

12 August 2009

UNIVERSE GROUP PLC
("Universe", the "Company" or the "Group")

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30th JUNE 2009

Universe (UNG.L) the AIM-listed retail and loyalty systems provider, is pleased to announce its unaudited interim results for the six months to 30th June 2009.

Highlights

- Adjusted operating profit of £345,000 (2008: loss of £347,000) on reduced revenue of £7.3million (2008: £7.9million)
- Gross margin increased to 32% (2008: 28%)
- Operating loss of £21,000 (2008: loss of £483,000)
- Loss Per Share (0.15p) (2008: Loss Per Share 0.54p)
- Cash inflow from operating activities of £1,274,000 (2008: outflow of £417,000)
- Borrowings reduce by £655,000 from £3.2million at the year end to £2.6million
- Cash increases to £516,000 from £70,000 at the year end

John Scholes, Chairman, commented:

The benefits of improved quality of earnings and reductions in the cost base have enabled the Group to report an improvement in adjusted operating profit of £692,000 on reduced turnover of £7.3 million. Having made the changes we have made, I am confident that the Group is now well placed to benefit from any economic recovery.

Paul Cooper, Chief Executive, commented:

Against a backdrop of continued economic downturn I am pleased to report that our strategy of moving away from manufacturing and towards higher margin software and managed services combined with a programme of cost realignment has improved profitability and reduced debt. This continues the turnaround started in H2 last year. The recession has temporarily interrupted top line growth but we have a much stronger platform to exploit a return to better market conditions.

For Further Information:

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Paul Cooper, Chief Executive Officer

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CHAIRMAN'S STATEMENT

As we announced on 3rd July 2009 the first six months of this trading period have been impacted by weak demand for new systems from our major customers. However the results for the six months to 30th June 2009 are starting to show the benefits of the transition from manufacturer to end-to-end solutions provider. I am pleased to be able to report an operating profit before non-recurring items of £345,000 compared to a loss of £347,000 for the same period last year.

This has been achieved despite a 6.5% decline in turnover compared to the first half of last year and is a result of better sales mix and improved cost control driving a 4% improvement in gross margin percentage (from 28% to 32%). Administrative overheads have also been reduced by 19% compared to the first half of last year, as a result of cost saving measures announced previously.

Cost saving measures come at a price in terms of employment termination costs, we have therefore incurred non-recurring costs of £366,000 during the period. Further such costs will arise in the second half of 2009 but the majority of termination costs have now been paid.

Despite these termination costs the Group has generated £1.3 million of cash from its operations, which has been mainly used to reduce borrowings and build cash balances.

The highlight of the year to date has been the successful completion of the first four country implementations of the On-Line Loyalty scheme for a global oil company. As a result the Universe Data Services division has shown significant turnover and profit growth. Turnover is up 91% and the division has moved into profit, delivering a segment result of £447,000, compared to a loss of £242,000 for the same period last year.

The Petrol Forecourt Services division has seen a 15% fall in its revenues, and has suffered from the deferral of capital expenditure programmes by its major customers. The segmental result was down by 9% to a profit of £935,000 compared to the first half of last year.

Continued difficulty in attracting asset-based finance remains the biggest obstacle to success for JetSet. Revenue growth of 69% has yet to translate into operating profits. Changes to the management of this division have occurred and progress has been made in identifying funding for the revenue share machines, and in building a pipeline of machine sales.

Good cash generation and working capital management has ensured that the Group complied with its banking covenant tests and has improved its net borrowing position by £1.1 million since the year end. However this level of debt repayment restricted growth and we continue to seek more favourable financing arrangements.

The benefits of improved quality of earnings and reductions in the cost base have enabled the Group to report an improvement in adjusted operating profit of £692,000 on reduced turnover of £7.3 million. Having made the changes we have made, I am confident that the Group is now well placed to benefit from any economic recovery.

