11)**	**(11)**	-	(1,134)	(1,134)
Other (losses)/gains	**-**	**(5,343)**	**(5,343)**	216	-	216
Operating (loss)/profit	**(5,774)**	**(6,560)**	**(12,334)**	(201)	(3,423)	(3,624)
Share of loss of joint venture	**-**	**-**	**-**	(308)	-	(308)
Finance costs	**(245)**	**-**	**(245)**	(274)	-	(274)
Finance income	**282**	**-**	**282**	444	-	444
(Loss)/profit before tax	**(5,737)**	**(6,560)**	**(12,297)**	(339)	(3,423)	(3,762)
Income tax credit	**14**	**-**	**14**	922	-	922
(Loss)/profit for the year from continuing operations	**(5,723)**	**(6,560)**	**(12,283)**	583	(3,423)	(2,840)
Discontinued operations						
Profit for the year from discontinued operations after tax			**7,387**			639
(Loss) for the year			**(4,896)**			(2,201)
Attributable to:						
Equity shareholders			**(4,100)**			(2,170)
Minority interest			**(796)**			(31)
			(4,896)			(2,201)

	2008 €cent	2007 € cent
(Loss) per share		
From continuing operations		
- Basic and diluted	**(50.65)**	(16.69)
Earnings per share		
From discontinued operations		
- Basic and diluted	**32.57**	3.80
(Loss) per share		
From continuing and discontinued operations		
- Basic and diluted	**(18.08)**	(12.89)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	2008	2007
	€000	€000
Assets		
Non-current assets		
Property, plant and equipment	**7,244**	10,578
Intangible assets	**6,472**	3,149
Available-for-sale financial assets	**1,057**	-
	14,773	13,727
Current assets		
Inventories	**1,779**	2,349
Trade and other receivables	**4,587**	8,586
Financial assets at fair value through profit or loss	**-**	261
Cash and cash equivalents	**4,146**	13,191
	10,512	24,387
Total assets	**25,285**	38,114
Liabilities		
Current liabilities		
Trade and other payables	**4,708**	7,985
Current income tax liabilities	**216**	275
Borrowings	**712**	2,581
Provisions for other liabilities and charges	**590**	69
	6,226	10,910
Non-current liabilities		
Trade and other payables	**527**	173
Borrowings	**1,263**	2,805
Deferred income tax liabilities	**529**	601
Retirement benefit obligations	**240**	-
Provisions for other liabilities and charges	**328**	1,051
	2,887	4,630
Total liabilities	**9,113**	15,540
Net assets	**16,172**	22,574
Equity		
Ordinary shares	**11,341**	11,341
Share premium	**16,444**	16,444
Other reserves	**(1,701)**	342
Retained earnings	**(10,187)**	(5,828)
Minority interest in equity	**275**	275
Total equity	**16,172**	22,574

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	€000	€000
Actuarial (loss) on defined benefit pension plan	**(259)**	(3)
Exchange movement	**(4,051)**	(1,307)
Net (loss) recognised directly within equity	**(4,310)**	(1,310)
(Loss) for the year	**(4,896)**	(2,201)
Total recognised (expense) for the year	**(9,206)**	(3,511)
Attributable to:		
Equity holders of the Company	**(8,410)**	(3,480)
Minority interest	**(796)**	(31)
	(9,206)	(3,511)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
	€000	€000
Operating activities		
Cash generated from operations	**(4,164)**	753
Tax paid	**(14)**	(11)
Net cash (outflow)/inflow from operating activities	**(4,178)**	742
Investing activities		
Purchase of property, plant and equipment	**(4,540)**	(1,537)
Proceeds from sale of property, plant and equipment	**-**	154
Interest received	**220**	381
Purchase of available-for-sale financial assets	**(6,815)**	-
Disposal of subsidiary, net of cash disposed of	**10,835**	-
Acquisition of subsidiary, net of cash acquired	**(3,136)**	(3,423)
Acquisition of minority interest, direct costs incurred	**(173)**	-
Net cash (outflow) from investing activities	**(3,609)**	(4,425)
Financing activities		
Proceeds from issue of shares	**-**	16,190
Proceeds from issue of shares to minority interest	**340**	-
Repayments of borrowings	**(840)**	(2,220)
Proceeds from asset finance obligations	**1,887**	-
Capital element of asset finance payments	**(1,295)**	(1,345)
Interest paid	**(131)**	(395)
Finance lease interest	**(259)**	(280)
Other grants	**639**	-
Net cash inflow from financing activities	**341**	11,950
Net (decrease)/increase in cash and cash equivalents	**(7,446)**	8,267
Cash and cash equivalents at 1 January	**13,191**	5,661
Effect of exchange rate changes	**(1,599)**	(737)
Cash and cash equivalents at 31 December	**4,146**	13,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The information included in the preliminary statement has been prepared in conformity with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2006 applicable to companies reporting under IFRS.

