



Prime Active Capital

2009

ANNUAL REPORT AND ACCOUNTS

Prime Active Capital plc

CONTENTS

Financial summary	2
Chairman's statement	3
Financial review	6
Board of Directors	10
Directors' report	11
Statement of Directors' responsibilities	19
Independent Auditors' report	20
Consolidated financial statements	
Consolidated income statement	22
Consolidated statement of comprehensive income	23
Consolidated statement of financial position	24
Consolidated statement of changes in equity	25
Consolidated cash flow statement	26
Notes to the consolidated financial statements	27
Company financial statements	
Company balance sheet	72
Accounting policies	73
Notes to the Company balance sheet	74
Other information	76
Group financial summary	77

FINANCIAL SUMMARY

	2009	2008
	€'000	€'000
Revenue		
PAC Telemedia - continuing operations	20,928	8,816
PAC Digimedia - discontinued operations ⁽¹⁾	9,274	24,969
	<u>30,202</u>	<u>33,785</u>
Group (loss) for the year		
PAC Telemedia operating loss - continuing operations ⁽²⁾⁽³⁾	(2,111)	(4,566)
Centre costs - continuing operations ⁽⁴⁾⁽⁵⁾	(1,035)	(1,125)
Operating loss	(3,146)	(5,691)
Exceptional items, interest, tax and other charges ⁽³⁾⁽⁵⁾⁽⁶⁾	(1,000)	(6,248)
Loss after tax and exceptional items - continuing operations	(4,146)	(11,939)
(Loss)/profit after tax and exceptional items - discontinued operations ⁽¹⁾	(2,141)	7,043
	<u>(6,287)</u>	<u>(4,896)</u>
	€ cent	€ cent
Basic loss per share		
Loss per share (cent) - continuing operations	(17.72)	(49.13)
(Loss)/earnings per share (cent) - discontinued operations ⁽¹⁾	(9.43)	31.05
	<u>(27.15)</u>	<u>(18.08)</u>
Adjusted loss per share		
Adjusted loss per share (cent) - continuing operations ⁽⁷⁾	(13.06)	(20.26)
Adjusted earnings/(loss) per share (cent) - discontinued operations ⁽⁸⁾	1.65	(0.53)
	<u>(11.41)</u>	<u>(20.79)</u>
	€'000	€'000
Net cash		
Net cash - continuing operations	2,286	4,466
Net debt - discontinued operations ⁽¹⁾	-	(2,295)
	<u>2,286</u>	<u>2,171</u>
Equity		
Equity - continuing operations	12,604	12,032
Equity - discontinued operations ⁽¹⁾	-	4,140
	<u>12,604</u>	<u>16,172</u>

(1) the results of the books and journals production and on-demand digital print and finishing divisions, within the PAC Digimedia division, discontinued in the current year, have been disclosed separately, with prior year disclosures for these entities also re-presented

(2) before exceptional items of €0.752 million in 2009 and €0.393 million in 2008

(3) exceptional items of €0.393 million included within PAC Telemedia operating loss in the financial summary in 2008 have been reclassified in 2009 to exceptional items, interest, tax and other charges for comparative purposes

(4) before exceptional items of €0.304 million in 2009 and €6.156 million in 2008

(5) exceptional items of €0.404 million included within centre costs in the financial summary in 2008 have been reclassified in 2009 to exceptional items, interest, tax and other charges for comparative purposes

(6) includes exceptional items per note (2) and note (4), net interest received of €0.077 million, net interest paid of €0.050 million and income tax credit of €0.029 million in 2009 and net interest received of €0.278 million, net interest paid of €0.049 million and income tax credit of €0.072 million in 2008

(7) adjusted earnings per share excludes exceptional costs in both 2009 and 2008

(8) adjusted earnings per share excludes the (loss)/gain on disposal of discontinued operations

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 report and in the accounts.

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.

CHAIRMAN'S STATEMENT (CONTINUED)

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.

Peter E. Lynch
Executive Chairman
23 June 2010

FINANCIAL REVIEW

Overview of results

Summary financial information

	2009	2008
	€'000	€'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	2008	2007
	€'000	€'000	€'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	2008
	€'000	€'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.

FINANCIAL REVIEW
(CONTINUED)

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 on page 26 of the consolidated financial statements

(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.

Further details in respect of the Group's financial risk management are set out in note 3 on page 36 of the consolidated financial statements.

BOARD OF DIRECTORS

Peter E. Lynch

Executive Chairman (aged 52)

Peter E. Lynch has been Executive Chairman of Prime Active Capital plc since May 2007. Prior to joining Prime Active Capital plc, Peter was chief financial officer of Eircom, group finance director of Adare Printing Group plc and managing director of ABN AMRO Hoare Govett Stockbrokers. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Securities Institute.

John Doris

Non-executive Director (aged 63)

John Doris is principal of Meridian Business Advisors Limited, a Dublin based consultancy firm. He is a director of a number of companies in the manufacturing, distribution and technology sectors. He joined the board in May 2007.

Anne Keogh

Non-executive Director (aged 44)

Anne Keogh is a management consultant and was previously managing director of NeedaHotel.com. She joined the board in December 2007.

BOARD COMMITTEES

Audit committee

Anne Keogh (Chairman)

John Doris

Nominations committee

Peter E. Lynch (Chairman)

John Doris

Remuneration committee

John Doris (Chairman)

Peter E. Lynch

Anne Keogh

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Company and the Group for the year ended 31 December 2009.

Principal activities

The Group principally derives its income from a small portfolio of companies operating within the telecommunications industry. The primary goal of the Company is to achieve value for shareholders by improving the financial performance of investee companies by growing them through the provision of operational expertise either organically or through continued bolt on acquisition.

During the year, the Group acquired the business and assets of Freedom Wireless Inc., a chain of retail stores engaged in the sale of mobile phones and related products based in Pennsylvania, USA. The Group also disposed of Bell & Bain Limited and Top Copy Image Centres Limited, together the operating subsidiaries of the PAC Digimedia division. Further details of the acquisition and disposals are set out in the Chairman's Statement on pages 3 to 5, the Financial Review on pages 6 to 9 and in notes 6, 21 and 35 on pages 41, 54 and 68 of the consolidated financial statements.

The Group is continuing to source additional investments in accordance with statements made previously.

Review of business

A review of the business, future developments and key performance indicators of the Group is set out in the Chairman's Statement on pages 3 to 5 and the Financial Review on pages 6 to 9.

Risks and uncertainties

The principal risks and uncertainties faced by the Group's businesses relate to increasingly competitive markets, affecting margin and profitability, and the macroeconomic environment in the USA where the Group's trading activities take place and in Britain where the Group holds investments. The Group is sensitive to economic conditions in these markets including economic growth, interest rates, inflation, unemployment and demographic trends. The current economic environment for markets in which the Group currently operates represents a significant risk to the Group.

The Group pursues a growth strategy based on acquisitions. The Group may not be able to continue to achieve acquisition led growth if it is unable to identify suitable acquisition targets or raise funds to complete such acquisitions.

There is an ongoing process for identifying, evaluating, and managing any significant risk faced by the Group.

Financial risk management

Details of the Group's financial risk management policies and risks are addressed in the Financial Review on page 9 and in note 3 on pages 36 and 37 of the consolidated financial statements.

Results and dividend

The results of the Group for the year are set out in the Consolidated Income Statement on page 22. The Group's loss for the financial year was €6.287 million, of which a loss of €0.128 million is attributable to minority interest holders and a loss of €6.159 million is attributable to members of the Company.

The Directors do not recommend the payment of a dividend.

DIRECTORS' REPORT (CONTINUED)

Subsidiaries

The Company's principal subsidiary undertakings are set out in note 38 on page 70 of the consolidated financial statements.

Research and development

The Group is committed to ongoing research and development aimed at improving the quality and competitiveness of products and services provided by the Group. Expenditure on research and development is generally not material and is normally written off when it is incurred.

Political contributions

There were no political contributions which require disclosure under the Electoral Act, 1997.

Taxation status

The Company is not a close company within the meaning of the Corporation Tax Acts.

Accounting records

The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to keep proper books and accounting records in compliance with Section 202 of the Companies Act 1990. The books of accounting records of the Company are maintained at the registered office of the Company.

Directors

The current Directors of the Company and their biographical details are set out on page 10. The current Directors served as directors for the entire year.

In accordance with the Articles of Association of the Company one third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the nearest to one-third shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since their last appointment. For that reason, Ms Anne Keogh, if she remains as Director at the time of the next Annual General Meeting, will retire from the Board by rotation and, being eligible, will offer herself for reappointment.

None of the current Directors have a service contract with a notice period of one year or more. The Board confirms that the Director offering herself for reappointment continues to perform effectively and to demonstrate commitment to the role and recommends the reappointment of this Director.

Directors' and Company Secretary's share interests

The beneficial interests of the Directors and Company Secretary, including their respective families' interests, in the share capital of the Company were as follows:

Ordinary shares	At 31 December 2009	At 31 December 2008
Directors		
P E Lynch	2,820,825	2,820,825
J Doris	266,667	266,667
A Keogh	14,200	14,200
Secretary		
Goodbody Secretarial Limited	-	-

There were no changes in the Directors' or Company Secretary's interests between 31 December 2009 and 23 June 2010.

Directors' and Secretary's share options

None of the Executive or Non-executive Directors or the Company Secretary at the year end held share options.

Warrants

The Group has issued warrants in respect of new ordinary shares to Directors as follows:

	At 1 January 2009	Granted	At 31 December 2009	Exercise Price €	Exercise period
P E Lynch					
Series A	5,000,000	-	5,000,000	0.75	15 May 2007 to 15 May 2012
Series B	5,000,000	-	5,000,000	0.75	15 May 2007 to 15 May 2012

Further details are provided in note 32 on page 64 of the consolidated financial statements.

Substantial shareholdings

At 23 June 2010 the Company had been notified, in addition to Directors' interests, of the following interests in the share capital:

	No. of shares	%
Ray McLoughlin	3,360,280	14.82
Anthony Stephen and Jane Gill	3,000,000	13.22
Allied Irish Banks plc and its subsidiaries	1,106,865	4.88

Share capital

The Company's total authorised share capital comprises 100,000,000 ordinary shares of €0.50 each. At 31 December 2009 the Company's total issued share capital comprised 22,681,198 ordinary shares of €0.50 each.

All ordinary shares rank pari passu, and the rights attaching to the ordinary shares (including as to voting and transfer) are as set out in the Company's articles of association.

At the Company's Annual General Meeting on 30 September 2009, shareholders granted authority:

- for the Company to purchase up to 10% of its own shares;

DIRECTORS' REPORT (CONTINUED)

- to the Directors to allot and issue up to an aggregate amount of €3,742,397.50 in nominal value of new shares, representing one third of the nominal value of the issued ordinary share capital of the Company; and
- to the Directors to disapply the statutory pre-emption provisions relating to the issue of shares for cash, provided that the disapplication is limited to the allotment of shares in connection with a rights issue or open offer or any other issue up to an aggregate nominal value of €1,134,059.50 being equal to 10% of the nominal value of the issued ordinary share capital of the Company.

The authority granted at the Annual General Meeting in September 2009, has not been exercised and will expire at the earlier of the date of the Annual General Meeting in 2010 and fifteen months after the date of the Annual General Meeting in September 2009.

Corporate governance

The Company is committed to the principles of good corporate governance. Under the rules of ESM and AIM the Company is not required to comply with the Combined Code on Corporate Governance 2008. The Company has taken steps to comply with the provisions of the Code in so far as is practical, given the size of the Company and the nature of its operations. Details of the corporate governance procedures in place are set out in this report.

The Board

The Board is made up of one Executive and two Non-executive Directors. Biographies of each of the Directors are set out on page 10.

The Board is responsible for the strategy and direction of the Group. A formal schedule of matters reserved for Board approval has been adopted and this includes the approval of the annual financial statements, strategy and budgets, significant capital expenditure and acquisitions and disposals, board appointments and review of the Group's system of internal control. The Board has delegated responsibility for the management of the Group, through the Executive Chairman, to executive management. The Executive Chairman is accountable to the Board for all authority delegated to executive management. The strategies, operating parameters and controls on the business are implemented by the Executive Chairman through a series of formal and informal meetings and reviews involving senior management colleagues and operational management of the Group.