John Scholes
Chairman

CHIEF EXECUTIVE'S BUSINESS REVIEW

Against a backdrop of continued economic downturn I am pleased to report that our strategy of moving away from manufacturing and towards higher margin software and managed services combined with a programme of cost realignment has improved profitability and reduced debt. This continues the turnaround started in H2 last year. The recession has temporarily interrupted top line growth but we now have a much stronger platform to exploit a return to better market conditions.

Universe Group reports in 4 business segments: Petrol Forecourt Services (PFS), Universe Data Systems (UDS), Manufacturing (Mfg) and JetSet.

The Group is an acknowledged leader in the supply of petrol forecourt systems technology including payment and loyalty systems. It has continued with its strategy to be an end to end solutions provider. The Group designs, builds, tests and operates mission critical retail systems through its own PCI DSS certified data centre. Its robust applications based on open systems technologies allow customers an easy integration route to their other business systems. It numbers amongst its clients major UK supermarket groups, convenience store brand leaders and global oil companies. Systems include chip and pin payment terminals, unmanned outdoor payment terminals, on line loyalty systems and forecourt point of sale systems.

PFS sales in H1 were down by 15% to £3.8m (2008: £4.4m) and reflect mainly the managed service element of the business as across the board new projects have been deferred as a result of the recession. New business opportunities for the current year are in the main coming from the commercial fuel market and from independent forecourt groups.

UDS revenues up by 91% to £1.6m (2008: £0.8m) are benefiting from the implementation of a global loyalty scheme now live in Italy, Germany, Belgium and Holland for a major oil company. The successful roll out of this system is a benchmark for expansion in international markets and although there are long sales cycles associated with these systems they are expected to play a major part in future growth and profitability.

Although **Manufacturing** showed a segmental loss it did make a positive contribution to fixed costs and its contraction is being managed such that the current in-house needs can be supplied more cost effectively from own manufacture than via subcontract. Turnover fell to less than £1.0m (2008: £2.0m) as the exit from low margin subcontract continues.

The growth of **JetSet** last year highlighted the need both to have supply chain control through having in-house manufacturing and a service operation with national coverage.

These two requirements were met by the acquisition of a manufacturing and trading facility in Bedford to form JetSet. The Group's results were impacted by JetSet's continuing losses of £153,000 in H1 (£183,000 loss in H1 2008). Jet Set is now moving into profit and has won some prestigious contracts. Its performance is dictated by a revenue share model and therefore has predictable revenue streams once equipment is on site and has reached a critical number of sites. Continuing lack of available asset finance has significantly hindered equipment roll outs. The order potential remains strong and I am confident that the start up losses are now a thing of the past.

Financial Review

Group revenues were down by 6.5% to £7.3m (2008: £7.9m). Within this movement the gains in UDS of £0.8m largely replaced the declining manufacturing business which was £1m down but were unable to cover the fall suffered by PFS where a number of expected new projects have been deferred due to the recession. Underlying managed services revenues remain stable. The cost realignment which has been an ongoing process since last summer together with a better margin due to the change in business mix has continued the trend begun in H2 2008 of returning to adjusted operating profit and cash generation. Adjusted operating profits of £345,000 (2008: loss of £347,000) are a significant improvement and this was achieved despite the losses in JetSet of £153,000. Restructuring costs of £366,000 are largely as a result of the continued move from manufacturing to software services and are not expected to recur at this level in future periods. The segmental profit at 14% on turnover is increased from 6% in 2008. Overall gross margin increased to 32% (2008: 28%) as a result of a better business mix with margin increases from PFS and UDS as the main contributors.

Cash flow has strengthened considerably allowing the £1.3m (2008: outflow £0.4m) generated from operating activities to repay £0.7m of net debt and create a cash balance of £0.5m at the end of June. The business still has aggressive debt repayment requirements and as a result despite this level of cash generation is being held back in its development requirements.

The current order book and identified opportunities provide a good base for the remainder of the year.

