

Universe Group plc

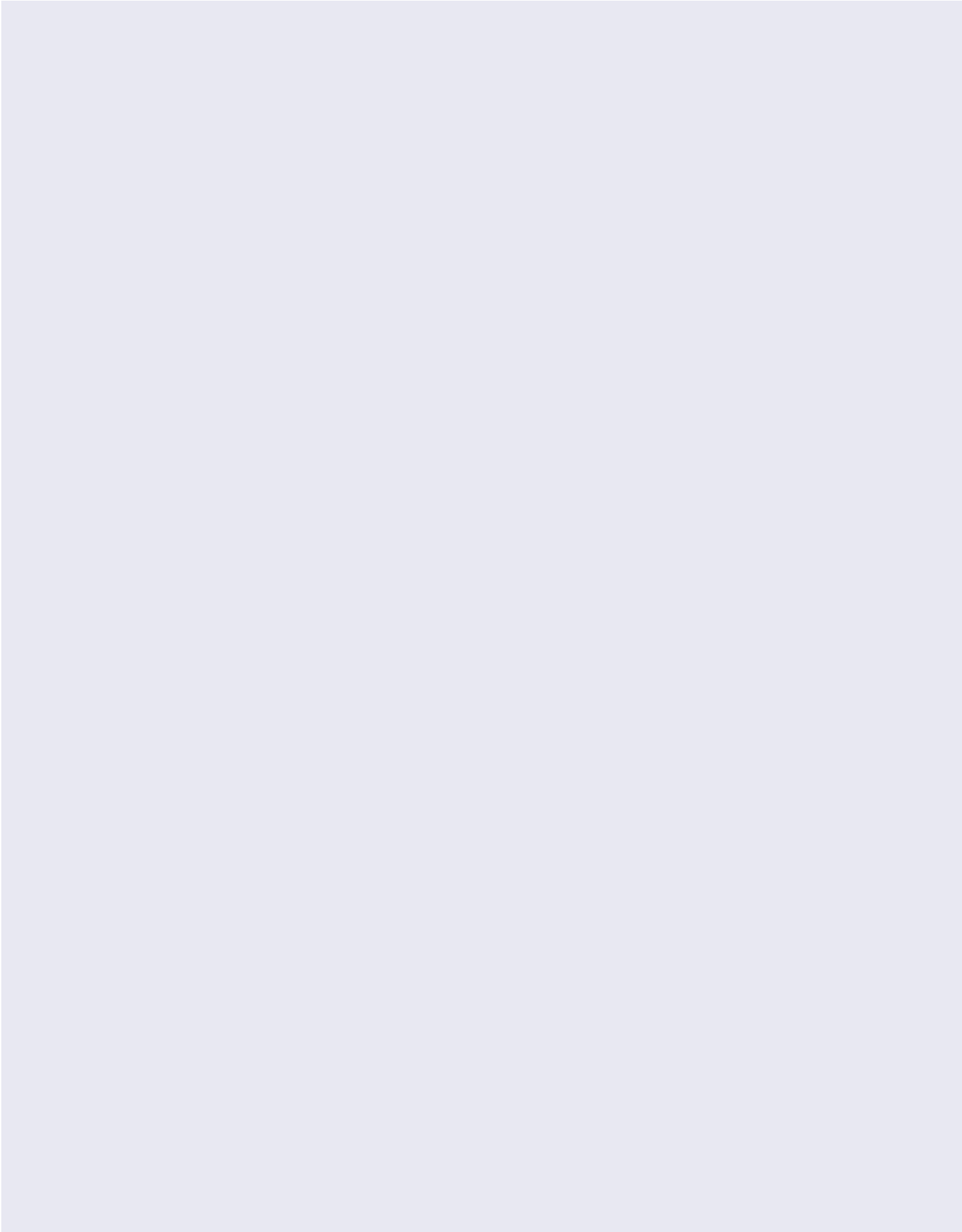


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Annual Report
2005

Universe
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About Universe Group

Universe Group is an AIM public quoted company that was established in January 2000 on the demerger of the Card Clear Group.

Universe Group comprises HTEC and Master Change.

- HTEC is an international supplier of electronic transaction and loyalty systems to the petrol retail and communication sectors.
- Master Change operates 9 bureau de change shops in Paris, France.

**Executive Directors**

Ray Mackie (Chairman)
Eddie Paul (Finance)
Adrian Grinsell
Catherine Wines

Secretary and Registered Office

Catherine Wines
Southampton International Park
George Curl Way
Southampton
SO18 2RX

Nominated Adviser and Broker

Charles Stanley & Co. Limited
25 Luke Street
London
EC2A 4AR

Non-Executive Directors

Barrie Brinkman
Keith Buchanan

Solicitors

Travers Smith Braithwaite
10 Snow Hill
London
EC1A 2AL

Registered Auditor

RSM Robson Rhodes LLP
30 Finsbury Square
London
EC2P 2YU

Bankers

National Westminster Bank PLC
1 Princes Street
London
EC2R 8PH

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Financial Calendar

Annual General Meeting 12th May 2006

Payment of Final Dividend

Record date - 19th May 2006

Payment date - 7th July 2006



In 2005 we achieved an operating profit on our continuing business of £1,747,000 compared to £1,356,000 last year. We have adopted IFRS and group operating profits on this basis are struck after what were formerly accounted for as exceptional items but before the results of the International Money Transfer discontinued operations.

Results

Our sales on continuing business were £17.6 million against £16.6 million for 2004. On this figure we achieved a profit before tax of £1.2 million (2004 - £0.8 million). Our earnings per share on continuing business are 1.8 pence per share, against 1.3 pence on last year on a comparable basis.

Retail and Information Systems

HTEC had a very busy first half but a quieter second half as I anticipated in my half year report in September 2005. Delivered sales showed a good increase in revenue over the previous year particularly from sales to ASDA, Morrisons and PayPoint. Our new business wins in the past year include Pace Petroleum, Anglia Co-op and Clinton Cards.

Taking each of our main HTEC product areas in turn we see excellent prospects following a period of investment in Chip & PIN. Our products include:

HydraPOS	a Point of Sale system for petrol retailers.
HydraOPT	a Chip & PIN enabled unattended system.
Gemini	an Electronic Funds Transfer terminal EFT for use with the Gemini Intelligent PINpad.
HTEC On-line	a suite of on-line services

All our products and services give us continuing revenue after installation. Our recurring service income is now in excess of 25% of HTEC sales.

HydraPOS

HydraPOS is now in operation in ASDA, Morrisons, Somerfield, Murco, Henderson in Northern Ireland and Anglia Co-op. The HydraPOS, with Toshiba TEC, is the platform for the successful Morrisons Miles on-line loyalty programme installed on the HydraPOS system.

