

18 August 2008

## **UNIVERSE GROUP PLC**

### **INTERIM RESULTS FOR THE 6 MONTHS ENDED 30th JUNE 2008**

Universe Group plc ( "Universe", the "Company" or the "Group"), the AIM (UNG.L) listed retail and loyalty systems provider, is pleased to announce its unaudited interim results for the six months to 30<sup>th</sup> June 2008.

#### Highlights

- Revenue increased by 26% to £7.9m (2007: £6.2m)
- Operating loss £(483k) ( 2007: profit of £613k)
- Loss before tax £(618k) (2007: profit of £447k)
- Loss Per Share (0.54p) (2007: EPS 0.39p)
- Establishment of JetSet Wash Systems Limited
- Acquisition of the business of AIB Services Limited
- Acquisition of WSF Limited
- Establishment of PCML Limited as a joint venture to launch a B2B prepaid card solution.

John Scholes, Chairman, commented:

"The strong revenue growth in the UK petrol forecourt market has consolidated our market leading position and was the key driver behind the Company's 26% increase in revenue compared to 2007. The new JetSet operation complements this and will now start to contribute significantly to both revenue and profitability in future periods. International growth has been slower than expected but is nonetheless progressing. While the investment in future growth and the continued transformation into an end-to-end managed services solution provider has impacted profitability in the first half of the year, the results of this investment should show positively in future periods."

Paul Cooper, Chief Executive, commented:

"The revenue growth from the UK petrol forecourt market reflects the progress in both sales performance and product enhancement as set out in our growth strategy. Disappointingly the overall sales mix resulted in a lower than anticipated margin which, added to the investment in the setting up of JetSet, caused an overall loss in H1. After a slow start, the International Division business will grow as contracts come on line. An improved performance in Q2 compared to Q1 was in line with the Company's expectations. This trend is expected to continue and lead to future growth and a better performance in H2."

For Further Information:

Universe Group plc 023 8068 9510  
Paul Cooper, Chief Executive Officer  
John Scholes, Chairman

Arbuthnot Securites Limited 020 7012 2000  
Tom Griffiths

Tavistock Communications 020 7920 3150  
John West  
Andrew Dunn

## **CHAIRMAN'S STATEMENT**

We continue to reposition Universe as an end-to-end solutions provider incorporating design, build, test and running of mission critical retail systems. Our core systems provide on-line loyalty and managed services information and processing systems for oil companies and petrol retailers, now including on-line payment processing.

Meeting the demands of increasingly stringent regulation and fraud prevention when handling online payment transactions requires an ever increasing level of sophistication in our systems and data centre. We currently process some £6 billion of transactions a year for leading retailers and international oil companies. We continue to invest in technology to meet market demands and in H1 achieved important certifications for both systems and hardware in relation to handling on-line chip and pin payments.

The H1 results reflect considerable progress as evidenced by the revenue growth. This was achieved despite a significant revenue shortfall from the HTEC International Division where a major system rollout has been delayed by the customer for a full 12 months.

Start up losses from JetSet also impacted the H1 results, but have created a platform for good future performance. Equipment rollouts are underway for a number of customers, including a global oil company and a number of UK supermarket groups. The contract wins achieved by JetSet in such a short time frame are very encouraging and will generate a continuing and predictable revenue stream. It is anticipated that JetSet will become profitable in H2.

The Company continues to enjoy the support of its bank, HBOS, and a new 3 year £1.6m facility, replacing the existing £1.2m 2 year facility, was put in place to provide working capital and fund the purchase of the AIB Services Limited business.

We continue to strengthen the operating team to drive further growth, in particular, the recruitment of Jeff Dakin, an experienced IT industry professional to head up data centre services is a welcome addition to the team.

Whilst it is disappointing to have to report an overall loss for H1, which was impacted by a combination of system implementation delays in HTEC's International Division and investment in the JetSet start up, the top line revenue growth of 26% demonstrates that the platform for further growth is in place.

Universe continues to win new contracts and has enhanced its reputation in its markets giving me confidence that the Company will deliver good results for shareholders and customers alike.

John Scholes  
Chairman

## **CHIEF EXECUTIVE'S BUSINESS REVIEW**

Universe Group is made up of HTEC, JetSet and the joint venture PCML Limited.

**HTEC** as an acknowledged leader in the supply of petrol forecourt systems technology has continued with its strategy to be an end-to-end solutions provider. The company designs, builds, tests and operates mission critical retail systems through its own data centre. Its robust applications allow customers an easy integration route to their other business systems. Its clients include 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.