Paul Cooper
Chief Executive Officer

Universe Group plc

Condensed Consolidated Income Statement (unaudited)
for the 6 months ended 30th June 2009

	Six months to 30 th June 2009 £'000	Six months to 30 th June 2008 (as restated) £'000	Year to 31 st December 2008 (as restated) £'000
Revenue	7,349	7,863	16,556
Cost of sales	(4,964)	(5,676)	(11,158)
Gross profit	2,385	2,187	5,398
Administrative expenses excluding non-recurring items	(2,040)	(2,534)	(4,882)
Non-recurring items	(366)	(136)	(627)
Administrative expenses	(2,406)	(2,670)	(5,509)
Operating loss	(21)	(483)	(111)
Operating loss is analysed as:			
Operating profit/(loss) before non-recurring items	345	(347)	516
Non-recurring items	(366)	(136)	(627)
	(21)	(483)	(111)
Finance costs	(153)	(135)	(373)
Loss before taxation	(174)	(618)	(484)
Taxation	-	-	139
Loss for the period attributable to equity shareholders	(174)	(618)	(345)
Loss per share	pence	pence	pence
Basic and diluted – Continuing	(0.15)	(0.54)	(0.30)
Condensed Consolidated Statement of Changes in Equity (unaudited)			
At start of period	19,139	19,531	19,531
Shares cancelled	-	-	(12)
Loss for the period attributable to equity shareholders	(174)	(618)	(345)
Translation difference	1	-	(35)
At end of period	18,966	18,913	19,139

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Condensed Consolidated Balance Sheet (unaudited)
as at 30th June 2009

	30 th June 2009 £'000	30 th June 2008 £'000	31 st December 2008 £'000
Fixed assets			
Goodwill	17,712	17,492	17,712
Development costs	991	925	1,113
Property, plant and equipment	2,854	2,628	3,093
	<u>21,557</u>	<u>21,045</u>	<u>21,918</u>
Current assets			
Inventories	1,654	1,933	1,647
Trade and other receivables	2,555	2,555	3,061
Cash and cash equivalents	516	2	70
	<u>4,725</u>	<u>4,490</u>	<u>4,778</u>
Total assets	<u>26,282</u>	<u>25,535</u>	<u>26,696</u>
Current liabilities			
Trade and other payables	(4,419)	(3,107)	(4,008)
Tax liabilities	(318)	(373)	(315)
Short term borrowings	(1,747)	(1,506)	(1,951)
	<u>(6,484)</u>	<u>(4,986)</u>	<u>(6,274)</u>
Non current liabilities			
Medium term borrowings	(832)	(1,636)	(1,283)
Total liabilities	<u>(7,316)</u>	<u>(6,622)</u>	<u>(7,557)</u>
Net assets	<u>18,966</u>	<u>18,913</u>	<u>19,139</u>
Equity			
Share capital	5,735	5,747	5,735
Equity reserve	110	110	110
Share premium account	10,753	10,753	10,753
Other reserves	8,603	8,603	8,603
Translation reserve	(215)	(181)	(216)
Profit and loss account	(6,020)	(6,119)	(5,846)
Total equity	<u>18,966</u>	<u>18,913</u>	<u>19,139</u>

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**Condensed Consolidated Cash Flow Statement (unaudited)
for the six months ended 30th June 2009**

	Six months to 30 th June 2009 £'000	Six months to 30 th June 2008 £'000	Year to 31 st December 2008 £'000
Cash flows from operating activities			
Operating loss	(21)	(483)	(111)
Depreciation and amortisation	534	345	692
Impairments	-	-	10
	<hr/>	<hr/>	<hr/>
	513	(138)	591
<u>Movement in working capital:</u>			
(Increase)/decrease in inventories	(7)	(94)	208
Decrease/(increase) in receivables	506	243	(150)
Increase/(decrease) in payables	415	(293)	533
Interest paid	(153)	(135)	(353)
Tax paid	-	-	(3)
Net cash inflow/(outflow) from operating activities	<hr/>	<hr/>	<hr/>
	1,274	(417)	826
Cash flows from investing activities			
Acquisition of business and subsidiary	-	(364)	(388)
Purchase of tangible fixed assets	(83)	(46)	(1,198)
Purchase of intangible fixed assets	(90)	(258)	(569)
Net cash outflow from investing activities	<hr/>	<hr/>	<hr/>
	(173)	(668)	(2,155)
Cash flow from financing activities			
Repayment of obligations under finance leases	(272)	(159)	(439)
Repayment of borrowings	(566)	(1,097)	(1,389)
New finance leases received	183	-	-
New loans raised	-	2,250	3,134
Net cash (outflow)/inflow from financing	<hr/>	<hr/>	<hr/>
	(655)	994	1,306
Increase/(decrease) in cash and cash equivalents	446	(91)	(23)
Cash and cash equivalents at beginning of period	70	93	93
Exchange differences	-	-	-
Cash and cash equivalents at end of period	<hr/>	<hr/>	<hr/>
	516	2	70