Hydra OPT

The Hydra Outdoor Payment Terminal, the first fully approved OPT for use with Chip & PIN, is in use at ASDA and, on a pilot basis, at Morrisons. Hydra OPT is being converted to Chip & PIN across the ASDA estate. Important liaisons have been established with pump providers and we anticipate this will lead to further Hydra OPT installations. In this regard we are working with Gilbarco and Wayne, the two leading petrol pump providers to integrate HydraOPT into their pump heads. This is a very exciting extension to our business.

Thus far we have an OPT fully integrated with Gilbarco's SK700 Euroline and earlier this month, at the International Forecourt and Fuel Equipment Show, we exhibited the solution for the Wayne 9000. An OPT integrated with the Wayne Global Star will follow soon.

Gemini

Gemini has been developed to operate Chip & PIN with the Gemini Intelligent PINpad and this process was difficult and long drawn out. As with many PINpad providers we experienced teething difficulties but our close working relationship with the main Gemini customers has assisted us in tackling these difficulties.

On-Line Services

HTEC has created a number of on-line products which will lead to profitable growth. I have already mentioned our on-line loyalty business with Morrisons and others. Of equal importance is our Virtual Back Office which enables managers to control their petrol forecourts (and the same applies in other business fields) from wherever they have an internet connection. They have access to real time data collection and the flexibility to generate reports in various formats.

We now have on-line services installed with customers in Holland and Portugal as well as in the UK and we have a pilot development underway for a scheme which, on the basis the pilot is successful, will be installed in many countries in Europe and elsewhere.

Other Services

CEM has been an important part of our business through the years and we are now servicing a new customer, Clinton Cards, in upgrading their EPoS systems.

Currency Division

There have been big changes in this Division. The most important one is the sale of the First Remit business to Travelex Money Transfer Ltd ("TMT"). It had become apparent that the business required further investment and TMT has bolted the First Remit business on to its own business.

At Master Change we closed all our remaining bureaux outside of Paris. These were in London, Vienna and Strasbourg. We now trade, profitably, from our core Paris shops. The cost of this downsizing has been significant with large charges borne in both 2004 and 2005, but we anticipate that there will be no further restructuring costs and that the Currency Division will continue to trade profitably in 2006 and beyond.

Dividend

We will propose a final dividend of 0.25 pence per share (2004 - 0.5 pence per share) at the AGM on 12 May for payment in July 2006. This is a reduction on the level of dividend paid last year which will retain cash in the business to help HTEC take advantage of the opportunities with unattended payment and on-line loyalty products and services. With an interim of 0.25p already paid for 2005 the total dividend for the year will be 0.5p per ordinary share.

Marketing Initiatives

The Board is also pleased to announce its commitment to an extensive marketing programme for 2006 as a part of its strategy to expand its customer base for its main operating company HTEC, both here and elsewhere in Europe. The programme includes a range of exhibitions one of which the International Forecourt and Fuel Equipment Show has recently taken place. Visitors to these exhibitions are wholly pertinent to the Group's target audiences and each event sees the Group provide visitors with an overview of the range and breadth of its innovative petrol retail applications.

Prospects

While trading at our Currency Division remains satisfactory the prospects for HTEC are excellent. The newer Chip & PIN enabled products and our on-line services are being established fast. These give us a growth platform in our main customer base of petrol retail and also other sectors.

R J Mackie
Chairman
30 March 2006



The Remuneration Committee

The Remuneration Committee consists of the non-executive directors of the Company. The role of the Committee is to determine, on behalf of the Board, the Company's policy on executive directors' and other senior employees' remuneration, within set written terms of reference approved by the Board. The remuneration of the non-executive directors is approved by the Board of Directors.

As Chairman of the Committee, I have been asked by the Board to report to you on all remuneration matters on its behalf.

Remuneration Policy

The remuneration policy of the Company is:

- to provide a suitable remuneration package to attract, motivate and retain executive directors who will run the Company successfully;
- to formulate a package that will include a significant proportion of performance related pay and to align the directors' personal interests to those of the shareholders; and
- to ensure that all long term incentive schemes for the directors are approved by the shareholders.

The Remuneration Committee members are expected to draw on their experience to judge where to position the Company, relative to other companies and other group rates of pay, when considering remuneration packages for executives.

The Committee may use outside professional advice if they consider it necessary and will consult with the Executive Chairman before finalising the remuneration packages.

Benefits in kind include the provision of a car allowance and medical insurance premiums. The pension contributions represent the Company's contribution to defined contribution pension plans. Bonuses and benefits in kind are not pensionable.

All of the executive directors have service contracts which provide for notice periods of no more than 1 year. All the non-executive directors have service contracts which provide for notice periods of 3 months.

The Remuneration Committee recognises the importance of appropriate incentive arrangements in assisting with the recruitment and retention of senior executives. The Remuneration Committee believes that share based incentives align the interests of employees with those of shareholders but recognises that options to acquire shares at their market value on the date of grant are not always the most appropriate way to achieve this.

Accordingly, the Remuneration Committee created a Long Term Incentive Plan (the "LTIP"). Under the terms of the LTIP employees (including certain executive directors) selected by the Board (but taking account of the recommendations of the Remuneration Committee) will be given the opportunity to use some of their post-tax salary to acquire shares in the Company. The shares will be owned by the relevant employee but, under the terms of the LTIP, the employee will agree to leave his shares within an employee benefit trust ("EBT"). At the end of a set period of time, if specified performance conditions have been satisfied and the Participant remains employed within the Universe Group, a proportion of the shares that he purchased will be 'matched' by an equivalent number of free shares. Matching shares will only be awarded to the extent that the Participant has allowed his corresponding purchased shares to remain within the EBT.

Awards under the LTIP have now been made. 230,000 ordinary shares have been purchased by senior executives for a consideration of £45,051 and are held in trust for their benefit.

Directors' Detailed Emoluments

	2005 salary and fees £'000	Benefits £'000	Annual bonus £'000	2005 total £'000	2004 total £'000	2005 Pension contribution £'000	2004 Pension contribution £'000
Executives							
RJ Mackie	90	6	1	97	100	-	11
EM Paul	80	9	1	90	98	7	7
AH Grinsell	80	9	1	90	72	7	7
CPF Wines	76	9	9	94	60	8	2
Total	326	33	12	371	330	22	27
Non-executives							
G Welham	-	-	-	-	16	-	-
BL Brinkman	20	-	-	20	20	-	-
KM Buchanan	18	-	-	18	20	-	-
Total	38	-	-	38	56	-	-

Remuneration Report (continued)

for the year ended 31 December 2005



Interests in Share Options and Warrants

Details of share options and warrants held by directors during the year over the shares of 5p each in the Company are set out below. The Remuneration Committee considers and recommends all new long term incentive arrangements for the executive directors and other employees. Option schemes were the only long term incentive scheme in place. An LTIP is in place and no new options will be issued. The Remuneration Committee has now activated the LTIP.

For existing ordinary options granted to qualify for exercise, the Group must achieve an equivalent of at least 12.5% compound growth per annum in the Group's earnings per share over a three year period. For super options to qualify for exercise, the Group must achieve an annual compound growth of 20.0% over five years. All remaining options lapsed on 21 March 2006.