The Directors are empowered to take independent professional advice if necessary at the Company's expense and all Directors have access to the advice and services of the Company Secretary.

All Directors bring an independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

The Board has established a number of committees to assist in carrying out its responsibilities and meeting its obligations. The committees and their members are listed on page 10. All of the committees have written terms of reference which are available from the Company's registered office. Meetings of the Board and its committees are held on a regular basis.

Executive Chairman and Senior Independent Director

The Board has delegated managerial responsibility for the running of the Group to the Executive Chairman Mr Peter E. Lynch. He is responsible for the strategic direction and overall performance of the Group.

Mr John Doris is the Senior Independent Director. He is available for contact by shareholders if they have concerns which cannot be addressed through the normal channels of the Executive Chairman.

Board balance and independence

A majority of the Board comprises Non-executive Directors. The Combined Code requires boards of directors to identify in the annual report each Non-executive Director whom it considers to be independent and to determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Code identifies a number of relationships and circumstances which may be relevant to determining independence, including if the director has been an employee of the Company or Group within the last five years; has a material business relationship with the Company; holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or has served on the board for more than nine years from the date of the first election. In addition, the Code also requires the Chairman to be independent on appointment but that the test of independence is not appropriate thereafter.

In the opinion of the Board all of the Non-executive Directors are independent. In arriving at this conclusion the Board has referred to a number of factors that might appear to affect the independence of some of the Directors. In each case the Board decided that the independence of the relevant Director was not compromised.

Supply of information and professional development

The Board receives monthly Group financial information and detailed Board papers are sent to each Director in a timely manner in advance of meetings.

Directors are kept up to date on the latest corporate governance developments and ongoing developments in best practice.

Appointment to the Board

A Nominations Committee has been established to make recommendations to the Board on all new Board appointments. The members of the Committee are identified on page 10.

All Directors are subject to election by shareholders at the first opportunity after their appointment and to re-election at intervals of not more than three years. Non-executive Directors are appointed for specified terms subject to re-election at the next Annual General Meeting.

The terms of appointment of Non-executive Directors are available for inspection at the Company's registered office.

Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board.

Remuneration

The Remuneration Committee consists solely of Non-executive Directors. Membership of the Committee is set out on page 10. The Committee is responsible for determining the remuneration of the Executive Chairman and senior management.

The Company's policy is to ensure that the remuneration of the Executive Chairman and senior management is appropriate to the nature and size of the Group's business and properly rewards and motivates them to perform in the best interests of shareholders. In framing the remuneration policy, the Remuneration Committee has given full consideration to Section B of the Best Practice Provisions annexed to the Irish Stock Exchange Listing Particulars. The main elements of the remuneration package for the Executive Chairman are basic salary, annual performance related bonus and share warrants.

DIRECTORS' REPORT (CONTINUED)

The Committee is responsible for making recommendations to the Board regarding remuneration for Non-executive Directors. The remuneration of Non-executive Directors is determined by the Board within the limits set by the Articles of Association.

Details of Directors' remuneration are set out in note 15 on page 47 of the consolidated financial statements. The interests of Directors in shares are set out on page 13. Details of the warrants granted to the Executive Chairman during 2007 are set out in note 32 on page 64 of the consolidated financial statements. It is the policy to grant warrants to senior executives to encourage identification with shareholders' interests.

Accountability and audit

An Audit Committee has been established with written terms of reference setting out its role and responsibilities. The membership of this Committee is set out on page 10. The Committee discharges its responsibilities through meetings and receipt and review of reports from the external Auditors and management and review of preliminary announcements and annual reports.

The Committee reviews the accounting policies and practices used in the preparation of the financial statements and is responsible for reviewing the scope and effectiveness of the annual external audit. It reviews and monitors the external Auditors' independence and objectivity and the supply of non-audit services taking account of the relevant regulatory requirements and ethical guidance. Details of fees paid to the Auditors for audit and other services are set out in note 11 on page 45 of the consolidated financial statements. Non-audit services are mainly related to the provision of tax related services. It is more practical and efficient for these services to be provided by the Auditors. The nature of the non-audit services and the value of them are reviewed by the Committee so that it can be satisfied that auditor objectivity and independence is safeguarded. The Committee meets the Auditors in the absence of the Executive Chairman and management at least once each year.

The Committee has reviewed the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and is satisfied that these arrangements are adequate.

The Board is satisfied that at all times at least one member of the Audit Committee has sufficient recent and relevant financial experience.

The Directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group operates through an organisation structure with clearly defined levels of responsibility and authority and appropriate procedures.

Annual budgets are prepared for all business units and these identify key risks and opportunities. The Board approves the Group budget. Performance is measured against budget and prior years and Group performance is reported to the Directors on a monthly basis.

The operating companies maintain controls and procedures which are appropriate to their size and the environment in which they operate. There are regular visits to the operating companies by the Executive Chairman and senior management at which a detailed review of operating and financial matters, including business risk and internal control issues, takes place. The Board receives regular updates on the key risks at Group level and in the individual business units and the steps taken to manage such risks.

The Group does not have an internal audit function as it is not considered necessary because of the nature and size of the Group's activities and the ongoing operating and financial reviews carried out by Group management. The need for an internal audit function is reviewed on an annual basis.

The Directors have, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control.

Corporate responsibility

The Group has a Code of Business Conduct aimed at ensuring high standards of conduct are maintained within the Group and activities are carried out in a responsible and ethical manner.

A whistle-blowing policy is in place whereby staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Group companies have prepared safety statements as appropriate. The policies set out in these statements are kept under review.

Employees

The Group is committed to the principle of equality and complies with all relevant and anti-discrimination legislation.

The average number employed by the Group during 2009 was 343 (2008: 435).

Relations with shareholders

It is the Company's policy to enter into dialogue with shareholders in so far as is permissible having regard to the rules of the Stock Exchange, the Companies Acts and other legal and regulatory requirements. All Directors are encouraged to participate in this process. The Board is kept advised of any material matters arising.

The Company's Annual General Meeting affords individual shareholders the opportunity to question the Board. In addition, the Company responds throughout the year to communications from shareholders.

The Annual Report and Notice of Meeting are posted to shareholders at least twenty one working days before the Annual General Meeting. The level of proxy votes cast on each resolution, and the numbers for and against, are announced at the general meetings. Details of the resolutions passed at the Annual General Meeting are included on the Company's website.

Directors' responsibilities

The Directors' responsibilities are contained within the Statement of Directors' Responsibilities on page 19.

Annual general meeting

The notice of the meeting will give details of any matters which are special business to be considered at the meeting.

Going concern

The Directors have reviewed budgets and cash flow projections for a period not less than 12 months from the date of this annual report. The Directors have also considered the current economic conditions in the markets that the Group operates in and in particular the uncertainty that these conditions create over the level of demand for the Group's products. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to continue to operate its existing businesses without the need for additional finance which, in any case, may not be forthcoming on acceptable terms.

On the basis of this review, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For that reason, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT
(CONTINUED)

Future developments

Details of the future developments of the Group are set out in the Chairman's Statement on pages 3 to 5.

Post balance sheet event

The Group acquired a further 3.350 million ordinary shares in Media Square plc on February 12, 2010, which brings the Group's total holding to 28.5% of the issued share capital in that company. This additional investment continues to be accounted for under available-for-sale financial assets.

The consideration of €0.578 million has been satisfied by a loan note issued by the Group to the vendor, Mr. Anthony Gill, a related party. The loan note, which is unsecured, is repayable on 1 January 2012 with interest payable quarterly in arrears at a rate of 6% per annum.

Auditors

The Auditors, Grant Thornton will continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board

P E Lynch
J Doris
23 June 2010

Executive Chairman
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements are prepared in accordance with generally accepted accounting practice in Ireland. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the web site. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIME ACTIVE CAPITAL PLC

We have audited the group and parent company financial statements of Prime Active Capital plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We report to you our opinion as to whether the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the parent company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements;
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital; and
- whether any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, Financial Review, Financial Summary and Group Financial Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009;
- the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the parent company's affairs as at 31 December 2009; and
- the parent company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Grant Thornton
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2
23 June 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Pre- exceptionals 2009 €'000	Exceptionals (note 7) 2009 €'000	Total 2009 €'000	Pre- exceptionals 2008 €'000	Exceptionals 2008 €'000	Total 2008 €'000
Continuing operations							
Revenue	5	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	8	-	-	-	-	(5,343)	(5,343)
Operating loss		(3,146)	(1,056)	(4,202)	(5,691)	(6,549)	(12,240)
Finance costs	9	(50)	-	(50)	(49)	-	(49)
Finance income	9	77	-	77	278	-	278
Loss before tax		(3,119)	(1,056)	(4,175)	(5,462)	(6,549)	(12,011)
Income tax credit	14	29	-	29	72	-	72
Loss for the year from continuing operations	5	(3,090)	(1,056)	(4,146)	(5,390)	(6,549)	(11,939)
Discontinued operations							
(Loss)/profit for the year from discontinued operations after tax	6			(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)
Loss per share							
From continuing operations							
- Basic and diluted	16			(17.72)			(49.13)
(Loss)/earnings per share							
From discontinued operations							
- Basic and diluted	16			(9.43)			31.05
Loss per share							
From continuing and discontinued operations							
- Basic and diluted	16			(27.15)			(18.08)

P E Lynch
J Doris

Executive Chairman
Director

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

	Notes	2009 €'000	2008 €'000
Loss for the year		(6,287)	(4,896)
Other comprehensive income/(expense):			
Available-for-sale financial assets	22	(39)	-
Fair valuation of warrants	32	304	813
Actuarial gain/(loss) on defined benefit pension plan	28	90	(259)
Put liability extinguished	30	-	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)

Items in the statement above are disclosed net of tax. The income tax credit for the year is disclosed in note 14 on page 46 of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	Notes	2009 €'000	2008 €'000
Assets			
Current assets			
Inventories	17	2,372	1,779
Trade and other receivables	18	3,797	4,587
Cash and cash equivalents	19	2,286	4,146
		8,455	10,512
Non-current assets			
Property, plant and equipment	20	943	7,244
Intangible assets	21	8,326	6,472
Available-for-sale financial assets	22	1,094	1,057
Other loans and receivables	23	1,272	-
		11,635	14,773
Total assets		20,090	25,285
Liabilities			
Current liabilities			
Trade and other payables	24	6,423	4,708
Current income tax liabilities		100	216
Borrowings	25	-	712
Provisions for other liabilities and charges	26	807	590
		7,330	6,226
Non-current liabilities			
Trade and other payables	24	-	527
Borrowings	25	-	1,263
Deferred income tax liabilities	27	-	529
Retirement benefit obligations	28	156	240
Provisions for other liabilities and charges	26	-	328
		156	2,887
Total liabilities		7,486	9,113
Net assets		12,604	16,172
Equity			
Ordinary shares	29	11,341	11,341
Share premium	29	16,444	16,444
Other reserves	30	931	(1,701)
Retained earnings	31	(16,225)	(10,187)
Minority interest in equity	31	113	275
Total equity		12,604	16,172

P E Lynch
J Doris

Executive Chairman
Director

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

	Share Capital €'000	Share premium reserve €'000	Other Reserves €'000	Retained Earnings €'000	Total attributable to shareholders €'000	Minority 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	-	-	(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 €'000	Share premium reserve €'000	Other Reserves €'000	Retained Earnings €'000	Total attributable to shareholders €'000	Minority Interest €'000	Total Equity €'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

	Notes	2009 €'000	2008 €'000
Operating activities			
Cash generated from operations	33 (a)	(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	6	2,328	10,835
Acquisition of subsidiary, net of cash acquired	35	(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	19	2,286	4,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company is a public limited company listed on the Enterprise Securities Market (ESM) in Dublin and on the Alternative Investment Market (AIM) in London. The address of its registered office is 18, The Hyde Building, The Park, Carrickmines, Dublin 18, Ireland.