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Notes to Condensed Consolidated financial statements for six months ended 30th June 2009

- 1 The annual financial statements of the company for the year ended 31st December 2008 were prepared in accordance with International Financial Reporting Standards (IFRS). The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements except as set out in note 3 below. While the financial figures included in this interim report have been computed in accordance with IFRSs applicable to interim periods, this interim report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.
- 2 The financial information for the year ended 31st December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.
- 3 IFRS 8, Segmental Reporting, applies to the financial information presented in respect of the 6 months ended 30th June 2009. Consequently the Group has reviewed its cost classifications and will now recognise the costs of its software engineering department as a component of cost of sales. In previous years these costs have been included within administrative expenses and the comparative information for the 6 months ended 30th June 2008 and the year ended 31 December 2008 has been restated to reflect this revised treatment. The consequence of this is to reflect £485,000 and £970,000 respectively of software engineering costs within cost of sales, and remove those costs from administrative expenses.
- 4 Losses from non-recurring items in the six months ended 30th June 2008 and 2009 and the year ended 31 December 2008 were in respect of reorganisation costs.
- 5 The directors believe the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading conditions show that the Group should be able to operate within the level of its facilities. After making enquiries the directors have a reasonable expectation that the group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the interim condensed financial statements.
- 6 The half year results were neither audited nor reviewed by the auditors. The interim financial information has been prepared on the basis of accounting policies set out in the Group's statutory accounts for the year ended 31st December 2008.
- 7 Earnings per share is calculated by reference to the results and the weighted average of 114,704,539 shares in issue during the period. The number of shares in issue at 30th June 2009 was 114,704,539.

8 Segment information

6 months ended 30th June 2009

	UDS £'000	Mfg £'000	PFS £'000	Jet Set £'000	Total £'000
Revenue	1,605	983	3,773	988	7,349
Gross profit	717	77	1,450	141	2,385
Segment expenses	(270)	(244)	(515)	(294)	(1,323)

Segmental result	447	(167)	935	(153)	1,062
Unallocated central and corporate costs					(717)
Operating profit before non-recurring items					345
Non-recurring items					(366)
Operating loss					(21)

6 months ended 30th June 2008 (as restated, see note 3)

	UDS £'000	Mfg £'000	PFS £'000	Jet Set £'000	Total £'000
Revenue	842	1,998	4,439	584	7,863
Gross profit	207	205	1,545	230	2,187
Segment expenses	(449)	(323)	(518)	(413)	(1,703)
Segmental result	(242)	(118)	1,027	(183)	484
Unallocated central and corporate costs					(831)
Operating profit before non-recurring items					(347)
Non-recurring items					(136)
Operating loss					(483)

Year ended 31st December 2008 (as restated, see note 3)

	UDS £'000	Mfg £'000	PFS £'000	Jet Set £'000	Total £'000
Revenue	1,885	3,263	9,933	1,475	16,556
Gross profit	638	501	3,556	703	5,398
Segment expenses	(707)	(621)	(1,070)	(884)	(3,282)
Segmental result	(69)	(120)	2,486	(181)	2,116
Unallocated central and corporate costs					(1,600)
Operating profit before non-recurring items					516
Non-recurring items					(627)
Operating loss					(111)

- 9 All shareholders will be informed about the interim report and copies will be available from the Company's head and registered office: Southampton International Park, George Curl Way, Southampton, SO18 2RX, and on the Company's website, www.universeplc.com.