The market price of the Company's shares at the end of the financial year was 19p per 5p share (2004: 20.25p per 5p share) and the range of market prices during the year was between 16.5p and 24p.

	Type	1.1.05	Granted in period	Exercised in period	Lapsed in period	31.12.05	Exercise price	Exercise period
BL Brinkman	n	700,000	-	-	-	700,000	32p	22.3.2002 - 21.3.2006
	s	385,000	-	-	-	385,000	32p	22.3.2004 - 21.3.2006
EM Paul	n	50,000	-	-	-	50,000	32p	22.3.2002 - 21.3.2006
	s	50,000	-	-	-	50,000	32p	22.3.2004 - 21.3.2006
AH Grinsell	n	75,000	-	-	-	75,000	32p	22.3.2002 - 21.3.2006
	s	75,000	-	-	-	75,000	32p	22.3.2004 - 21.3.2006

n - ordinary options s - super options

No options were exercised by the directors in 2005. All the above options lapsed on 21 March 2006.

Interests in Shares

The directors of the Company and their beneficial interests at the year-end in the shares of the Company excluding share options were:

	30 March 2005 5p Ordinary share	31 Dec 2005 5p Ordinary share	31 Dec 2004 5p Ordinary share
RJ Mackie	8,512,397	8,417,327	6,859,403
BL Brinkman	886,147	874,579	840,017
KM Buchanan	39,531	39,015	37,474
EM Paul	51,263	50,595	38,993
CPF Wines	243,225	240,051	166,942
AH Grinsell	60,541	59,751	37,751

On behalf of the Board.

Keith Buchanan

Chairman of the Remuneration Committee



Ray Mackie (59)

Ray Mackie was appointed the Group's Finance Director in January 1999, having been Group Finance Director of Hillsdown Holdings plc from 1993 to 1998. He was formerly a corporate finance partner in KPMG. Ray was appointed Chairman on the demerger of Retail Decisions Plc on 11 January 2000.

Edwin Paul (56)

Eddie Paul is qualified as a Chartered Management Accountant and as a Chartered Certified Accountant, achieved whilst working with Philips Electronics. He has worked as an accountant overseas and in the leisure industry in the UK. He was Managing Director of Westerly Yachts in the 1990's. He joined HTEC as Finance Director in 1998 and became a director of the Company on 11 January 2000.

Catherine Wines (48)

Catherine Wines is a Fellow of the Association of Chartered Certified Accountants. Catherine joined the Board on 23 March 2004. She is a former KPMG and PWC accountant and former International Projects Manager of the ACCA. Catherine is the Managing Director for the Currency Division.

Adrian Grinsell (49)

Adrian Grinsell joined the Board of HTEC in 1999 as operations director and the Board on 23 March 2004. He is member of the Chartered Institute of Purchasing Supply. Prior to joining HTEC in 1984 he worked with ITW. Adrian is the Managing Director of HTEC.

Keith Buchanan (52)

Keith Buchanan joined the Board as a non-executive director on 1 May 2002. After training as a chartered accountant with KPMG he joined Hillsdown Holdings plc in 1980 where he became Finance Director in 1998. His most recent position before joining Universe was Group Finance Director of Premier International Foods plc. Keith is Group Finance Director of Arovit Petfood.

Barrie Brinkman (56)

Barrie Brinkman joined the Board of HTEC in 1987 and has over 25 years of electronics and software design experience with a number of companies including City Business Products Limited, a subsidiary of British Telecommunications plc. He joined the Board in February 1998 following the Company's acquisition of HTEC.



Corporate Governance

The Board is accountable to the Company's shareholders for good governance and this statement describes how the principles of good corporate governance are applied by the Company.

The Group is not required to comply with the Combined Code on Corporate Governance issued by the UK Listings Authority, and does not currently comply with all of its requirements. However the Group does voluntarily comply with many of the requirements of the Combined Code as described in this statement and the Remuneration Report.

The Board

As at the date of signing of these accounts, the Board comprises four executive directors and two non-executive directors. Brief biographies of the Board members are shown on page 6.

The Board meets formally at least ten times a year and full information is given to the directors to enable the Board to function effectively and to allow the directors properly to fulfil their responsibilities. Board papers are usually distributed four days in advance of meetings and decisions may be deferred if directors require further information to be made available to them. The Company Secretary is responsible to the Board for the timeliness of the information given to it.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards.

Company Law in the UK requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and the profit or loss for that period. In preparing those accounts the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information available through the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Board Committees

In furtherance of the principles of Corporate Governance the Board has appointed the following Committees, each of which has formal terms of reference. The membership of the Committees is shown below.

Audit Committee

The Audit Committee, comprising the non-executives, is chaired by Barrie Brinkman and normally meets two or three times a year with the Executive Directors and representatives of the auditors in attendance as required. The Committee assists the Board in the discharge of its duties concerning the announcements of results and the Annual Report & Accounts and the maintenance of proper internal controls; it reviews the auditors' findings and considers Group Accounting policies and the compliance of those policies with applicable legal and accounting standards.

Remuneration Committee

The Remuneration Committee, comprising the non-executive directors under the chairmanship of Keith Buchanan, sets the Group's overall remuneration policy. It determines, on behalf of the Board, the remuneration and other benefits of the executive directors. It meets on a regular basis, usually three times a year and additionally whenever required. The Remuneration Report is set out on pages 4 and 5.

Internal Controls

The directors are responsible for the Group's system of internal control. However 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 misstatement or loss. The Directors have put in place an organisational structure and framework of controls which is periodically reviewed for its effectiveness. The key financial procedures within the Group's system of internal control are as follows:

- There is a comprehensive budgeting system with the annual budget being approved by the Board. Actual results and updated forecasts are prepared regularly and compared against budget.
- The annual capital investment budget is approved by the Board together with significant individual items prior to commitment.
- Significant treasury items are reserved for the Board.



The directors present their report and the audited accounts for the year ended 31 December 2005.

Principal Activities

The principal activities of the Group undertaken during the year were:

- The design and provision of loyalty and payment systems for retailers, the design and provision of services to the information services and telecommunications industries.
- The operation of a chain of bureaux de change in Europe.

Review of Business and Future Developments

The Consolidated Income Statement is set out on page 10.

The development of the business during the year is discussed in the Chairman's Statement on page 3.

The Group's indebtedness was £3.9 million at the end of the year compared to £4.6 million at the start of the year.

Group Research and Development

The Group is committed to research and development activities in order to secure its market position at HTEC. Costs of £613,000 (2004: £616,000) attributable to pure and applied research have been written off in the year.

Financial Risk

Our important risks and approach to them are described in note 23 on page 22.

Dividends

The directors have declared or now recommend the following dividends in respect of the year ended 31 December 2005.

Ordinary Dividends

Interim paid in January 2006
0.25p per 5p share

Final proposed
0.25p per 5p share payable in July 2006

Total dividend 0.5p per 5p share

Directors and their Interests

The directors of the Company during the year and their respective interests are shown in the Remuneration Report on pages 4 to 5.