The principal activities of the Company and its subsidiaries are described in the Directors' report on page 11.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS.

The Company financial statements have been prepared in accordance with Irish GAAP. The Company has availed of the exemption in Section 148(8) of the Companies Act 1963 not to present its individual Profit and Loss Account and related notes that form part of the approved Company financial statements. The Company has also availed of the exemption from filing its individual Profit and Loss Account with the Registrar of Companies as permitted by Section 7(1A) of the Companies (Amendment) Act 1986.

2.2 Basis of preparation

These consolidated financial statements, which are presented in euro thousands, have been prepared under the historical cost convention as modified by the measurement at fair value of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and available-for-sale financial assets.

There is a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future despite the current economic conditions in the markets that the Group operates in and the uncertainty these conditions create over the level of demand for the Group's products. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group should be able to continue to operate its existing businesses without the need for additional finance. For that reason, the consolidated financial statements have been prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 on pages 37 and 38 of the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain new and revised accounting standards and new IFRIC interpretations are mandatory for the Group for accounting periods beginning on or after 1 January 2009. The Group's assessment of the impact of these new standards and interpretations is set out below.

The following standards and interpretations became effective for the 2009 financial statements and the adoption of these resulted in a number of changes to the presentation of information and to the information presented:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

- IAS 1 (revised) – Presentation of Financial Statements
The adoption of this standard makes certain changes to the format and titles to the primary financial statements and to the presentation of some items within these statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. All non-owner changes in equity are required to be shown in a performance statement either as one single statement (the statement of comprehensive income) or two linked statements (the income statement and statement of comprehensive income). The Group has elected to present two statements.
- IFRS 8 – Operating Segments
This standard replaced IAS 14 – Segment Reporting – and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. There is only one business segment as at 31 December 2009, PAC Telemedia, following the disposal during the year of PAC Digimedia's final two operating entities in the United Kingdom (UK).

The following standards and interpretations became effective for the 2009 financial statements but these were either not relevant to or did not have a material impact on the Group's financial statements:

- IFRS 1 (amendment) – First-time Adoption of International Financial Reporting Standards;
- IFRS 2 (amendment) – Share-based Payments;
- IFRS 5 (amendment) – Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 7 (amendment) – Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments;
- IAS 16 (amendment) – Property, Plant and Equipment;
- IAS 19 (amendment) – Employee Benefits;
- IAS 20 (amendment) – Accounting for Government Grants and Disclosure of Government Assistance;
- IAS 23 (amendment) – Borrowing Costs;
- IAS 27 (amendment) – Consolidated and Separate Financial Statements;
- IAS 27 (revised) – Consolidated and Separate Financial Statements;
- IAS 28 (amendment) – Investments in Associates;
- IAS 29 (amendment) – Financial Reporting in Hyperinflation Economies;
- IAS 31 (amendment) – Interests in Joint Ventures;
- IAS 32 (amendment) – Financial Instruments: Presentation;
- IAS 36 (amendment) – Impairment of Assets;
- IAS 38 (amendment) – Intangible Assets;
- IAS 39 (amendment) – Financial Instruments: Recognition and Measurement;
- IAS 40 (amendment) – Investment Property;
- IAS 41 (amendment) – Agriculture;
- IFRIC 9 (amendment) – Reassessment of Embedded Derivatives;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 16 (amendment) – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 16 (amendment) – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Distributions of Non-cash Assets to Owners; and
- IFRIC 18 – Transfer of Assets from Customers.

The Group has not applied the following standards and interpretations which have been issued and become effective for accounting periods beginning after the commencement of the Group's next financial year but either have no impact or are not expected to have a material impact on the Group's financial statements:

- IFRS 1 (amendment) – First-time adoption of International Financial Reporting Standards;
- IFRS 2 (amendment) – Share Based Payments;
- IFRS 5 (amendment) – Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 8 (amendment) – Operating Segments;
- IFRS 9 – Financial Instruments;
- IAS 1 (amendment) – Presentation of Financial Statements;
- IAS 7 (amendment) – Statement of Cash Flows;

- IAS 17 (amendment) – Leases;
- IAS 24 (amendment) – Related Party Transactions;
- IAS 32 (amendment) – Financial Instruments: Presentation;
- IAS 36 (amendment) – Impairment of Assets;
- IAS 38 (amendment) – Intangible Assets;
- IAS 39 (amendment) – Financial Instruments: Recognition and Measurement;
- IFRIC 14 (amendment) – IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction; and
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

The Group has not applied the following revised standard which has been issued and becomes effective for accounting periods beginning on or after 1 July 2009 and may have a material impact on the Group's financial statements and is therefore currently under review:

- IFRS 3 (revision) – Business Combinations
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply the revised standard prospectively to all business combinations from 1 January 2010, subject to EU endorsement, and the impact on the Group's financial statements will be dependent on future acquisitions.

The standards and interpretations addressed above will be applied for the purposes of the Group financial statements with effect from the date they become effective.

2.3 Basis of consolidation

Subsidiaries are those entities over which the Group has the power to control the financial and operating policies so as to obtain economic benefit from their activities. The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) all of which prepare financial statements up to 31 December. Accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group. All intra-group transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2.4 Business combination

The purchase method of accounting is employed in accounting for the acquisition of subsidiaries by the Group. The Group elected to avail of the exemption under IFRS 1 – First time Adoption of International Financial Reporting Standards – whereby business combinations prior to the transition date (1 January 2004) are not restated. IFRS 3 – Business Combinations – has been applied with effect from the transition date and goodwill amortisation ceased from that date.

On the acquisition of a subsidiary, fair values are attributed to the net identifiable assets acquired. The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable expenses. Any excess of the fair value of the consideration over the fair value of the Group's share of the assets acquired is treated as goodwill.

2.5 Minority interests

Minority interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiary.

2.6 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment which is subject to risks and returns that are different from those of segments operating in other economic environments.

At 31 December 2009, the Company had one business/geographic segment, PAC Telemedia. The results and financial information of this operating segment are presented and regularly reviewed by the Group's Chief Operating Decision maker which the Group has defined as the Executive Chairman. EBITDA is one of the key measures utilised in assessing the performance of this operating segment. IFRS does not define EBITDA which for the purpose of clarity is defined as earnings before interest, tax, depreciation and amortisation.

2.7 Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, sales taxes, rebates and returns, after eliminating sales within the Group.

Revenue from the sale of goods is recognised when a Group entity has delivered products to the customer and the significant risks and rewards of ownership have been transferred to the buyer. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Within PAC Telemedia, commission revenue is receivable on sales of third party wireless subscription services and is contractually committed by the provider of the wireless subscription services and for which there are ongoing performance criteria. Commission is repayable in the event that a subscriber cancels a subscription service within a defined period of time. Accumulated experience is used to estimate and provide for commission repayments. Commission revenue is recognised net of provision for cancellations when the sales related to the commission are made.

2.8 Share-based payments

Warrants

In accordance with IFRS 2- Share-based Payment, the fair value of the warrants at grant date excluding the impact of non-market conditions is recognised as an expense in the income statement over the vesting period. A corresponding amount is recognised in shareholders' equity as the warrant scheme is designated as an equity-settled share based payment transaction. The fair value of each warrant granted during the year is determined using an option pricing model with assumptions appropriate to each award at the time of grant. A detailed description is outlined in note 32 on page 64 of the consolidated financial statements.

Share options

Employees (including Directors) of the Group may be entitled to remuneration in the form of share – based payment transactions, whereby employees render service in exchange for shares or rights over shares. Details of the Group's share option scheme are set out in note 37 on page 69 of the consolidated financial statements.

In line with the transitional provisions applicable to a first-time adopter of IFRS, as contained in IFRS 2 – Share-based Payment, the recognition and measurement principles of this standard have been applied only in respect of share options granted after 7 November 2002 that had not vested at the date of transition to IFRS. In accordance with the standard, the disclosure requirements of IFRS 2 – Share-based Payment – are applied to all outstanding share-based payments regardless of their grant date.

For any share options granted after 7 November 2002, the fair value of the option is recognised as an expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date excluding the impact of non-market conditions and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest where vesting conditions are non-market conditions. When the options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

2.9 Retirement benefit obligations

The Group operates a number of defined contribution schemes and a defined benefit scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution schemes are charged to the income statement in the period in which they fall due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The Group accounts for the post-employment defined benefit scheme through full recognition of the scheme's surplus (unless restricted under IAS19) or deficit on the balance sheet at the end of each year. Actuarial gains and losses are included in the statement of comprehensive income. Current costs, curtailments and settlements are recognised within operating profit. Past service costs are recognised within operating profit unless the changes to the pension plan are conditional on the employees remaining service for a specified period of time (vesting period). In this case, the past service costs are amortised over the vesting period. Expected return on scheme assets and interest on obligations are recognised as components of finance income and finance costs.

2.10 Finance income and finance costs

Finance income consists of income from interest earning deposits and expected returns on defined benefit pension plan assets. Deposit interest income is accrued on a time basis by reference to the principal balance and the applicable effective interest rate.

Finance costs consist of interest payable on borrowings and the interest cost on defined benefit pension plan liabilities. Interest payable on borrowings is accrued on a time basis by reference to the outstanding principal and the effective interest rate of the borrowing.

2.11 Exceptional items

The Group has adopted an income statement format, which seeks to highlight significant items within the Group results for the year. Such items may include restructuring costs, reorganisation costs, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements, profit or loss on disposal of investments or other significant expenses. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and notes as exceptional items.

2.12 Taxation

Taxation on the profit or loss for the period comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on the basis of the liability method on temporary differences at the balance sheet date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or where, in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, the timing and reversal of the temporary differences is subject to control by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are anticipated to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The carrying amounts of deferred tax assets are subject to review at each balance sheet date and are reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

2.13 Currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the presentation currency of the Group.

Following the disposal of the remaining UK based trading operations and arising from the ongoing growth of the US based operations and the fact that the US is the primary environment in which the Group operates, the functional currency of the Company is US dollar. The previous functional currency of the Company was sterling. Presenting the financial statements in euro is considered to be more meaningful for shareholders because the Group parent company is incorporated in Ireland, its shares are quoted on the Enterprise Securities Market (ESM), the Irish Stock Exchange market which is designed for small to mid-sized companies, and the majority of its shareholders are Irish.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Group companies

Results and cash flows of subsidiaries are translated into euro at average exchange rates for the period, where average exchange rates approximate the exchange rates applying at the dates of the underlying transactions, and the related balance sheets are translated at the exchange rates applying at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates applying at the balance sheet date. Exchange differences arising on translation of the results of foreign currency subsidiaries and on restatement of the opening net assets at closing rates, on both the translation to the functional currency of the parent and to the reporting currency, are dealt with in a separate currency translation reserve within equity, net of any differences on related currency borrowings. On disposal of a foreign operation, accumulated currency translation differences are recognised in the income statement as part of the overall gain or loss on disposal. Cumulative currency translation differences arising prior to 1 January 2004 (the transition date to IFRS) have been set to zero.

2.14 Property, plant and equipment

Property, plant and equipment are recorded at original cost less accumulated depreciation (for those assets which are depreciated) and any impairment loss. Cost includes the purchase price plus costs directly incurred in bringing the asset into use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2.15 Depreciation and impairment of property, plant and equipment

Depreciation is charged, on a straight-line basis, so as to write down the cost of property, plant and equipment to residual value, including those assets held under finance lease. Land is not depreciated. Depreciation charges are commenced from the dates the assets are available for their intended use and are spread over the following estimated useful economic lives (or the lease term, if shorter):

- property 50 years;
- fixtures, fittings, plant and equipment 3 to 12 years; and
- vehicles and office equipment 2 to 5 years.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

In accordance with IAS 36 – Impairment of Assets – the carrying values of items of property, plant and equipment are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate. For this purpose assets are grouped into cash generating units representing the lowest levels for which there are separately identifiable cash flows. Impairment is then determined by assessing the recoverable amount of the cash-generating unit to which the assets relates. Reversals of impairment losses are recognised in income when they arise.