The last year has been dedicated to building on this pedigree whilst further positioning the product set as a managed service solution. The strengths of HTEC's on line payment and loyalty schemes have been further developed to create new revenue streams from transaction handling in the data centre. On-line EFT (electronic funds transfer) is now being used by a number of HTEC's customers.

Retail sales in H1 increased by 42% to £4.7m (2007: £3.3m). This increase was due to new contract wins and growth from existing customers. Data Centre revenues declined to £1.3m (2007: £1.5m), due in part to lower development revenue as systems were handed over and the slower than anticipated deployment of systems by customers. This should reverse in 2009 as significant revenue streams begin from the deployment of these delivered systems.

### **JetSet (previously referred to as JAV- jet, air and vac.)**

The move into this business last year by HTEC 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 the business of an established company in the field, AIB Services in Bedford and the purchase of the Edinburgh based WSF Limited. All "JAV" business is now operated from the manufacturing facility in Bedford through the newly established JetSet. The Group's results in H1 were impacted by start up losses of £183k. Jet Set's performance is dictated by a revenue share model and therefore the business has predictable revenue streams once equipment is on site. JetSet has recently won some prestigious contracts and should now move into profit. H2 will see an accelerated placement of equipment. The revenue share model involves JetSet retaining ownership of the equipment and sharing the revenue taken by machines with the site owner over a contracted service term.

### **PCML**

This new joint venture was set up in H1 to handle pre-paid business to business payment cards, primarily into the petrol retail sector. The first scheme for a major oil company in Portugal is scheduled to go live in October 2008. This reference system will then be used as a model for other schemes.

## **Financial Review**

Group revenues increased by 26% to £7.9m (2007: £6.2m) which was in line with the Company's expectations. However, a loss before tax of £618k (2007: profit of £447k) resulted from start up losses at JetSet, Group costs and HTEC recording a relatively small operating profit. HTEC's performance was below expectations as the mix of business lowered margins and international sales from new schemes have been slow to deploy. HTEC also continued to invest in sales activity and product enhancement to drive future sales. The cost base will not significantly increase as the sales revenues continue to grow. Further restructuring costs of £136k resulting from actions started in 2007 also impacted the H1 results.

The balance sheet includes investment of £364k in the new JetSet business and further investment of £258k in the development of software systems. This investment together with the cash outflow from trading of £138k was financed by the combination of a new 3 year £1.6m loan facility which replaced the existing £1.2m 2 year facility and a partial drawdown (72%) of the Group's invoice discounting facility. The net effect of this refinancing was a £994k inflow from financing activity.

I am confident that with the current order book and identified opportunities, Universe will produce a satisfactory outcome for the full year.

Paul Cooper  
Chief Executive Officer

**Universe Group plc**

**Consolidated Income Statement (unaudited)  
for the 6 months ended 30th June 2008**

	Six months to 30th June 2008 £'000	Six months to 30th June 2007 £'000	Year to 31st December 2007 £'000
<b>Revenue</b>	7,863	6,236	13,186
Net operating costs excluding non-recurring items	<u>(8,210)</u>	<u>(5,553)</u>	<u>(12,344)</u>
<b>Operating (loss)/profit before non-recurring items</b>	(347)	683	842
Non-recurring items	<u>(136)</u>	<u>(70)</u>	<u>(2,415)</u>
<b>Operating (loss)/profit</b>	(483)	613	(1,573)
Finance costs excluding non-recurring items	(135)	(106)	(189)
Non-recurring finance costs	-	(60)	(120)
Finance costs	<u>(135)</u>	<u>(166)</u>	<u>(309)</u>
<b>(Loss)/profit before taxation</b>	<u>(618)</u>	<u>447</u>	<u>(1,882)</u>
Taxation	-	(107)	-
<b>(Loss)/profit for the period attributable to equity shareholders</b>	<u>(618)</u>	<u>340</u>	<u>(1,882)</u>
<b>(Loss)/earnings per share</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Basic and diluted - Continuing	<u>(0.54)</u>	<u>0.39</u>	<u>(1.85)</u>

**Statement of Changes in Equity (unaudited)**

At 1 January	19,531	18,201	18,201
Shares issued	-	3,083	3,102
Share options issued	-	-	110
(Loss)/profit for the period attributable to equity shareholders	(618)	340	(1,882)
	<u>18,913</u>	<u>21,624</u>	<u>19,531</u>