The financial information set out herein does not constitute the Company's statutory report and accounts for the year ended 31 December 2008 or 2007 but is derived from same. The Company's statutory report and accounts is available on the Company's website www.pacplc.com.

The 2008 and 2007 financial statements have been audited and received unqualified audit reports.

2. Exceptional items

	2008	2007
Continuing operations	**€000**	€000
Redundancy payments	**11**	1,134
Professional and other fees	**-**	31
Warrants(1)	**813**	2,258
Loss on financial instruments(2)	**2,220**	-
Impairment charge on available-for-sale financial asset(3)	**3,123**	-
Reorganisation provision(4)	**393**	-
	6,560	3,423

(1) the charge of €0.813 million represents the fair value of the warrants issued in connection with the May 2007 corporate reorganisation as calculated by independent valuers
(2) the loss on financial instruments represents a charge in respect of the mark-to-market loss arising on the acquisition of the Group's interest in Media Square plc, part of which was acquired through the use of derivatives in place at 31 December 2007 and related costs associated with these derivatives.
(3) the impairment charge arises as a result of a significant decline in the fair value of the Group's interest in Media Square plc
(4) 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. Other (losses)/gains

	2008	2007
Continuing operations	**€000**	€000
Fair value gain on financial assets held at fair value through profit or loss	**-**	261
Loss on financial instruments (note 7)	**(2,220)**	-
Impairment charge on available-for-sale financial asset (note 7)	**(3,123)**	-
Transaction costs	**-**	(45)
	(5,343)	216

4. Income tax credit

	2008	2007
	€000	€000
Current tax credit	**4**	26
Adjustments in respect of previous years	**50**	950
	54	976
Deferred tax		
Temporary differences	**(40)**	55
Adjustments in respect of previous years	**-**	(109)
	(40)	(54)
Taxation	**14**	922

Relationship between tax expense and accounting profit	**2008**	2007
	€000	€000
(Loss)/profit on ordinary activities before tax	**(12,297)**	(3,762)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2007: 12.5%)	**1,537**	470
Effects of:		
Differences in effective tax rates on overseas earnings and interest income	**-**	(11)
Other items (mainly expenses not deductible for tax purposes and non taxable income)	**(834)**	(186)
Loss carried forward for which no deferred tax asset is recognised	**(739)**	(192)
Adjustments in respect of previous years	**50**	841
Current tax credit for the year	**14**	922

5. (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 2007 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	**2008**	2007
	€000	€000
(Loss) for the year	**(4,100)**	(2,170)
Less: Profit for the year from discontinued operations	**7,387**	(639)
(Loss) for the year from continuing operations	**(11,487)**	(2,809)
Exceptional costs	**6,560**	3,423
Adjusted (loss)/profit for the year	**(4,927)**	614

Basic and diluted (loss)/earnings per share – continuing operations	**2008**	2007
	€cent	€ cent
(Loss) per share for the year	**(50.65)**	(16.69)
Exceptional costs	**28.92**	20.34
Adjusted (loss)/earnings per share for the year	**(21.73)**	3.65

Basic and diluted earnings per share – discontinued operations	**2008**	2007
	€cent	€ cent
Earnings per share for the year	**32.57**	3.80
Gain on disposal of discontinued operations	**(31.63)**	-
Adjusted earnings per share for the year	**0.94**	3.80

Basic and diluted earnings per share – continuing and discontinued operations	**2008**	2007
	€cent	€ cent
(Loss) per share for the year	**(18.08)**	(12.89)
Exceptional costs	**28.92**	20.34
Gain on disposal of discontinued operations	**(31.63)**	-
Adjusted (loss)/earnings per share for the year	**(20.79)**	7.45

Weighted average number of shares ('000)	**22,681**	16,831