2.16 Intangible assets – goodwill

Goodwill is recognised as an asset and represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the acquisition. As at the acquisition date, goodwill is allocated to cash-generating units for the purpose of impairment testing. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment annually and whenever there is a possible indicator of impairment. Impairment is determined by assessing the recoverable amount, being the higher of fair value less costs to sell and value in use, of the cash-generating unit to which the goodwill relates. If the recoverable amount of goodwill is less than its carrying amount, an impairment loss is recognised. Impairment losses for goodwill are not reversed in subsequent periods.

Where a subsidiary is sold, any goodwill arising on acquisition, net of any impairment, is included in determining the profit or loss arising on disposal.

2.17 Available-for-sale financial assets

The Group's investments in equity securities, that are not accounted for as a subsidiary, associate or joint venture, are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, including translation differences, are recognised directly in equity. The fair value of investments classified as available-for-sale is their quoted market price at the balance sheet date. When such an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

2.18 Other loans and receivables

Other loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are included at fair value in non-current assets unless the investment is due to mature within 12 months of the balance sheet date. After initial recognition, gains or losses arising from changes in the fair value are included in other gains/(losses) in the income statement in the period in which they arise.

2.19 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Inventory within the PAC Telemedia segment is measured by taking account of cost and the expected revenues arising from the sale of packages comprising a mobile phone and a wireless subscription service for which the Company receives a commission. Where necessary, write downs in the carrying value of inventories are made for obsolete, damaged, deteriorated and unusable items on the basis of a review of individual items included in inventory.

For the year ending 31 December 2008, the cost of finished goods and work in progress within the PAC Digimedia segment was based on the cost of raw materials, direct labour, other direct costs, related production overheads (based on normal operating capacity) but excluded borrowing costs. Net realisable value was based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.20 Trade and other receivables

Trade and other receivables are recognised initially at fair value. Given the short-dated nature of these assets the original invoice value equates to initial fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method, less an impairment provision when there is objective evidence that it will not be possible to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original rate of interest. The amount of the provision is recognised in the income statement in selling and distribution costs.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, including bank deposits of less than three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.22 Share capital

Ordinary shares are classified as equity. Equity capital issued by the Group is recorded at the value of the proceeds received, net of direct issue costs. The only equity instruments of the Group are ordinary share capital and warrants.

2.23 Trade payables

Trade payables are initially stated at cost which, given the short-dated nature of these liabilities equates to initial fair value and are subsequently measured at amortised cost, using the effective interest rate method, when the age or payment terms of the liability indicates that initial cost no longer equates to fair value.

2.24 Provisions

A provision is recognised in the balance sheet when the Group has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits would be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Borrowings

Borrowings are initially recorded at the fair value of the consideration received net of attributable transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the consideration received (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.26 Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Asset finance agreements are legal agreements entered into with a provider of finance to enable Group entities to finance the purchase of plant and equipment. The substance of these agreements is equivalent to that of a finance lease and accordingly these transactions are accounted for as finance leases. The term asset finance agreement is used in the financial statements to describe both finance lease agreements and any other agreements which are equivalent to finance leases in substance.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. Benefits received as an incentive to enter into an operating lease are spread on a straight line basis over the period of the lease.

2.27 Derivative financial instruments and hedging activities

Derivative financial instruments may be employed by the Group from time to time to match an existing foreign currency asset or liability or to hedge a forecasted transaction. Derivative financial instruments are initially measured at fair value and remeasured at fair value at each reporting date and the movement in fair value is recognised in the income statement unless they are designated as cash flow hedges under IAS 39 – Financial Instruments: Recognition and Measurement. Where such instruments are classified as cash flow hedges, and subject to the satisfaction of certain criteria relating to documentation at inception of the relationship between the hedging instrument and the hedged item, risk management objectives and strategy, and the ongoing measurement of its effectiveness, they are accounted for under hedge accounting rules.

In such cases, any gain or loss arising on the effective portion of the derivative instrument is recognised in the hedging reserve, a separate component of equity. Gains or losses on any ineffective portion of the derivative are recognised in the income statement. When a forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2.28 Government and other grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Within the PAC Telemedia segment, grants related to certain expenditures incurred in respect of the opening of new mobile phone shops are receivable subject to various conditions. When there is reasonable assurance that the grant will be received and all conditions will be complied with, the grant is recognised as a reduction of the associated expense at its fair value in the period in which the related expense is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Government and other grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government and other grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

2.29 Discontinued operations

A discontinued operation is a component of the Group's business which represents a separate major line item of business and has been disposed of. When an operation is classified as discontinued, the comparative income statement is restated as if the operation had been discontinued from the start of the earliest period presented.

3. Financial risk management

The main financial instruments used by the Group throughout its businesses are cash and cash equivalents, trade receivables and payables. The Group also has available-for-sale quoted equities in a company listed on AIM. The Group had no borrowings as at 31 December 2009. The main risks attaching to the Group's financial instruments are currency, credit, price and liquidity risk.

Currency risk

The Group's trading activities are conducted in US dollar, the functional currency of the Group's main subsidiaries. The Group's USA based operating companies do not incur transactional currency exposures arising from sales and purchases in currencies other than the US dollar.

The translation of the Group's net investment in its subsidiaries to the Group presentation currency (euro) gives rise to an exchange movement which is recognised in the consolidated statement of comprehensive income.

Credit risk

Credit risk arises in the context of the Group's trading with customers. Credit risk is managed by maintaining and applying appropriate credit control policies with both new and continuing customer relationships. There were no significant concentrations of credit risk at the year end.

The Group is also exposed to credit risk relating to cash and cash equivalents. The Group places cash/deals with highly rated financial institutions and, where appropriate, seeks to diversify funds between a number of such institutions to minimise the amount of credit exposure to any financial institution.

Price risk

The Group is exposed to underlying equity securities price risk in respect of investments held by the Group and classified as on the balance sheet as available-for-sale. The Group does not hedge against this exposure.

At 31 December 2009, if the underlying equity securities price in respect of investments held by the Group and classified on the balance sheet as available-for-sale had strengthened/weakened by 5% with all other variables held constant, other components of equity would have been €0.055 million/€0.055 million (2008: €0.053 million/€0.053 million) lower/higher, mainly as a result of changes in fair values of available-for-sale financial assets.

Liquidity risk

The Group is exposed to liquidity risk which arises primarily from the requirement to pay short term financial liabilities. The Group's policy is to ensure that sufficient resources are available either from cash balances or cash flows to ensure all obligations can be met as they fall due. To achieve this objective, the Group:

- continuously monitors and controls forecast and actual cash flows;
- maintains cash balances and liquid investments with highly-rated counterparties; and
- limits the maturity of cash balances.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances as the impact of discounting is not significant.

At 31 December 2009	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000
Trade and other payables	6,423	-	-
	6,423	-	-

At 31 December 2008	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000
Borrowings	729	556	804
Trade and other payables	4,535	-	-
	5,264	556	804

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may pay dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future in preparing the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates cannot be expected to predict future results with certainty. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Goodwill

The Group capitalised goodwill of €1.570 million following the acquisition of the business and assets of Freedom Wireless Inc. on 1 December 2009.

Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicating potential impairment exist. In accordance with accounting policy note 2.16 on page 33 of the consolidated financial statements, the Group assesses the recoverable amount of the cash generating unit to which goodwill relates to determine if goodwill has been impaired. In calculating the recoverable amount, management judgment is required to determine either the fair value less costs to sell of the cash generating unit or to determine the discounted present value of the cash flows expected to arise from the continuing use of the cash generating unit and its disposal and the end of its useful life. In testing for impairment at 31 December 2009, management assessed the value in use of the cash generating units to which goodwill related and determined that no impairment arose.

4.2 Post-retirement benefits

The Group operates a defined benefit pension plan. The Group's total obligation in respect of this pension plan is based on the advice of independent, qualified actuaries and updated at least annually. At 31 December 2009 the total obligation of the plan was €0.920 million and the plan assets totalled €0.764 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The size of the pension deficit is sensitive to the assumptions which underlie the calculations performed by the independent actuaries. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation and benefit and salary increases together with the discount rate used. The size of the plan assets is also sensitive to asset return levels.

4.3 Income taxes

Significant judgement is required in determining the provision for income taxes as the taxation rules are constantly evolving and are subject to changes in legal and practical interpretation from time to time. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.4 Business combinations

The Group uses the purchase method of accounting for acquisitions which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of the purchase method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition.

4.5 Exceptional items

In accordance with accounting policy note 2.11 on page 31 of the consolidated financial statements, the Group has adopted an income statement format which highlights as exceptional any significant and one off items within the Group's results for the year. Judgement is used by the Group in assessing the particular items, which by virtue of their materiality and/or nature, are presented in the income statement and related notes as exceptional items.

4.6 Valuation of warrants

The determination of the fair value of warrants involves the use of judgements and estimates. The fair value has been estimated using Monte Carlo simulation model in accordance with the judgemental assumptions set out in note 32 on page 64 of the consolidated financial statements.

4.7 Available-for-sale financial assets

Available-for-sale financial assets consist of quoted equity securities. Available-for-sale financial assets are considered for impairment if there is a significant decline in the market value of these equity securities. The Group policy is to assess such declines and if considered significant to charge an impairment loss to the income statement in accordance with the requirement of IAS 39 – Financial Instruments: Recognition and Measurement – and in accordance with note 2.17 on page 33 of the consolidated financial statements.

4.8 Fair value of other loans and receivables

The fair value of other loans and receivables that are not traded on an active market is determined by using discounted cash flow analysis. A present value of future cash flows is calculated using a discount rate based on the market interest rate plus a risk premium specific to the underlying loans and receivables.

4.9 Deferred tax assets

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction.

4.10 Commissions repayable

Commission revenue is receivable within the PAC Telemedia division on sales of third party wireless subscription services and is contractually committed by the provider of the wireless subscription services and for which there are ongoing performance criteria. Commission is repayable in the event that a subscriber cancels a subscription service within a defined period of time. Accumulated experience is used to estimate and provide for such commission repayments.

5. Segment information

(a) Primary reporting format - business segments

Segment information is presented in accordance with IFRS 8 – Operating Segments with effect from 1 January 2009. Comparative information for 2008 is presented on a consistent basis.

At 31 December 2009, the Group had one business segment, PAC Telemedia, following the disposal of the remaining PAC Digimedia operations. PAC Telemedia is the telecommunications division and comprises operating subsidiaries that are premium retailers of mobile phones and accessories and are authorised agents for Verizon Wireless offering its pre and post paid mobile telecommunication subscription services and wireless data products. At 31 December 2008, the Group had a second business segment PAC Digimedia.