Universe Group plc

Consolidated Balance Sheet (unaudited)  
as at 30th June 2008

	30th June 2008 £'000	30th June 2007 £'000	31st December 2007 £'000
<b>Fixed assets</b>			
Goodwill	17,492	17,250	17,250
Development costs	925	2,673	800
Property, plant and equipment	<u>2,628</u>	<u>1,359</u>	<u>2,170</u>
	<u>21,045</u>	<u>21,282</u>	<u>20,220</u>
<b>Current assets</b>			
Inventories	1,933	1,502	1,768
Trade and other receivables	2,555	2,473	2,720
Cash and cash equivalents	<u>2</u>	<u>750</u>	<u>93</u>
	<u>4,490</u>	<u>4,725</u>	<u>4,581</u>
<b>Total assets</b>	<u>25,535</u>	<u>26,007</u>	<u>24,801</u>
<b>Current liabilities</b>			
Trade and other payables	(3,107)	(2,557)	(3,119)
Tax liabilities	(373)	(398)	(373)
Short term borrowings	<u>(1,506)</u>	<u>(772)</u>	<u>(888)</u>
	<u>(4,986)</u>	<u>(3,727)</u>	<u>(4,380)</u>
<b>Non current liabilities</b>			
Medium term borrowings	(1,636)	(656)	(890)
<b>Total liabilities</b>	<u>(6,622)</u>	<u>(4,383)</u>	<u>(5,270)</u>
<b>Net assets</b>	<u>18,913</u>	<u>21,624</u>	<u>19,531</u>
<b>Equity</b>			
Share capital	5,747	5,735	5,747
Equity reserve	110	-	110
Share premium account	10,753	10,746	10,753
Other reserves	8,603	8,603	8,603
Translation reserve	(181)	(181)	(181)
Profit and loss account	<u>(6,119)</u>	<u>(3,279)</u>	<u>(5,501)</u>
<b>Total equity</b>	<u>18,913</u>	<u>21,624</u>	<u>19,531</u>

**Universe Group plc**

**Consolidated Cash Flow Statement (unaudited)  
for the six months ended 30th June 2008**

	Six months to 30th June 2008 £'000	Six months to 30th June 2007 £'000	Year to 31st December 2007 £'000
<b>Cash flows from operating activities</b>			
Operating (loss)/profit	(483)	613	(1,573)
Depreciation and amortisation	345	330	601
Impairments	-	-	2,306
Share-based payment expense	-	-	110
	<u>(138)</u>	<u>943</u>	<u>1,444</u>
<u>Movement in working capital:</u>			
(Increase)/decrease in inventories	(94)	(297)	(563)
(Increase)/decrease in receivables	243	(134)	(777)
(Decrease)/increase in payables	(293)	(832)	(236)
Interest paid	(135)	(189)	(309)
Tax paid	-	(5)	20
<b>Net cash outflow from operating activities</b>	<u>(417)</u>	<u>(514)</u>	<u>(421)</u>
<b>Cash flows from investing activities</b>			
Acquisition of business and subsidiary	(364)	-	-
Purchase of tangible fixed assets	(46)	(64)	(371)
Purchase of intangible fixed assets	(258)	(171)	(650)
Disposal of fixed assets	-	-	550
<b>Net cash outflow from investing activities</b>	<u>(668)</u>	<u>(235)</u>	<u>(471)</u>
<b>Cash flow from financing activities</b>			
Repayment of obligations under finance leases	(159)	(46)	(101)
Repayment of borrowings	(1,097)	(2,465)	(3,414)
Issue of shares net of expenses	-	3,083	3,102
New bank loans raised	2,250	1,400	1,871
<b>Net cash inflow from financing</b>	<u>994</u>	<u>1,972</u>	<u>1,458</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	(91)	1,223	566
Cash and cash equivalents at beginning of period	93	(473)	(473)
Exchange differences	-	-	-
<b>Cash and cash equivalents at end of period</b>	<u>2</u>	<u>750</u>	<u>93</u>

## Universe Group plc

### Notes to Interim accounts for six months ended 30th June 2008

- 1 The annual financial statements of the company for the year ended 31st December 2007 were prepared in accordance with International Financial Reporting Standards (IFRS). Accordingly, the interim financial report has been prepared using accounting policies consistent with IFRS.
- 2 The financial information for the year ended 31st December 2007 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 Losses from non-recurring items in the six months ended 30th June 2007 and 2008 were in respect of reorganisation Costs.  
Losses from non-recurring items in the year ended 31st December 2007 were in respect of reorganisation costs and the impairment of development costs.
- 4 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 2007.
- 5 The interim report will be circulated to all shareholders 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.
- 6 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 2008 was 114,704,539.