Post Balance Sheet Event

On 4 April 2006 the Company placed 2,479,410 new ordinary shares of 5 pence each at 17 pence per share.

Substantial Shareholdings

As at 18 March 2006 the directors have been notified or are aware of the following shareholders holding more than 3 per cent of the issued share capital of the Company. Apart from these, the directors are not aware of any individual interest or group of interests, held by persons acting together of 3 per cent or more of issued share capital.

	Number of Ordinary shares of 5p	Percentage
Ennismore Fund Management	9,517,122	15.1%
RJ Mackie	8,512,397	13.5%
F&C Asset Managers	4,327,159	6.9%
Singer & Friedlander	3,078,382	4.9%

Creditor Payment Policy

The Group does not follow a formal code but agrees payment terms with its suppliers when it enters into binding contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Charitable and Political Contributions

The Group made contributions of £nil (2004: £nil) during the year for charitable purposes. No political donations were made in the year.

Going Concern

The directors have reviewed detailed projections and other information that they consider necessary to form a considered opinion on the prospects of both the Company and Group. The Group has achieved a profit for the year and has net current liabilities at year end, although it remains in a net asset position. The directors have carefully considered the basis of preparation of these accounts and the board expects that the Company and Group will continue in operational existence for the foreseeable future.

Auditors

A resolution to reappoint RSM Robson Rhodes LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board.

Catherine Wines
Company Secretary
18 April 2006



We have audited the group and parent company financial statements ("the financial statements") on pages 10 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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 Remuneration Report, the Chairman's Statement and the Corporate Governance Statement. 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 judgements 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of affairs of the group as at 31 December 2005 and of its profit for the year then ended;

the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of affairs of the parent company as at 31 December 2005; and

the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

London
England

18 April 2006

Consolidated Income Statement

for the year ended 31 December 2005



	Notes	2005 £000	2004 £000
Continuing Operations:			
Revenue	2,3,4	17,557	16,585
Net operating costs		(15,810)	(15,229)
Operating profit on continuing operations	2,4	1,747	1,356
Finance costs	5	(546)	(605)
Profit before taxation		1,201	751
Taxation	7	(119)	(13)
Profit for the year from continuing operations	4	1,082	738
Discontinued operations:			
Loss for the year from discontinued operations	8	(844)	(825)
Profit/(loss) for the year attributable to equity shareholders	6	238	(87)
Earnings/(loss) per share		Pence	Pence
- Basic and diluted - Continuing	9	1.8	1.3
- Discontinued	9	(1.4)	(1.4)
		0.4	(0.1)

Statement of changes in equity

for the year ended 31 December 2005

		Group		Company	
		2005 £000	2004 £000	2005 £000	2004 £000
At 1 January		24,724	25,083	21,440	21,298
Revaluation changes		(170)	(51)	-	-
Deferred tax on revaluation change	24	60	-	-	-
Shares issued		342	501	342	501
Profit/(loss) for the year attributable to equity shareholders		238	(87)	563	293
Exchange differences		(99)	(70)	-	-
Dividends declared	10	(457)	(652)	(457)	(652)
At 31 December		24,638	24,724	21,888	21,440



	Notes	Group		Company	
		2005 £000	Restated 2004 £000	2005 £000	Restated 2004 £000
Non-current assets					
Goodwill	11	20,983	20,983	-	-
Development costs	12	2,533	2,192	-	-
Fonds de commerce	13	2,433	2,673	-	-
Property, plant and equipment	14	2,068	2,527	110	110
Investments	15	-	-	19,443	19,440
Financial assets - loans receivable	15	-	-	4,156	4,544
		28,017	28,375	23,709	24,094
Current assets					
Inventories	16	1,795	2,436	-	-
Trade and other receivables	17	2,744	3,005	19	3
Cash and cash equivalents		146	250	865	613
		4,685	5,691	884	616
Total assets		32,702	34,066	24,593	24,710
Current liabilities					
Trade and other payables	18	(3,272)	(3,848)	(686)	(392)
Tax liabilities	19	(390)	(273)	-	4
Short term borrowings	20	(2,621)	(2,485)	(659)	(679)
		(6,283)	(6,606)	(1,345)	(1,067)
Non-current liabilities					
Medium term borrowings	22	(1,454)	(2,349)	(1,360)	(2,203)
Deferred tax	24	(327)	(387)	-	-
Total liabilities		(8,064)	(9,342)	(2,705)	(3,270)
Net assets		24,638	24,724	21,888	21,440
Equity					
Share capital	25	3,147	3,053	3,147	3,053
Shares to be issued		39	38	39	38
Share premium	26	9,823	9,576	9,823	9,576
Revaluation reserve	26	131	301	-	-
Other reserves	26	8,603	8,603	476	476
Profit and loss account	26	2,895	3,153	8,403	8,297
Total equity		24,638	24,724	21,888	21,440

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2006 and were signed on its behalf by:

RJ Mackie
Chairman

Cash Flow Statements

for the year ended 31 December 2005



	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Cash flows from operating activities				
Operating profit				
-Continuing	1,747	1,356	562	293
-Discontinued	(844)	(825)	-	-
Depreciation and amortisation	933	1,444	-	-
Loss on disposal of fixed assets	-	193	-	-
Movement in working capital	(17)	512	811	601
Interest paid	(465)	(524)	(213)	(286)
Dividends paid	(305)	(608)	(305)	(608)
Tax paid	-	(29)	-	-
Net cash inflow from operating activities	1,049	1,519	855	-
Cash flows from investing activities				
Purchase of tangible fixed assets	(294)	(449)	-	-
Purchase of intangible fixed assets	(856)	(1,828)	-	-
Sale of fixed assets	570	269	-	-
Acquisitions and disposals	191	(2)	-	-
Net cash outflow from investing activities	(389)	(2,010)	-	-
Cash flow from financing activities				
Capital elements of lease payments	(432)	(372)	-	-
Repayment of loans	(945)	(311)	(945)	(311)
Issue of shares net of expenses	342	433	342	433
Other new loans	290	694	-	491
Net cash (outflow)/inflow from financing	(745)	444	(603)	613
(Decrease)/increase in cash and cash equivalents	(85)	(47)	252	613
Cash and cash equivalents at beginning of year	250	310	613	-
Exchange differences	(19)	(13)	-	-
Cash and cash equivalents at end of year	146	250	865	613



1. Significant Accounting Policies

Basis of preparation

These financial statements have been prepared under the historical cost convention modified by property revaluations on a going concern basis and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the EU and as applied in accordance with the Companies Act 1985.

The going concern basis is appropriate because the timing of the current liabilities and profitable nature of current business indicates that the Group has adequate resources to continue in operational existence for the foreseeable future.

A summary of the more important accounting policies, which have been applied consistently, except as stated, is set out below. As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements.