The segment results for the years ended 31 December 2009 and 31 December 2008 are as follows:

Year ended 31 December 2009	Continuing			Discontinued	
	PAC Telemedia €'000	Unallocated ⁽¹⁾ €'000	Total €'000	PAC Digimedia €'000	Group €'000
Revenue	20,928	-	20,928	9,274	30,202
EBITDA ⁽²⁾	(1,789)	(1,024)	(2,813)	1,217	(1,596)
Depreciation, amortisation and other grants	(322)	(11)	(333)	(741)	(1,074)
Operating (loss)/profit before exceptional items	(2,111)	(1,035)	(3,146)	476	(2,670)
Exceptional items	(752)	(304)	(1,056)	(84)	(1,140)
Finance costs	-	(50)	(50)	(123)	(173)
Finance income	-	77	77	-	77
(Loss)/profit before tax	(2,863)	(1,312)	(4,175)	269	(3,906)
Income tax credit	-	29	29	19	48
Loss on disposal of subsidiary	-	-	-	(2,429)	(2,429)
Loss for the year	(2,863)	(1,283)	(4,146)	(2,141)	(6,287)

Year ended 31 December 2008	Continuing			Discontinued	
	PAC Telemedia €'000	Unallocated €'000	Total €'000	PAC Digimedia €'000	Group €'000
Revenue	8,816	-	8,816	24,969	33,785
EBITDA ⁽²⁾	(4,430)	(1,109)	(5,539)	2,038	(3,501)
Depreciation, amortisation and other grants	(136)	(16)	(152)	(1,692)	(1,844)
Operating (loss)/profit before exceptional items	(4,566)	(1,125)	(5,691)	346	(5,345)
Exceptional items	(393)	(6,156)	(6,549)	(11)	(6,560)
Finance costs	-	(49)	(49)	(390)	(439)
Finance income	7	271	278	10	288
Loss before tax	(4,952)	(7,059)	(12,011)	(45)	(12,056)
Income tax credit/(expense)	-	72	72	(85)	(13)
Profit on disposal of subsidiary	-	-	-	7,173	7,173
(Loss)/profit for the year	(4,952)	(6,987)	(11,939)	7,043	(4,896)

(1) unallocated costs represent corporate costs of the Group including exceptional items

(2) the Executive Chairman assesses segment performance based on earnings before interest, tax, depreciation and amortisation (EBITDA)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Segment assets and liabilities at 31 December 2009 and other segment items in 2009 are as follows:

	Continuing			Discontinued		Group €'000
	PAC		Total €'000	PAC		
	Telemedia €'000	Unallocated €'000		Digimedia €'000		
Segment assets	16,745	3,345	20,090	-	-	20,090
Segment liabilities	(6,759)	(727)	(7,486)	-	-	(7,486)
Other segment items						
Depreciation	379	11	390	741	-	1,131
Capital expenditure ⁽¹⁾	281	-	281	57	-	338
Inventory provision	142	-	142	28	-	170

Segment assets and liabilities at 31 December 2008 and other segment items in 2008 are as follows:

	Continuing			Discontinued		Group €'000
	PAC		Total €'000	PAC		
	Telemedia €'000	Unallocated €'000		Digimedia €'000		
Segment assets	12,412	4,795	17,207	8,078	-	25,285
Segment liabilities	(4,231)	(944)	(5,175)	(3,938)	-	(9,113)
Other segment items						
Depreciation	205	16	221	1,692	-	1,913
Capital expenditure	1,649	7	1,656	2,884	-	4,540
Bad debts	-	-	-	77	-	77
Inventory provision	198	-	198	14	-	212

(1) in addition to capital expenditure noted above, see business combinations at note 35 on page 68 of the consolidated financial statements

(b) Secondary reporting format - geographical segments

The Group's business segments and its assets are located in the USA. The table below shows revenue by customer location, asset by location and capital expenditure by location. Unallocated assets represent assets held by PAC Group and not allocated to an operating subsidiary and include the Group's interest in Media Square plc.

Year ended 31 December 2009	Continuing			Discontinued				Group €'000
	USA €'000	Unallocated €'000	Total €'000	UK €'000	USA €'000	Other €'000	Total €'000	
Revenue ⁽¹⁾⁽²⁾	20,928	-	20,928	9,247	-	27	9,274	30,202
Segment assets	16,745	3,345	20,090	-	-	-	-	20,090
Capital expenditure	281	-	281	57	-	-	57	338

Year ended 31 December 2008	Continuing			Discontinued				Group €'000
	USA €'000	Unallocated €'000	Total €'000	UK €'000	USA €'000	Other €'000	Total €'000	
Revenue ⁽¹⁾⁽²⁾	8,816	-	8,816	21,568	1,294	2,107	24,969	33,785
Segment assets	12,412	4,795	17,207	8,078	-	-	8,078	25,285
Capital expenditure	1,649	7	1,656	2,884	-	-	2,884	4,540

(1) total revenue from continuing operations comprises €7.220 million from sale of goods and €13.708 million from supply of services (2008: €2.922 million from sale of goods plus €5.894 million from supply of services)

(2) total revenue from discontinued operations comprises €9.274 million from sale of goods and €nil from supply of services (2008: €24.969 million from sale of goods and €nil from supply of services)

6. Discontinued operations

The Group discontinued the PAC Digimedia division on the sale of its operating companies, Bell & Bain Limited and Top Copy Image Centres Limited on 25 November 2009 and 3 December 2009 respectively. Bell & Bain and Top Copy together comprised the book and technical journal printing and on-demand digital print and finishing business units of PAC Digimedia. The PAC Digimedia division was not a discontinued operation and the operating companies within this division were not classified as held for sale as at 31 December 2008. The comparative income statement has been re-presented to show the discontinued operation separately from continuing operations. The Directors committed to a plan to discontinue PAC Digimedia and sell its operating companies earlier in 2009, with the intention of using the proceeds to fund acquisitions and new investment opportunities in the Group's current portfolio.

	2009	2008
	€'000	€'000
Results of discontinued operations		
Revenue	9,274	24,969
Cost of sales	(7,607)	(20,376)
Gross profit	1,667	4,593
Selling and distribution costs	(373)	(1,463)
Administration expenses	(818)	(2,784)
Exceptional items	(84)	(11)
Operating profit	392	335
Finance costs	(123)	(390)
Finance income	-	10
Profit/(loss) before tax	269	(45)
Income tax credit/(charge)	19	(85)
(Loss)/gain on disposal of discontinued operations	(2,429)	7,173
Income tax on (loss)/gain on disposal of discontinued operations	-	-
(Loss)/profit after tax from discontinued operations	(2,141)	7,043
Basic and diluted (loss)/earnings per share (cent)	(9.43)	31.05
Cash flows from (used in) discontinued operations		
Net cash used in operating activities	1,511	1,833
Net cash from investing activities	2,271	7,961
Net cash from financing activities	(2,216)	(2,524)
Net cash from discontinued operations	1,566	7,270
Effect of disposal on the financial position of the Group		
	2009	2008
	€'000	€'000
Property, plant and equipment	4,937	4,131
Inventories	628	1,312
Trade receivables	2,466	4,610
Cash and cash equivalents	100	(271)
Borrowings	(1,393)	(2,341)
Trade payables	(2,174)	(4,522)
Group balances not settled	(1,353)	-
Net assets disposed of	3,211	2,919
Total (loss)/gain on disposal	(2,429)	7,173
Accumulated currency translation differences included in (loss)/ gain on disposal	1,923	472
Total consideration (net of attributable expenses)	2,705	10,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Consideration received, satisfied in cash (net of attributable expenses)	2,428	10,564
Cash and cash equivalents disposed of	(100)	271
Net cash inflow	2,328	10,835
Deferred consideration ⁽¹⁾⁽²⁾	277	-
	2,605	10,835

(1) the deferred consideration will be settled in cash instalments, with the final payment due on 25 September 2010

(2) in addition to deferred consideration noted above, see other loans and receivables note 23 on page 55 of the consolidated financial statements

7. Exceptional items

	2009	2008
	€'000	€'000
Continuing operations		
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

8. Other losses

	2009	2008
	€'000	€'000
Continuing operations		
Fair value gain on financial assets held at fair value through profit or loss	-	-
Loss on financial instruments	-	(2,220)
Impairment charge on available-for-sale financial asset	-	(3,123)
Transaction costs	-	-
	-	(5,343)

9. Finance costs and finance income

	2009	2008
	€'000	€'000
Continuing operations		
Finance costs:		
Defined benefit pension plan - interest cost on plan liabilities	(50)	(49)
	(50)	(49)
Discontinued operations		
Finance costs:		
Bank borrowings	(19)	(131)
Asset finance	(104)	(259)
	(123)	(390)
Total finance costs continuing and discontinued operations	(173)	(439)
Continuing operations		
Finance income:		
Bank deposit interest	33	210
Defined benefit pension plan - expected return on plan assets	44	68
	77	278
Discontinued operations		
Finance income:		
Bank deposit interest	-	10
	-	10
Total finance income continuing and discontinued operations	77	288
Finance costs (net)	(96)	(151)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

10. Expenses

	2009	2008
	€'000	€'000
Continuing operations		
Employee benefit expense ⁽¹⁾ (note 12)	6,696	6,194
Material cost of inventories consumed (included within cost of sales)	12,783	5,647
Depreciation of property, plant and equipment		
- Included in administration expenses	390	220
Services provided by the Group's Auditors (note 11)	123	247
Operating lease rentals		
- Property	2,047	1,087
Inventory provision	142	198
Other (losses)/gains	-	5,343
Loss on disposal of property, plant and equipment	59	-
Impairment of property, plant and equipment	768	-
Other selling and distribution and administrative expenses	2,122	2,120
	25,130	21,056
Discontinued operations		
Employee benefit expense ⁽¹⁾ (note 12)	2,846	8,692
Material cost of inventories consumed (included within cost of sales)	4,111	10,442
Depreciation of property, plant and equipment		
- Included in cost of sales	717	1,537
- Included in administration expenses	23	156
Services provided by the Group's Auditors (note 11)	-	45
Operating lease rentals		
- Property	35	176
- Plant and machinery	-	21
Inventory provision	28	14
Other selling and distribution and administrative expenses	1,122	3,551
	8,882	24,634
Total continuing and discontinued operations	34,012	45,690

(1) fair value of warrants are included in employee benefit expense

The amount that was recognised in respect of government and other grants in the income statement was €0.404 million (2008: €0.323 million)

11. Services provided by the Group's Auditors

During the year the Group (including its UK and USA subsidiaries) obtained the following services from the Group's Auditors at costs as detailed below:

	2009	2008
	€'000	€'000
Continuing operations		
Audit services - statutory audit	123	202
Tax services		
- Compliance services	-	28
- Advisory services	-	9
Other services	-	8
	123	247
Discontinued operations		
Audit services - statutory audit	-	31
Tax services		
- Compliance services	-	14
- Advisory services	-	-
Other services	-	-
	-	45
Total continuing and discontinued operations	123	292

12. Employment information

	2009	2008
	€'000	€'000
Continuing operations		
Employment costs:		
Wages and salaries	6,018	4,887
Social welfare costs	410	400
Other pension costs net	(36)	94
Fair valuation of warrants (note 32)	304	813
Employee benefit expense	6,696	6,194
Discontinued operations	€'000	€'000
Employment costs:		
Wages and salaries	2,500	7,805
Social welfare costs	255	768
Other pension costs net	91	119
Employee benefit expense	2,846	8,692
Total continuing and discontinued operations	9,542	14,886
	2009	2008
Average number of employees		
PAC Digimedia – discontinued operations	99	311
PAC Telemedia – continuing operations	239	117
Centre – continuing operations	5	7
Average number of employees for the year	343	435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

13. Foreign currency

The income statement and cash flows of the Group's operations are translated into euro based on the average exchange rate for the year. The balance sheets are translated using the year end exchange rate.

	2009	2008
Average rate		
Sterling	0.8911	0.7946
Sterling ⁽¹⁾	0.8903	0.7797
US dollar	1.3933	1.4732
US dollar ⁽²⁾	1.4614	1.3330
Year end rate		
Sterling	0.8881	0.9525
US dollar	1.4406	1.3917

(1) average rate for the period to the date of disposal of Bell & Bain Limited on 25 November 2009 and Top Copy Image Centres Limited on 3 December 2009

(2) average rate for the period from the date of acquisition of the business and assets of Express Business Services, LLC on 1 December 2009 to 31 December 2009

14. 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

15. Directors' remuneration

Year ended 31 December 2009	Salary €'000	Fees €'000	Other benefits €'000	Total €'000
Executive Directors				
P E Lynch	250	-	9	259
	250	-	9	259
Non-executive Directors				
J Doris	-	25	-	25
A Keogh	-	25	-	25
	-	50	-	50
	250	50	9	309
Year ended 31 December 2008	Salary €'000	Fees €'000	Other benefits €'000	Total €'000
Executive Directors				
P E Lynch	250	-	11	261
	250	-	11	261
Non-executive Directors				
J Doris	-	25	-	25
A Keogh	-	25	-	25
	-	50	-	50
	250	50	11	311

Details of Directors' interests in shares, share options and warrants are set out on page 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

16. (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

17. Inventories

	2009	2008
	€'000	€'000
Materials	-	486
Work in progress	-	68
Finished goods	2,372	1,225
	2,372	1,779

The Group consumed €16.894 million (2008: €16.089 million) of inventories during this year. This expense has been recognised in the income statement within cost of sales and within cost of sales of discontinued operations. The Group recognised €0.170 million (2008: €0.212 million) of inventory write down expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

18. Trade and other receivables - current

	2009	2008
	€'000	€'000
Trade receivables	1,869	3,114
Less: provision for impairment of trade receivables	-	(77)
	1,869	3,037
Prepayments and accrued income	1,629	1,363
Value added tax	3	187
Deferred consideration (note 6)	277	-
Corporation tax	19	-
	3,797	4,587

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

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2009	2008
	€'000	€'000
Currency:		
Sterling	385	2,610
US dollar	3,402	1,929
Other currencies	10	48
	3,797	4,587

Movements on the Group provision for impairment of trade receivables are as follows:

	2009	2008
	€'000	€'000
At 1 January	(77)	(19)
Receivables written off during the year as uncollectible	-	77
Provision for receivables impairment	64	3
Impairment of trade receivables disposed of – discontinued operations	18	-
Exchange movement	(5)	16
	-	(77)

Individually impaired receivables are assessed to be so, based on age profile, and in some cases, on a dispute as to the customer's contractual obligation to pay. There are no impaired receivables within trade and other receivables at the year end. At 31 December 2008 impaired receivables were aged between 6 and 12 months overdue.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any security as collateral.