The restated financial information for the transition to IFRS is set out on page 28.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries undertakings. Subsidiary undertakings have been consolidated using the acquisition method of accounting.

Goodwill

Purchased goodwill arising on consolidation represents the excess of the fair value of the consideration given, plus associated costs, for a business, over the fair value of the net assets acquired. Goodwill arising on acquisition is capitalised. In respect of acquisitions prior to 1 January 2004, goodwill is included at the amount recorded previously under UK GAAP.

In accordance with IFRS3 goodwill arising is not amortised. Impairment tests are carried out on each acquired business each year by discounting estimated future cash flows from the individual business concerned, at an appropriate discount rate. The value of such goodwill is then adjusted to its recoverable amount, if required. The discount rate used is the Group's pre-tax marginal borrowing rate.

Borrowing costs

No borrowing costs are capitalised in non-current assets. Loan costs are, however, deferred to future periods when the loan is repayable over more than one year.

Property, plant and equipment

The cost of fixed assets is their purchase price, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less residual value, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Computer and office equipment	25
Operational equipment	14 - 33
Leasehold improvements	Term of the Lease, maximum 20 years

Where there is evidence of impairment, fixed assets are written down to a recoverable amount. Any such write down is charged to operating profit.

Fonds de commerce

The Group revalues French exchange bureaux leasehold properties on a fonds de commerce basis (see note 13). It is the Group's policy to revalue the properties regularly at intervals not exceeding three years.

It is the Group's practice to maintain its leasehold properties and integral fixed plant in a continual state of good repair, such that their value is also maintained. The Directors consider that the useful economic lives of these are sufficiently long and their residual values are sufficiently high that their depreciation is insignificant.

Investment property

Investment property is held at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in the income statement for the period in which it arises.

Leasing

Where assets are acquired under finance leases (including hire purchase contracts), which confer rights and obligations similar to those attached to owned assets, the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided in accordance with the accounting policy above. The capital element of future finance lease payments is included in creditors and the interest element is charged to the income statement over the period of the lease in proportion to the capital element outstanding. Expenditure on operating leases is charged to the income statement on a straight line basis.

Revenue Recognition

For HTEC revenue, which excludes value added tax, represents the invoiced value of goods and services supplied. Service contracts are time apportioned. For Master Change, revenue is the foreign exchange commissions on the sale and purchase of currencies and the difference between the cost and selling price of currency.



Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Pension costs

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged represent contributions payable by the Group to the fund together with the administration charge of the fund. In addition the Group continues to contribute to personal pension plans for certain of its employees.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these transactions are taken to reserves.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

- *Trade receivables*
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- *Financial liability and equity*
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is capitalised as an intangible fixed asset where the following conditions are met:

- an identifiable asset is being created,
- the asset is expected to generate, future economic benefits, and,
- the development cost of the asset can be measured reliably.

Such expenditure is amortised over the period during which the benefits of the projects are expected to arise. Expenditure on pure and applied research is written off as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value on the basis of FIFO. At HTEC inventories consist of finished goods, work-in-progress and raw materials less provisions based on formulae linked to age and usage. No interest is included but cost includes an appropriate proportion of production and other direct overhead expenses. Foreign currency at Master Change branches is accounted for as inventory.

Critical estimates and judgements

To be able to prepare accounts according to generally accepted accounting principles, management and the Board of directors must make estimates and assumptions that affect the asset and liability items and revenue and expense items recorded in the final accounts as well as other information, such as that provided on contingent liabilities. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.



2. Operating profit on continuing operations	2005	2004
	£000	£000
Revenue	17,557	16,585
Cost of sales	10,330	9,159
Gross profit	7,227	7,426
Administrative expenses	5,480	6,070
Operating profit on continuing operations	1,747	1,356

3. Revenue analysis

Revenue consists of £10,933,000 (2004 £9,775,000) from sales of products - hardware and software - and £6,624,000 (2004 £6,810,000) for the provision of services.

4. Segment information

The Group has two businesses, Retail and Information Systems, and Currency Division. These divisions also reflect the Group's key geographic segments which are principally the UK and France respectively.

	Retail and Information Systems UK 2005 £000	Currency Division France 2005 £000	Head Office/ Unallocated 2005 £000	Continuing Operations Total 2005 £000
Revenue - all external	15,669	1,888	-	17,557
Operating profit/(loss)	1,826	221	(300)	1,747
Finance costs				(546)
Taxation				(119)
Profit for the year from continuing operations				1082
Total assets	29,293	4,005	(596)	32,702
Total liabilities	(4,442)	(3,405)	(217)	(8,064)
Net book amount	24,851	600	(813)	24,638
Depreciation and amortisation	(882)	(51)	-	(933)
Capital expenditure:				
Tangible assets	496	38	-	534
Intangible assets	856	-	-	856
Total	1,352	38	-	1,390



4. Segment information (continued)

	Retail and Information Systems UK 2004 £000	Currency Division France 2004 £000	Head Office/ Unallocated 2004 £000	Continuing Operations Total 2004 £000
Revenue - all external	14,249	2,336	-	16,585
Operating profit/(loss)	2,272	(436)	(480)	1,356
Finance costs				(605)
Taxation				(13)
Profit for the year from continuing operations				738
Total assets	31,402	4,827	(2,163)	34,066
Total liabilities	(4,799)	(3,850)	(693)	(9,342)
Net book amount	26,603	977	(2,856)	24,724
Depreciation and amortisation	(1,260)	(56)	-	(1,316)
Capital expenditure:				
Tangible assets	448	139	-	587
Intangible assets	1,768	60	-	1,828
Total	2,216	199	-	2,415

The result of discontinued operations is shown in note 8.

5. Finance costs

	2005 £000	2004 £000
Interest payable on bank loans and overdrafts	(421)	(460)
Interest payable on finance leases	(44)	(71)
Amortisation of development loan issue costs	(81)	(81)
Interest payable	(546)	(612)
Bank interest receivable	-	7
	(546)	(605)

6. Profit/ (loss) for the year attributable to equity shareholders

	2005 £000	2004 £000
This is stated after charging:		
Cost of inventory	4,817	4,306
Loss on sale of fixed assets	55	193
Depreciation/amortisation		
- intangible	462	692
- tangible, owned	354	422
- tangible, subject to finance lease	117	330
Research and development expenditure	613	616
Auditors' remuneration for audit (Company £27,649; 2004: £48,194)	60	73
Other services by the Group's auditor	4	-
Operating lease charges - plant and machinery	178	166
Operating lease charges - property	1,172	1,293
Bad debt expense	31	39
Inventory provision	62	51



7. Tax on profit on ordinary activities

	2005 £000	2004 £000
United Kingdom corporation tax at 30%	8	99
Overseas corporation taxes	95	1
Prior year overprovision	-	(101)
	103	(1)
Deferred tax		
- current period	16	14
No tax charge arose on discontinued operations.	119	13

Factors affecting the tax charge profits/(loss)

The tax assessed for the period is lower (2004 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below.

Profit/(loss) before tax	357	(74)
Tax at UK corporate tax rate of 30%	106	(22)
Losses arising in the year not relieviable against current tax	-	156
Use of tax losses brought forward	2	(7)
Adjustment to tax charge in respect of prior period	-	(101)
Other, including tax effect of expenses that are not deductible in determining taxable profit	11	(13)
Tax charge	119	13

8. Discontinued operations

Revenue - Fees for money transfer	425	748
Funds sent	8,685	14,657
Operating loss	(841)	(825)
Loss on the sale of business	(3)	-
	(844)	(825)

The cash effect of the operating losses shown here was £548,000 in 2005 and £698,000 in 2004. In 2005 £293,000 was attributable to asset write downs and in 2004 £127,000 was charged to depreciation and amortisation.

The money transfer business was sold on 12 August 2005. The loss on the sale of the money transfer business is made up of:

Net assets disposed of at 12 August 2005:

Property, plant and equipment	269
Net monetary assets	191
	460
Sale proceeds	502
	42
Legal costs	(45)
	(3)

£191,000 of the sales proceeds was received prior to 31 December 2005. The deferred element of the consideration is based on a formula linked to money transfer transactions carried out in the three years to 12 November 2008.



9. Earnings/(loss) per ordinary share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	Profit/ earnings £000	2005 Weighted average number of shares '000	2005 per 5p share amount pence	(Loss)/ earnings £000	2004 Weighted average number of shares '000	2004 per 5p share amount pence
Basic and diluted						
Continuing	1,082	61,506	1.8	738	59,866	1.3
Discontinued	(844)	61,506	(1.4)	(825)	59,866	(1.4)
Total EPS	<u>238</u>	<u>61,506</u>	<u>0.4</u>	<u>(87)</u>	<u>59,866</u>	<u>(0.1)</u>

10. Dividends

Dividends declared on equity shares:

	2005 £000	2004 £000
Ordinary - interim paid in January 2006 of 0.25p per 5p share (2004: 0.25p per 5p share)	152	153

Ordinary - final for 2004 paid July 2005 at 0.5p per 5p share (2003: 1.13p per 5p share)	305	499
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	<u>457</u>	<u>652</u>
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11. Goodwill

Net book amount at 31 December		
HTEC Group Limited	20,060	20,060
Master Change Limited	923	923
	<u>20,983</u>	<u>20,983</u>

As stated in note 1 the goodwill has been tested for impairment in accordance with IAS 36 by discounting estimated future cash flows from each business. The discount rate used is the Group's marginal pre-tax borrowing rate. The future cash flows are those anticipated in the budget for 2006 with zero growth assumed in the next 20 years.

12. Development costs

Group	2005 £000	2004 £000
Cost		
At 1 January	3,215	1,387
Additions	863	1,828
Costs written off	(60)	-
At 31 December	<u>4,018</u>	<u>3,215</u>
Amortisation		
At 1 January	1,023	331
Charge for the year	462	692
At 31 December	<u>1,485</u>	<u>1,023</u>
Net book value		
At 31 December	<u>2,533</u>	<u>2,192</u>

No finance costs are capitalised with developments costs. The amortisation periods are between three and six years.



13. Fonds de commerce	2005	2004
	£000	£000
Valuation at 1 January	2,673	3,035
Exchange adjustment	(70)	25
Disposals	-	(336)
Valuation adjustment	(170)	(51)
Valuation at 31 December	2,433	2,673
Historical cost	2,320	2,372

Fonds de commerce is the valuation basis applied to French leasehold bureaux de change properties. These were valued at open market value on the basis of existing use by an external valuer, Francois Robine, Expert Immobilier, près de la Cour d'Appel de Paris and MRICS on 31 December 2004 at £2,673,000. The values were determined on a multiple of cash flows. The directors have reduced the valuation by £170,000 during 2005 based on their understanding of the methodology adopted by the valuer.

It is the Group's practice to maintain its leasehold properties and integral fixed plant in a continual state of good repair, such that their value is also maintained. The Directors consider that the useful economic lives of these are sufficiently long and their residual values are sufficiently high that their depreciation is insignificant. The cost of maintenance and repairs is charged to the consolidated income statement as incurred.

14. Property, plant and equipment

Group	Investment property £000	Leasehold improvements £000	Plant and machinery £000	Total £000
Year ended 31 December 2005				
Cost or valuation				
At 1 January 2005	110	1,381	4,042	5,533
Exchange differences	-	(1)	(21)	(22)
Additions	-	-	534	534
Disposals	-	(192)	(1,319)	(1,511)
At 31 December 2005	110	1,188	3,236	4,534
Depreciation				
At 1 January 2005	-	245	2,761	3,006
Exchange differences	-	(1)	(9)	(10)
Charge for year	-	68	403	471
Disposals	-	-	(1,001)	(1,001)
At 31 December 2005	-	312	2,154	2,466
Net book value				
At 31 December 2005	110	876	1,082	2,068
Year ended 31 December 2004				
Cost or valuation				
At 1 January 2004	110	1,894	3,549	5,553
Exchange differences	-	-	2	2
Additions	-	2	585	587
Disposals	-	(340)	(94)	(434)
Transfer to current assets	-	(175)	-	(175)
At 31 December 2004	110	1,381	4,042	5,533
Depreciation				
At 1 January 2004	-	390	2,193	2,583
Exchange differences	-	1	6	7
Charge for year	-	96	656	752
Disposals	-	(214)	(94)	(308)
Transfer to current assets	-	(28)	-	(28)
At 31 December 2004	-	245	2,761	3,006
Net book value				
At 31 December 2004	110	1,136	1,281	2,527

Plant and machinery held under finance leases have a net book value of £403,229 (2004: £418,635).

Freehold property is reclassified as an investment property as it is rented out to a third party and is not used in either business segment.



14. Property, plant and equipment (continued)

	2005	2004
	£000	£000
Company - Investment property		
Valuation and net book value		
At 1 January	110	110
At 31 December	110	110

15. Investments and financial assets - loans receivable

Company	Shares	Loans	Total
	£000	£000	£000
Investments in subsidiaries			
At 1 January 2005	19,440	4,544	23,984
Movement	3	(388)	(385)
At 31 December 2005	19,443	4,156	23,599

Details of subsidiaries are disclosed in note 33.

16. Inventories

	2005	2004
	£000	£000
Group		
Raw materials and consumables	970	1,158
Work in progress	663	1,021
Finished goods and goods for resale	25	44
Bureaux floats held for trading	137	213
	1,795	2,436

17. Trade and other receivables

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade receivables	1,992	2,490	-	-
Other receivables	562	24	-	-
Prepayments and accrued income	190	491	19	3
	2,744	3,005	19	3

The trade receivables are an average of 46 days (2004 52 days) of the applicable revenue.