As at 31 December 2009, trade receivables of €nil (2008: €0.915 million) were past due but not impaired. These relate to a number of independent customers from whom there is no history of default. The ageing analysis from invoice date of these trade receivables is as follows:

	2009	2008
	€'000	€'000
Up to 3 months	-	838
3 to 6 months	-	77
	-	915

19. Cash and cash equivalents

	2009	2008
	€'000	€'000
Cash at bank and in hand	1,791	672
Short-term deposits	495	3,474
	2,286	4,146

Short-term deposits represent funds held on deposit with banks, with a maturity of less than one month. The average maturity of these deposits was 0.1 days (2008: 0.6 days). The effective interest rate on the deposits was 0.5% (2008: 4.9%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

20. Property, plant and equipment

Year ended 31 December 2009	Land, buildings and leasehold improvements €'000	Fixtures, fittings, plant and equipment €'000	Vehicles and office equipment €'000	Total €'000
Cost				
At 1 January 2009	1,115	10,169	1,964	13,248
Additions at cost - net of grants received	(111)	323	56	268
Acquisition of subsidiary (note 35)	-	70	-	70
Disposal of subsidiary	(454)	(9,430)	(1,135)	(11,019)
Disposals	(4)	(73)	(774)	(851)
Impairment	(382)	(593)	(71)	(1,046)
Currency adjustments	41	477	96	614
At 31 December 2009	205	943	136	1,284
Accumulated depreciation				
At 1 January 2009	207	4,176	1,621	6,004
Charge for the year	100	906	125	1,131
Disposal of subsidiary	(163)	(4,971)	(948)	(6,082)
Disposals	(1)	(14)	(763)	(778)
Impairment	(96)	(118)	(64)	(278)
Currency adjustments	3	254	87	344
At 31 December 2009	50	233	58	341
Net book amount at 31 December 2009	155	710	78	943
Year ended 31 December 2008				
	Land, buildings and leasehold improvements €'000	Fixtures, fittings, plant and equipment €'000	Vehicles and office equipment €'000	Total €'000
Cost				
At 1 January 2008	2,736	21,355	2,742	26,833
Additions at cost	644	3,609	226	4,479
Acquisition of subsidiary	-	61	-	61
Disposal of subsidiary	(1,959)	(10,796)	(474)	(13,229)
Disposals	(28)	(566)	(6)	(600)
Currency adjustments	(278)	(3,494)	(524)	(4,296)
At 31 December 2008	1,115	10,169	1,964	13,248
Accumulated depreciation				
At 1 January 2008	841	13,226	2,188	16,255
Charge for the year	106	1,553	254	1,913
Disposal of subsidiary	(639)	(8,088)	(371)	(9,098)
Disposals	-	(566)	(1)	(567)
Currency adjustments	(101)	(1,949)	(449)	(2,499)
At 31 December 2008	207	4,176	1,621	6,004
Net book amount at 31 December 2008	908	5,993	343	7,244

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

	2009	2008
	€'000	€'000
Cost	5,059	4,824
Accumulated depreciation	(1,582)	(1,093)
Disposal of subsidiary	(3,477)	-
Net book amount	-	3,731
Depreciation charge for the year	449	803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

21. Intangible Assets

	2009	2008
	€'000	€'000
Goodwill		
At 1 January	6,472	3,149
Additions relating to current year acquisitions (note 35)	1,570	2,804
Fair value adjustment relating to prior year acquisitions	284	-
Additions relating to acquisition of minority interest	-	519
At 31 December	8,326	6,472

On 1 December 2009, the acquisition of the business and assets of Freedom Wireless Inc. was completed by Express Business Service, LLC a wholly owned subsidiary of PAC Telemedia, formed to complete this acquisition. Goodwill of €1.570 million was recognised on the acquisition of this business and is attributed to the anticipated future profitability of the underlying business and certain intangible assets that cannot be individually and reliably measured due to their nature.

Goodwill acquired in business combinations is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for management purposes and are not larger than the primary and secondary segments determined in accordance with IFRS 8 – Operating Segments.

The CGUs to which significant amounts of goodwill have been allocated and the corresponding carrying amounts of such goodwill are as follows:

	2009	2008
	€'000	€'000
Cash generating unit		
PAC Telemedia		
- Cellular Center Holdings	6,756	6,472
- Express Business Service	1,570	-
At 31 December 2009	8,326	6,472

Impairment testing of goodwill

Cellular Center Holdings

Impairment is determined by assessing the recoverable amount using value in use calculations. The cash flow forecasts employed for this computation were extracted from a two year plan and are based on revenue growth rates averaging approximately 5% (2008: 5%) per annum but exclude future acquisition activity. Cash flows for a further three years are based on revenue growth rates of 3% (2008: 3%) per annum. A terminal value reflecting long term GDP growth (2009: 2.5%; 2008 2.5%) in the market in which this business operates is applied to the five year cash flows. A present value of the future cash flows is calculated using a discount rate representing management's estimated weighted average cost of capital (2009: 9.5%; 2008: 9.5%) for the market in which the business operates. Applying these assumptions, no impairment arose in 2009 (2008: €nil).

Key assumptions include management's estimates of revenue growth, future profitability, capital expenditure requirements and working capital investment. Forecasts are generally based on historical performance together with management's expectation of future trends affecting the industry and other developments and initiatives in the business along with management's plans for the future.

A sensitivity analysis was applied using different growth and discount rates. If estimated revenue growth for all of the years assessed had been a constant 2.5% per annum, representing the long term GDP growth rate in the market in which Cellular Center Holdings operates, an impairment charge would not have arisen (2008: €3.090 million). If the discount rate used to determine the present values of the future cash flows was 50% higher than management estimates, the Group would have recognised an impairment of goodwill of €0.695 million (2008: €0.683 million).

Express Business Service

For the year ending 31 December 2009, management assessed the fair value less costs to sell of Express Business Service and determined that no impairment arose. Management based the fair value less costs to sell on the price paid for the business and assets of Freedom Wireless Inc. on 1 December 2009 as this transaction was on an arms length basis between knowledgeable and willing parties.

22. Available-for-sale financial assets

	2009	2008
	€'000	€'000
At 1 January	1,057	-
Additions	-	6,815
Loss on initial recognition	-	(1,798)
Impairment charge	-	(3,123)
Fair value adjustment	(39)	-
Exchange movement	76	(837)
At 31 December	1,094	1,057

Available-for-sale financial assets include the following:

Quoted equity securities	1,094	1,057
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Quoted equity securities consist of the Group's investment in 6.940 million ordinary shares in Media Square plc, representing 21.5% of the issued share capital in that company. Media Square plc is an AIM listed marketing communications group. It has not been accounted for as an associate as Prime Active Capital plc does not have significant influence over it and does not have the power to participate in the financial and operating policy decisions of the entity.

The Group acquired a further 3.350 million ordinary shares in Media Square plc, on 12 February 2010, increasing the shareholding to 28.5%. Further details of this transaction are disclosed in note 36 on page 69 of the consolidated financial statements.

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

	2009	2008
	€'000	€'000
Sterling	1,094	1,057

23. Other loans and receivables

	2009	2008
	€'000	€'000
At 1 January 2009	-	-
Additions	1,272	-
At 31 December 2009	1,272	-

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 in consideration of a total payment of €1.272 million. In the event that Bell & Bain Limited fails to redeem any of these shares on the due date of redemption, the Group will have the right to convert those redeemable shares into ordinary shares of Bell & Bain Limited. If all redeemable shares were converted they would comprise approximately 82% of the ordinary share capital of Bell & Bain Limited based on its existing capital structure.

After initial recognition, the fair value of other loans and receivables is based on cash flows discounted using a rate based on the market interest rate plus the risk premium specific to the industry in which Bell & Bain operates (2009:7.8%; 2008: nil%).

Other loans and receivables are denominated in the following currencies:

	2009	2008
	€'000	€'000
Sterling	1,272	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

24. Trade and other payables

	2009	2008
	€'000	€'000
Trade payables	4,281	3,232
Payroll tax and social security	103	146
Value added tax	101	67
Accrued expenses and other payables	1,329	1,090
Deferred income	277	700
Deferred consideration (note 35)	332	-
	6,423	5,235
<hr/>		
Analysis of trade and other payables:	2009	2008
	€'000	€'000
Current	6,423	4,708
Non-current	-	527
	6,423	5,235
<hr/>		

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

25. Borrowings

	2009	2008
	€'000	€'000
Current		
Asset finance	-	712
	-	712
Non-current		
Asset finance	-	1,263
	-	1,263
Total borrowings	-	1,975

All Group borrowings were disposed of during 2009 as part of discontinued operations as disclosed in note 6 on page 41 of the consolidated financial statements.

The maturity of borrowings is as follows:

	2009				2008			
	No later than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	No later than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Asset finance - floating rate	-	-	-	-	616	436	496	1,548
Asset finance - fixed rate	-	-	-	-	96	93	238	427
	-	-	-	-	712	529	734	1,975

The effective interest rates at the balance sheet date were as follows:

	2009	2008
Asset finance - floating rate	-	1.7%
Asset finance - fixed rate	-	6.3%

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rates above.

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

	Carrying amount		Fair value	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Asset finance liabilities	-	1,263	-	1,192
	-	1,263	-	1,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

26. Provisions for other liabilities and charges

	Reorganisation €'000	Other €'000	Put liability €'000	Total €'000
At 1 January	416	174	328	918
Additional provisions charged to the income statement	245	-	-	245
Acquisition	-	103	-	103
Utilised during the year	(362)	(73)	-	(435)
Exchange movement	(36)	24	(12)	(24)
At 31 December	263	228	316	807
Analysis of total provisions for other liabilities and charges:			2009	2008
			€'000	€'000
Current			807	590
Non-current			-	328
			807	918

Reorganisation

This provision relates to expected severance payments under a redundancy plan put in place in 2009 for employees who are to be made redundant in Cellular Center, LLC during the first half of 2010 and a provision for future lease rentals on stores which are due to close in early 2010.

Other provisions

Other provisions consist primarily of probable obligations for Cellular Center, LLC, Cellular Center GA-AL, LLC and Express Business Services, LLC to repay Verizon Wireless for financial support received in respect of customer mobile phone activations and property leases if certain conditions are not met.

Put Liability

This amount relates to the fair value of the liability arising if the put option on the shares held by the minority interest in Cellular Center Holdings, LLC is exercised after 20 December 2010, in accordance with the requirements of IAS 32 – Financial Instruments: Presentation.

27. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax liability is as shown below:

	2009 €'000	2008 €'000
At 1 January	529	601
Income statement charge – continuing operations	-	40
Income statement credit – discontinued operations ⁽¹⁾	-	(15)
Deferred tax liabilities disposed of - discontinued operations	(558)	(51)
Exchange difference (charged to equity)	29	(46)
At 31 December	-	529

(1) the income tax credit/(charge) of €0.019 million (2008: €0.085 million) included within the results of the discontinued operations in note 6 on page 41 of the consolidated financial statements comprises a current tax charge of €0.019 million (2008: €0.100 million) and a deferred tax credit of €nil (2008: €0.015 million)

The deferred tax provision is principally attributable to accelerated tax depreciation.

The Group did not recognise deferred tax assets of €3.103 million (2008: €2.041 million) in respect of losses amounting to €11.319 million (2008: €7.119 million) that can be carried forward against future taxable income.

28. Retirement benefit obligations

The Group operates a number of defined contribution schemes and a defined benefit scheme which are funded and are independent of its assets.

Defined contribution plans

Pension costs for defined contribution plans are as follows:

	2009	2008
	€'000	€'000
Expense for defined contribution plans	55	213

Defined benefit plan

The Group operates a defined benefit pension scheme in Ireland, with assets held in a separately administered fund. There are no active members of the scheme and the Group is not currently paying any contributions in respect of this scheme. The disclosures relating to the defined benefit plan have been based on a valuation carried out by independent and qualified actuaries, to take account of the requirements of IAS 19 – Employee Benefits, in order to assess the liabilities of the scheme at 31 December 2009.

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

	2009	2008
	%	%
Inflation rate	2.00	2.00
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions in payment and deferred pensions	-	-
Discount rate	5.75	5.75
Expected return on plan assets	6.83	6.93

The expected return on plan assets assumption was determined by considering the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio of assets is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to determine the expected long-term rate of return on assets assumption for the portfolio.

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

	2009	2008
	years	years
Member aged 45 (life expectancy at 65)		
- male	22.7	21.8
- female	25.7	24.8

The sensitivity of the overall pension liability to changes in the principal assumptions is:

	Change in assumption	Impact on overall liability
Inflation rate	Increase rate by 1%	Increase liability by 12.1%
Rate of increases in salaries	N/A	N/A
Rate of increases in pension payments	N/A	N/A
Discount rate	Increase rate by 1%	Increase liability by 19.1%
Rate of mortality	Increase by 1 year	Increase by 1.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

	2009	2008
	€'000	€'000
Present value of plan obligations	(920)	(874)
Fair value of plan assets	764	634
Net liability recognised in the balance sheet	(156)	(240)

The composition of plan assets is as follows:

	2009	2008
	%	%
Equities	73.3	65.0
Bonds	15.1	20.0
Real estate	4.0	6.5
Other	7.6	8.5
	100.0	100.0

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

	2009	2008
	€'000	€'000
Fair value of plan assets at 1 January	634	974
Expected return on plan assets	44	68
Actuarial gain/(loss)	86	(408)
Fair value of plan assets at 31 December	764	634

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

	2009	2008
	€'000	€'000
Present value of plan obligations at 1 January	874	889
Interest cost	50	49
Actuarial gain	(4)	(64)
Plan obligations at 31 December	920	874

The amounts recognised in the income statement are as follows:

	2009	2008
	€'000	€'000
Interest cost	(50)	(49)
Expected return on plan assets	44	68
Total (charge)/credit recognised in the income statement	(6)	19

There were no current service costs in 2009 (2008: €nil). Interest cost and expected return on plan assets have been included within finance costs and finance income, respectively. The Group currently estimates that it will contribute €nil (2008: €nil) to the plan during 2010 as the last active member left active membership during 2007.

The actual return on plan assets was €130,000 (2008: (€340,000)).

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

	2009	2008
	€'000	€'000
Difference between the expected and actual return on plan assets	86	(408)
Experience gain/(loss) on plan liabilities	18	(16)
Gain due to changes in assumptions	(14)	80
Restriction of surplus	-	85
Actuarial gain/ (loss) recognised in the statement of comprehensive income	90	(259)
Cumulative actuarial losses recognised in the statement of comprehensive income	(89)	(179)

Summary of plan assets and liabilities

	2009	2008	2007	2006	2005
At 31 December	€'000	€'000	€'000	€'000	€'000
Present value of defined benefit obligation	(920)	(874)	(889)	(1,155)	(1,221)
Fair value of plan assets	764	634	974	1,016	890
Restriction of surplus	-	-	(85)	-	-
Deficit in the plan	(156)	(240)	-	(139)	(331)
Experience adjustments on plan assets	86	(408)	(132)	15	84
Experience adjustments on plan liabilities	18	(16)	15	21	2

29. Share capital and premium

	Number of shares 000's	Ordinary Shares €'000	Share Premium €'000	Total €'000
At 1 January 2009	22,681	11,341	16,444	27,785
At 31 December 2009	22,681	11,341	16,444	27,785

The total authorised number of ordinary shares is 100,000,000 (2008: 100,000,000) with a par value of €0.50 (2008: €0.50) per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

30. Other reserves

	Available- for-sale investments €'000	Share based payments reserve €'000	Currency translation reserve €'000	Other reserves €'000	Total €'000
At 1 January 2008	-	2,258	(865)	(1,051)	342
Fair valuation of warrants	-	813	-	-	813
Put liability extinguished	-	-	-	723	723
Eliminated on disposal of subsidiary companies	-	-	472	-	472
Exchange movement	-	-	(4,051)	-	(4,051)
At 31 December 2008	-	3,071	(4,444)	(328)	(1,701)
Fair valuation of warrants		304	-	-	304
Movement in available-for-sale investments	(39)	-	-	-	(39)
Eliminated on disposal of subsidiary companies	-	-	1,923	-	1,923
Exchange movement	-	-	432	12	444
At 31 December 2009	(39)	3,375	(2,089)	(316)	931

Available-for-sale investments reserve

This reserve comprises the mark-to-market adjustments in connection with the available-for-sale financial assets.

Share based payments reserve

This reserve comprises amounts credited to reserves in connection with warrants issued.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences, arising from the translation of the net assets of the Group's non-euro functional currency operations, including the translation of the results of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date.

Other reserves

The other reserve is in respect of the fair value of the liability arising if the put option on the shares held by the minority interest in Cellular Center Holdings, LLC was exercised after 20 December 2010, in accordance with the requirements of IAS 32 – Financial Instruments: Presentation.

31. Retained earnings and minority interest

Retained earnings	€'000
At 1 January 2008	(5,828)
Loss for the year	(4,100)
Actuarial (loss) on defined benefit pension plan	(259)
At 31 December 2008	(10,187)
Loss for the year	(6,159)
Minority interest adjustment in respect of previous years	31
Actuarial gain on defined benefit pension plan	90
At 31 December 2009	(16,225)
Minority interest	
At 1 January 2008	275
Loss for the year	(796)
Acquisition	519
Proceeds from issue of shares	340
Translation adjustment	(63)
At 31 December 2008	275
Loss for the year	(128)
Adjustment to retained earnings in respect of previous years	(31)
Translation adjustment	(3)
At 31 December 2009	113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

32. Warrants

The Group has 5,000,000 (2008: 5,000,000) Series A warrants and 5,000,000 (2008: 5,000,000) Series B warrants in issue. These warrants were issued as part of a corporate reorganisation in May 2007 which resulted in a change to the executive management team.

The holder of the series A warrants may subscribe for one ordinary share, per warrant, in the Group at a price of €0.75. These warrants may be exercised at any time before 15 May 2012.

The Series B warrants become exercisable at the holders discretion if, within, the exercise period, the Prime Active Capital plc share price as quoted on the ESM exceeds or equals €1.75 for 30 trading days of any preceding 180 trading days. This condition was satisfied on 26 June 2007 and the warrants are now exercisable anytime up to 15 May 2012.

The fair value of the Series A warrants at 31 December 2009 is €nil (2008: €nil). As these warrants vested immediately from date of grant, this charge was expensed in 2007.

The total fair value of the Series B warrants has been expensed over the expected vesting period of these warrants as follows:

2007: €0.508 million, 2008: €0.813 million and 2009: €0.304 million.

Assumptions

The fair value of the Series A and Series B warrants granted has been calculated using the Monte Carlo simulation model with the following assumptions:

Share price	€0.14
Exercise price	€0.15
Expected dividend yield	0%
Expected stock price volatility	60%
Risk-free interest rate	4.30%
Expected life of warrants	5 years
Minimum gain for voluntary early exercise	100% of exercise
Probability of voluntary early exercise at minimum gain	50%

As the warrants are priced in euro, the risk free interest rate is based on the 5 year Eurozone zero coupon gilts yield curve, taken from Bloomberg.

The expected stock price volatility has been determined based on the historical average of monthly and weekly volatility of Prime Active Capital's stock price over a five year period up to the date the options were granted.

33. Notes to the consolidated cash flow statement.

(a) Cash generated from operations	2009	2008
	€'000	€'000
Continuing operations		
Loss before taxation	(4,175)	(12,011)
Adjustments for:		
Net finance income	(27)	(229)
Depreciation	390	221
Available-for-sale financial assets impairment charge	-	3,123
Exceptional costs-warrants	304	813
Movement in post employment obligations	(6)	19
Loss on disposal of property, plant and equipment	841	32
(Increase)/decrease in inventories	(472)	69
(Increase) in trade and other receivables	(1,440)	(369)
(Decrease) in trade and other payables	2,156	275
Fair value loss on financial instruments	-	2,060
Cash (outflow) from continuing operations	(2,429)	(5,997)
Discontinued operations		
Profit/(loss) before taxation	269	(45)
Adjustments for:		
Net finance costs	123	380
Depreciation	741	1,692
(Increase) in inventories	(44)	(331)
Decrease/(increase) in trade and other receivables	196	(157)
(Decrease) in trade and other payables	30	294
Cash inflow from discontinued operations	1,315	1,833
Cash (outflow) generated from operations	(1,114)	(4,164)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

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

	2009	2008
	€'000	€'000
Continuing operations		
(Decrease) in cash and cash equivalents	(2,257)	(5,766)
Effect of foreign exchange rate changes	77	(1,583)
Movement in net debt in the year	(2,180)	(7,349)
Net cash at beginning of year	4,466	11,815
Net cash at end of year from continuing operations	2,286	4,466
Discontinued operations		
Increase/(decrease) in cash and cash equivalents	345	(1,680)
Financing		
Repayment of borrowings	699	840
Disposal of subsidiary - borrowings	1,393	2,341
Asset finance repayments	-	1,294
	2,437	2,795
New asset finance obligations	-	(1,887)
Effect of foreign exchange rate changes	(142)	807
Movement in net debt in the year	2,295	1,715
Net (debt) at beginning of year	(2,295)	(4,010)
Net (debt) at end of year from discontinued operations	-	(2,295)
Net cash at end of year	2,286	2,171

(c) Analysis of net cash/(debt)

	2009	2008
	€'000	€'000
Continuing operations		
Cash and cash equivalents	2,286	4,466
	2,286	4,466
Discontinued operations		
Cash and cash equivalents	-	(320)
Asset finance obligations	-	(1,975)
	-	(2,295)
Net cash at end of year	2,286	2,171

(d) Major non-cash transactions

The major non-cash transactions within the Group during the year relate to €0.304 million (2008: €0.813 million) in respect of warrants issued in May 2007.

34. Commitments

(a) Capital commitments not provided for

The Group does not have any capital expenditure contracted for but not yet incurred at the year end (2008: €nil).

(b) Operating lease commitments - minimum lease payments

	2009	2008
	Property	Property
	€'000	€'000
No later than one year	2,615	2,017
Later than one year and no later than five years	2,928	3,976
Later than five years	11	371
	5,554	6,364

The Group leases various offices and retail outlets under non-cancellable operating lease agreements. The lease terms are between one and seven years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The lease expenditure charged to the income statement during the year is disclosed in note 10 on page 44 of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

35. Business combinations

On 1 December 2009, Express Business Service, LLC, a newly formed wholly owned subsidiary of the Group, acquired the business and assets of Freedom Wireless Inc. Express Business Service, doing business as Freedom Wireless, is an exclusive agent for Verizon Wireless selling mobile phones and accessories in its retail stores in Pennsylvania, New Jersey and Ohio.