18. Trade and other payables

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade creditors	2,079	2,420	92	41
Amounts owed to Group undertakings	-	-	300	-
Other creditors	29	115	44	44
Accruals and deferred income	430	460	92	149
Other taxation	576	695	-	-
Dividends	158	158	158	158
	3,272	3,848	686	392

Trade and other payables are an average of 52 days of purchases (2004 70 days).

19. Tax liabilities

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Corporation tax	390	273	-	(4)

20. Short term borrowings

	Group		Company	
	2005 £000	2004 £000	2004 £000	2004 £000
Bank loans and other borrowing (see note 21)	1,353	1,435	659	679
Invoice discounting	1,268	1,050	-	-
	2,621	2,485	659	679

The invoice discounting facility is secured on the book debts of a subsidiary.

21. Bank and other borrowings due within one year

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Overdraft	539	467	-	-
Bank loan	628	528	628	528
Directors loan (note 32)	31	151	31	151
Finance lease obligations	155	289	-	-
	1,353	1,435	659	679

The bank loan bears interest based on base rate set by Royal Bank of Scotland.



22. Medium term borrowings

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans	1,236	1,864	1,236	1,863
Directors loan (note 32)	124	340	124	340
Finance lease obligations	94	145	-	-
	1,454	2,349	1,360	2,203

The bank loans bear interest based on Royal Bank of Scotland base rate.

Bank borrowings are secured by a first floating charge over all undertakings and assets of the Group.

Finance lease obligations are repayable within 2 to 3 years. These are secured on the assets to which they relate.

Loans are analysed as follows:

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due:				
In one year or less	659	679	659	679
In more than one year but not more than two years	659	712	659	712
In more than two years but not more than five years	701	1,491	701	1,491
	2,019	2,882	2,019	2,882

23. Financial risk management

The Group uses various methods to limit its exposure to market risks, which arise from its business activities. The main risks, as in the past, are from movements in interest rates and foreign currency. The foreign currency risks are principally to the Euro as a result of business located in France. Short term exposures also occur in Bureaux floats. The board reviews the positions and requirements on a regular basis.

The Group does not currently enter into, hold or issue hedging instruments of any description.

The Group's principal financial assets are trade debtors and these expose the Group to credit risk. This is managed by monitoring of the aggregate amount and duration of exposure to each customer. The amounts presented in the balance sheet are net of allowances for doubtful debts based on an assessment of the customers and the current economic environments.

Other risks are:

Liquidity

The Group's policy is to ensure continuity of funding through the acquisition of plant and equipment under finance leases and funding operations by term loans and overdrafts. Equity is raised when available (see note 25 under "placing after balance sheet date" for recent share issues).

Interest rates

The interest rate on the bank overdraft is at market rate and the Group's policy is to keep the overdraft within defined limits so that interest rate changes on the overdraft and other loans would not have a material impact on cash flows.



23. Financial risk management (continued)

Financial assets

The Group's financial assets comprise cash deposits and stocks of bureaux floats.

Maturity of financial liabilities - Group

The maturity profile of the carrying amount of the Group's financial liabilities, at 31 December 2005, was as follows:

	Debt £000	Finance leases £000	2005 Total £000	Debt £000	Finance leases £000	2004 Total £000
Within 1 year	2,466	155	2,621	2,185	289	2,474
Between 1 and 2 years	659	84	743	767	138	905
Between 2 and 5 years	701	10	711	1,448	7	1,455
	<u>3,826</u>	<u>249</u>	<u>4,075</u>	<u>4,400</u>	<u>434</u>	<u>4,834</u>

Maturity of financial liabilities - Company

	2005 £000	2004 £000
Within 1 year	659	679
Between 1 and 2 years	659	712
Between 2 and 5 years	701	1,491
	<u>2,019</u>	<u>2,882</u>

All debt is denominated in pounds Sterling and bears a variable rate of interest based on Royal Bank of Scotland base rate. The rates of interest implicit in the finance leases are higher than this but in line with market rates for plant and machinery leases.

Undrawn committed borrowing facilities

None

The fair value of the Group's financial assets and liabilities is not materially different from the carrying values in the balance sheet.

24. Deferred tax

The major deferred tax liabilities and assets recognised by the group and the movement therein are:

	Amount provided	
	2005 £000	2004 £000
Provision on Fonds de commerce revaluation	407	457
Other timing differences	(80)	(70)
	<u>327</u>	<u>387</u>
The movement on the net provision is:		
Net provision 1 January	387	387
Released to equity - revaluation change	(60)	-
	<u>327</u>	<u>387</u>

There are no other tax losses carried forward.



25. Called up share capital

	2005	2004
	£000	£000
Authorised:		
100,000,000 ordinary shares of 5p each	5000	5000
Allotted, called up and fully paid:		
62,927,345 ordinary shares of 5p each (2004: 61,054,766 ordinary shares)	3,147	3,053

Allotment for cash made in the last twelve months:

Date	No. of Shares	Gross Consideration £000	Reason
19.01.05	198,922	38	2004 Scrip issue
06.07.05	423,655	77	2004 Scrip issue
16.12.05	1,250,000	250	Placing (note 32)

Certain senior executives and staff members hold options to subscribe for shares in the Company at 32p per ordinary 5p share.

Share capital to be issued

In lieu of the interim dividend 205,232 5p shares, at an effective price of 18.9p, have been issued and allotted in January 2006.

Placing after balance sheet date

On 4 April 2006 a further 2,479,410 5p shares were placed, for cash, at 17p per share.

Share options

The number of shares subject to options at the balance sheet date, the periods in which they were granted and the periods in which they may be exercised are given below.

Number of options over 5p ordinary shares	Price	Option date of grant	Exercise period
Options			
830,000	32.0	22 Mar 1999	Between 22 Mar 2002 and 21 Mar 2006
515,000	32.0	22 Mar 1999	Between 22 Mar 2004 and 21 Mar 2006
1,345,000		Total number of share options	

All of these options had expired at the date of approval of these accounts.

Long term incentive plan

Subject to performance conditions being met the Group is obligated to match shares purchased by directors and other executives under the plan. It can do this by purchase or issue. The maximum number which could be issued under the plan based on shares purchased under the plan is 247,552 ordinary shares at the balance sheet date.

26. Reserves

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit & loss account £000
At 1 January 2005	9,576	301	8,603	3,153
Revaluation change	-	(170)	-	60
Premium on issue of shares net of expenses	247	-	-	-
Profit for the year	-	-	-	238
Exchange differences	-	-	-	(99)
Dividend	-	-	-	(457)
At 31 December 2005	9,823	131	8,603	2,895



26. Reserves (continued)

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit & loss account £000
At 1 January 2004	9,155	352	8,683	3,962
Premium on issue of shares net of expenses	421	-	-	-
Loss for the year	-	-	-	(87)
Exchange differences	-	-	-	(70)
Dividend	-	-	-	(652)
Share warrant valuation reversed	-	-	(80)	-
Reduction in valuation of properties	-	(51)	-	-
At 31 December 2004	9,576	301	8,603	3,153

Company	Share premium account £000	Other reserves £000	Profit & loss account £000
At 1 January 2005	9,576	476	8,297
Premium on issue of shares net of expenses	247	-	-
Profit for the year	-	-	563
Dividends	-	-	(457)
At 31 December 2005	9,823	476	8,403

Company	Share premium account £000	Other reserves £000	Profit & loss account £000
At 1 January 2004	9,155	556	8,656
Premium on issue of shares net of expenses	421	-	-
Profit for the year	-	-	293
Share warrant valuation reversed	-	(80)	-
Dividends	-	-	(652)
At 31 December 2004	9,576	476	8,297

Profit of holding company

Of the profit attributable to shareholders, a profit of £563,000 (2004: profit of £293,000) is dealt with in the financial statements of the Company.



27. Employees and directors

	2005	2004
	£000	£000
Wages and salaries	5,526	5,569
Social security costs	797	879
Pension costs	168	167
	6,491	6,615

The average number of people (including executive directors) employed during the year:

	2005	2004
	Nos.	Nos.
By business group		
Information systems	190	179
Currency exchange and transfer	40	66
Head Office	1	1
	231	246

	2005	2004
	£000	£000
Directors		
Aggregate emoluments	368	386
Company pension contribution to money purchase schemes	22	27
	390	413

Emoluments paid to the highest paid director were as follows:

	2005	2004
	£000	£000
Aggregate emoluments	97	100
Company pension contribution to money purchase schemes	-	11
	97	111

There were 4 directors (2004: 4) to whom retirement benefits accrued under money purchase schemes during the year. Further details of the directors remuneration are included in the Remuneration Report on pages 4 and 5.

28. Pension commitments

The Group operates a defined contribution scheme. The pension costs charged represent contributions payable by the Group to the fund amounting to £167,725 (2004: £153,716), together with the administration charge of the fund. In addition the Group continues to contribute to personal pension plans for certain of its employees.

At 31 December 2005 there were no contributions outstanding (2004: £Nil).

29. Operating lease commitments

At 31 December 2005 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years:

Annual commitment under non-cancellable operating leases which expire:	2005			2004		
	Property £000	Plant and machinery £000	total £000	Property £000	Plant and machinery £000	total £000
Within 1 year	20	37	57	210	24	234
Within 2 to 5 years	58	83	141	91	48	139
After 5 years	801	-	801	799	-	799
	879	120	999	1,100	72	1,172



30. Contingent liabilities	2005	2004
	£000	£000
Group		
Duty deferment guarantee given by HTEC for HM Customs and Excise	100	100

31. Capital and other financial commitments

There are no contracts placed for future expenditure not provided for (2004:nil).

32. Directors' transactions

A director, R. Mackie, provided an unsecured loan to the company of £491,000 in 2004. £86,590 was repaid in the year and £250,000 was capitalised into 1,250,000 5 pence ordinary shares at 20 pence each. A balance of £154,410 remains outstanding on which interest will be paid at Royal Bank of Scotland base rate.

33. Principal Subsidiaries

Name of undertaking	Nature of business	Country of incorporation	Description of shares held	Proportion of nominal value & voting rights of shares held by group
HTEC Group Ltd	Holding company	England and Wales	Ordinary £1	100%
			'A' Ordinary £1	100%
			'B' Ordinary £1	100%
			'C' Ordinary £1	100%
			'A' Preference 1p	100%
			'B' Preference £1	100%
HTEC Ltd*	Information systems	England and Wales	Ordinary 1p	100%
			Convertible redeemable preference £1	100%
High Technology Electronic Clearance S.L.*	Retail services	Spain	Ordinary 6 Euro	100%
Master Change Ltd	Holding company	England and Wales	Ordinary £1	100%
Bellword Ltd*	Holding company	England and Wales	Ordinary £1	100%
Bellword SARL*	Bureaux de change services	France	Ordinary 1 Euro	100%
First Remit SA*		Belgium	Ordinary 1 Euro	100%
Masternet Associates Ltd	Holding company	England and Wales	'A' Ordinary £1	100%
First Remit UK Ltd*	Money transfers	England and Wales	'B' Ordinary £1	100%
			Ordinary £1	100%

All the above companies are included in the consolidation.

*Shares held by a subsidiary



34. Comparative data restated in accordance with the transition to IFRS

Introduction

From 1 January 2005, the Group is reporting its results in accordance with International Financial Reporting Standards (IFRS). The transition date is 1 January 2004. The comparative data in this Annual Report has been restated accordingly.

To comply with the requirements of reporting the first set of financial statements following transition to IFRS, a reconciliation of profit under UK GAAP for the year to 31 December 2004 to the income under IFRS is set out below. A summary of the differences between UK GAAP and IFRS that led to the adjustments are also set out below.

IFRS also requires a reconciliation of equity under UK GAAP at 1 January 2004 and 31 December 2004 to equity under IFRS. This is also set out below.

IFRS Adjustments

Under UK GAAP, the dividend charge was recognised in the profit and loss account in the period to which it related. Under IFRS the dividend charge is not recognised in the income statement but is recognised directly in equity in the period it is declared. Under UK GAAP deferred tax was not provided on revalued property, under IFRS it is provided.

Consolidated income statement

The figure for "loss for the financial year after taxation" is the same under UK GAAP as "Profit/(loss)" for the year attributable to equity shareholders for IFRS. However under IFRS revenue recognition rules indicate that the revenue on the bureaux de change business should be restated onto a margin basis (see note 1 for definition) rather than the gross turnover. For 2004 this reduces turnover in the bureaux from £14,125,000 to £2,336,000 without any impact on profits.

	31 December 2004 £000	1 January 2004 £000
Balance Sheet Adjustments		
Liabilities under UK GAAP	(9,260)	(9,143)
Dividends payable	305	499
Deferred tax on revaluation of property	(387)	(387)
	<hr/>	<hr/>
Revised figure under IFRS	(9,342)	(9,031)
	<hr/>	<hr/>
Profit and loss account under UK GAAP	3,235	3,850
Dividends payable	305	499
Deferred tax	(387)	(387)
	<hr/>	<hr/>
Retained earnings under IFRS	3,153	3,962
	<hr/>	<hr/>
Reconciliation of equity including retained earnings		
Total equity under UK GAAP	24,806	24,971
Dividends payable	305	499
Deferred tax	(387)	(387)
	<hr/>	<hr/>
Total equity under IFRS	24,724	25,083
	<hr/>	<hr/>

No adjustments are required to the figures for the company except for the dividends payable adjustments for the group.

Exemptions

In preparing this financial information the Group has taken permitted IFRS first time adoption exemptions as follows:

- Business combinations prior to the transition date have not been restated as no significant acquisitions have taken place in the past five years.
- IFRS2 (share-based payments) has been applied only to awards made after 7 November 2002.

Other permitted exemptions are not applicable to the group.



Universe Group plc
Southampton International Park
Southampton SO18 2RX

Telephone: 023 8068 9510
Facsimile: 023 8068 9208

Website: www.universe-group.co.uk