The acquired business contributed revenues of €2.109 million and a net profit of €0.066 million to the Group for the period 1 December to 31 December 2009. Due to the absence of audited financial information related to Freedom Wireless Inc., it is not possible to determine in accordance with IFRS the impact on the income statement as though this acquisition had occurred at the beginning of the financial year.

Details of the net assets acquired and goodwill are as follows:

Purchase consideration	€'000
Cash paid	2,322
Direct costs related to acquisition	34
Total purchase consideration	2,356
Fair value of net identifiable assets acquired	(786)
Goodwill (note 21)	1,570

The above figures are preliminary. Fair values have been determined provisionally as permitted by IFRS 3 – Business Combinations, given the timing of the transaction. The goodwill is attributable to anticipated increased future profitability of Express Business Services and certain intangible assets that cannot be individually separated and reliably measured due to their nature.

The assets and liabilities as of 1 December 2009 arising from the acquisition are as follows:

	Acquirees carrying amount €'000	Fair value ⁽¹⁾ €'000
Cash and cash equivalents	3	3
Property, plant and equipment (note 20)	70	70
Goodwill	1,536	-
Inventories	829	829
Payables	(117)	(117)
Other non current assets/liabilities	1	1
Net assets	2,322	786

(1) fair values have been assessed and it has been determined that there is no significant difference between fair values and book values

	€'000
Purchase consideration settled in cash	2,024
Cash and cash equivalents in subsidiary acquired	(3)
Cash outflow on acquisition	2,021
Deferred consideration ⁽¹⁾	332
	2,353

(1) deferred consideration will be settled in cash on 1 June 2010

36. Events after the balance sheet date

The Group acquired a further 3.350 million ordinary shares in Media Square plc on 12 February 2010 at a price of sterling 15 pence (17.26 cent) per share, which brings the Group's total holding to 28.5% of the issued share capital in that company. This additional investment continues to be accounted for under available-for-sale financial assets.

The consideration of €0.578 million has been satisfied by a loan note issued by the Group to the vendor Mr. Anthony Gill a substantial shareholder in the Group who is deemed to be a related party. The loan note, which is unsecured, is repayable on 1 January 2012 with interest payable quarterly in arrears at a rate of 6% per annum.

As at 23 June 2010, shares in Media Square plc were trading at sterling 9.75 pence (11.69 cent) per share valuing the Group's investment at €1.203 million.

37. Share option scheme

The Group's share option scheme provides for the granting of options to full time directors and employees of the Group in order to encourage identification with shareholders' interests. Employees of the Group may be granted options at an option price no less than the middle market price of the Company shares on the day prior to the date an employee is invited to accept an option.

The number of options granted under the scheme cannot be more than 10% of the issued share capital of the Company in any ten-year period. No more than 3% of the share capital may be the subject of options in the first year after adoption of the scheme and no more than 4% of the share capital may be the subject of options in the three-year period after such date. An option may not be exercised unless the earnings per share of the Group have increased in the three-year period prior to the date of exercise of the option by an amount equal to the increase in the consumer price index plus 5% compound per annum

There were no options in issue at 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

38. Subsidiary undertakings

The principal subsidiary undertakings are:

Name of subsidiary	% holding	Registered office
Incorporated and operating in Ireland		
Prime Active Capital (Services) Limited	100%	18 The Hyde Building The Park Carrickmines Dublin 18
Incorporated and operating in United Kingdom		
PAC Digimedia Limited	100%	1 Meridian South Meridian Business Park Leicester LE19 1WY UK
Incorporated and operating in the United States of America		
PAC Telemedia, LLC	100%	C/O The Corporation Service Company 2711 Centerville Road Wilmington Delaware 19808 USA
Cellular Center Holdings, LLC	95%	C/O National Registered Agents, Inc 3675 Crestwood Parkway Duluth Georgia 30096 USA
Cellular Center, LLC	95%	C/O National Registered Agents, Inc 3675 Crestwood Parkway Duluth Georgia 30096 USA
Cellular Center GA-AL, LLC	95%	C/O National Registered Agents, Inc 3675 Crestwood Parkway Duluth Georgia 30096 USA
Express Business Services, LLC	100%	C/O CT Corporation System 116 Pine St, Suite 320 Harrisburg Pennsylvania 17101 USA

Pursuant to Section 16 of the Companies (Amendment) Act, 1986 a full list of subsidiaries will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

39. Related party transactions

Key management personnel are the Board of Directors. Details of the remuneration of Directors are disclosed in note 15 on page 47 of the consolidated financial statements. In addition to Directors remuneration, a charge of €0.304 million has been recognised in the income statement for warrants issued to Mr Peter E. Lynch.

Following the year end, the Group acquired shares in Media Square plc from Mr. Anthony Gill a substantial shareholder in the Group. Details of this transaction are set out in note 36 on page 69 of the consolidated financial statements.

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

40. Approval of financial statements

These financial statements were approved by the Board of Directors on 23 June 2010.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2009

	Notes	2009 €'000	2008 €'000
Fixed assets			
Financial assets	1,2	16,187	13,860
		16,187	13,860
Current assets			
Debtors	3	-	1,040
Cash and cash equivalents	4	26	32
		26	1,072
Creditors: Amounts falling due within one year			
Trade and other creditors	5	(98)	(62)
		(72)	1,010
Net current (liabilities)/assets			
		(72)	1,010
Creditors: Amounts falling due after more than one year			
Trade and other creditors	5	(1,485)	-
		(1,485)	-
Net assets			
		14,630	14,870
Capital and reserves			
Called-up equity share capital	6	11,341	11,341
Share premium	7	16,444	16,444
Other reserves	7	3,107	3,071
Profit and loss account	7	(16,262)	(15,986)
		14,630	14,870

P E Lynch
J Doris

Executive Chairman
Director

ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention. The Company Balance Sheet together with the accompanying notes has been prepared in accordance with accounting standards generally accepted in Ireland and with Irish Statute comprising the Companies Acts, 1963 to 2009. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Investments

Investments are initially recognised at the purchase cost of the investment. The carrying value of investments is subsequently adjusted to take account of any impairment which has resulted in the recoverable amount of the investment being lower than the carrying value.

Foreign currencies

Transactions in foreign currencies during the year are translated to euro at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated to euro at the exchange rate ruling at the balance sheet date except where covered by a forward exchange agreement where the financial rate is used. Differences arising on translation are included in the results for the year.

Share based payments

Warrants

In accordance with FRS 20, the fair value of the warrants at grant date excluding the impact of non-market conditions is recognised as an expense in the income statement over the vesting period. A corresponding amount is recognised in shareholders' equity as the warrant scheme is designated as an equity-settled share based payment transaction. The fair value of each warrant granted during the year is determined using an option pricing model with assumptions appropriate to each award at the time of grant. A detailed description is outlined in note 32 on page 64 of the consolidated financial statements.

NOTES TO THE COMPANY BALANCE SHEET

1. Investments

	2009	2008
	€'000	€'000
Investment in subsidiary undertakings at cost.	15,093	12,803

The principal subsidiary undertakings are set out in note 38 on page 70 of the consolidated financial statements.

2. Other investments

	2009	2008
	€'000	€'000
At 1 January	1,057	-
Additions	-	6,815
Impairment	-	(5,758)
Mark to market adjustment	(39)	-
Exchange movement	76	-
At 31 December	1,094	1,057

Other investments consist of the Company's investment in 6.940 million ordinary shares in Media Square plc, representing 21.5% of the issued share capital in that company. Media Square plc is an AIM listed marketing communications group.

The Group acquired a further 3.350 million ordinary shares in Media Square plc, on 12 February 2010, increasing the shareholding to 28.5%. Further details of this transaction are disclosed in note 36 on page 69 of the consolidated financial statements.

3. Debtors

	2009	2008
	€'000	€'000
(Amounts falling due within one year)		
Amounts owed by subsidiary undertakings	-	1,040
	-	1,040

4. Cash and cash equivalents

	2009	2008
	€'000	€'000
Cash at bank and in hand	20	24
Short-term deposits	6	8
	26	32

Details of short-term deposits are presented in note 19 on page 51 of the consolidated financial statements.

5. Trade and other creditors

	2009	2008
	€'000	€'000
(Amounts falling due within one year)		
Accruals	98	62
	98	62
(Amounts falling due after more than one year)		
Amounts owed to subsidiary undertakings	1,485	-

6. Called-up share capital

Details in respect of called-up share capital are presented in note 29 on page 61 of the consolidated financial statements.

7. Movement on reserves

	Share premium €'000	Share based payments reserve €'000	Currency reserve €'000	Profit and loss account €'000
At 1 January 2008	16,444	2,258	-	(7,594)
Fair valuation of warrants	-	813	-	-
Loss for the year ⁽¹⁾	-	-	(344)	(8,048)
At 31 December 2008	16,444	3,071	(344)	(15,642)
At 1 January 2009	16,444	3,071	(344)	(15,642)
Fair valuation of warrants	-	304	-	-
Loss for the year	-	-	-	(620)
Exchange movement	-	-	76	-
At 31 December 2009	16,444	3,375	(268)	(16,262)

1) currency reserve was included within profit and loss account reserve in 2008 and has been re-classed in 2009 for comparative purposes

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the year determined in accordance with Irish GAAP is €0.620 million (2008: €8.392 million).

8. Approval of financial statements

These Company financial statements were approved by the Board of Directors on 23 June 2010.

OTHER INFORMATION

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Registrar and transfer office

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Dublin 18

Auditors

Grant Thornton
Chartered Accountants &
Registered Auditors
24-26 City Quay
Dublin 2

Stockbrokers

Davy Stockbrokers
Davy House
49 Dawson Street
Dublin 2

Solicitors

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

GROUP FINANCIAL SUMMARY

	IFRS			
	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Revenue				
PAC Digimedia – discontinued operations	9,274	24,969	34,488	35,977
PAC Telemedia – continuing operations	20,928	8,816	144	-
	30,202	33,785	34,632	35,977
Operating (loss)/profit				
PAC Digimedia – discontinued operations	476	346	2,575	2,024
PAC Telemedia – continuing operations	(2,111)	(4,566)	(158)	-
	(1,635)	(4,220)	2,417	2,024
Centre costs	(1,035)	(1,125)	(1,062)	(1,257)
	(2,670)	(5,345)	1,355	767
Group (loss)/profit for the year after tax and exceptional items				
(Loss) after tax - continuing operations	(4,146)	(11,939)	(3,403)	(1,103)
(Loss)/profit after tax - discontinued operations	(2,141)	7,043	1,202	1,242
	(6,287)	(4,896)	(2,201)	139
	€ cent	€ cent	€ cent	€ cent
(Loss)/earnings per share				
Basic (loss)/earnings per share	(27.15)	(18.08)	(12.89)	0.25
Adjusted (loss)/earnings per share	(11.41)	(20.79)	7.45	0.84
	€'000	€'000	€'000	€'000
Balance sheet				
Goodwill	8,326	6,472	3,149	-
Net assets (excluding goodwill and net cash/(debt))	1,992	7,529	11,620	12,207
Net cash/(debt)	2,286	2,171	7,805	(3,826)
Equity interests	12,604	16,172	22,574	8,381
Cash flow				
Cash generated from operations	(1,114)	(4,164)	753	3,394
Tax paid	9	(14)	(11)	(17)
Net cash flow from operating activities	(1,105)	(4,178)	742	3,377
Capital expenditure net of grants received (including leased assets)	(338)	(3,901)	(1,383)	(1,792)
Net interest paid	(90)	(170)	(294)	(666)
Purchase of available-for-sale financial assets	-	(6,815)	-	-
Disposal of subsidiary, net of cash disposed	2,328	10,835	-	-
Acquisition of subsidiary, net of cash acquired	(2,021)	(3,136)	(3,423)	-
Acquisition of minority interest, direct costs incurred	-	(173)	-	-
Proceeds from issue of shares	-	-	16,190	-
Proceeds from issue of shares to minority interest	-	340	-	-
Borrowings disposed of	1,393	2,341	-	-
Net cash flow	167	(4,857)	11,832	919