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Universe Group plc

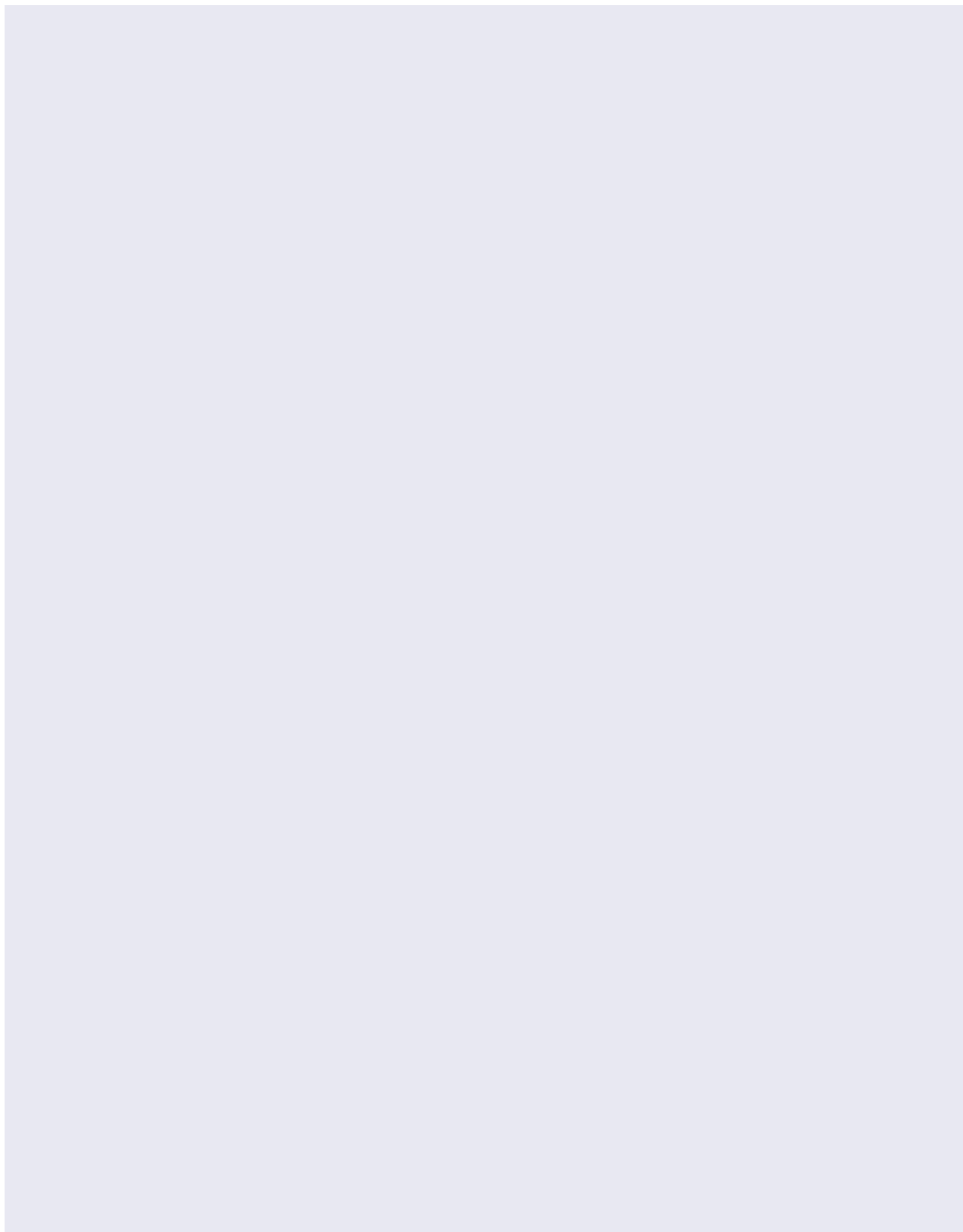


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Annual Report
2006

Universe
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Directors

J R Scholes (Chairman) (appointed 5.1.07)
P Cooper (appointed 8.9.06)
R J Mackie
B L Brinkman
A H Grinsell
E M Paul
C P F Wines (resigned 31.08.06)
K M Buchanan (resigned 30.06.06)

Secretary and Registered Office

C P F Wines (resigned 31.08.06)
E M Paul (appointed 31.08.06)
Southampton International Park
George Curl Way
Southampton
SO18 2RX

Website

<http://www.universe-group.co.uk>

Nominated Adviser

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

Registered Auditor

RSM Robson Rhodes LLP
30 Finsbury Square
London
EC2P 2YU

Solicitors

Travers Smith Braithwaite
10 Snow Hill
London
EC1A 2AL

Bankers

National Westminster Bank PLC
1 Princes Street
London
EC2R 8PH

Registrars

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

Registered Number

3226314

Financial Calendar

Annual General Meeting 31st May 2007

www.universe-group.co.uk



Universe has taken a number of important steps to refocus and re-energise the business in the last few weeks, to address many of the issues that led to the generally disappointing performance in 2006. The board initiated a strategic review in November, which has now been completed. That review included board composition, corporate structure, financial and operational aspects, all of which are described in more detail below..

Results and Current trading

In 2006 we achieved an operating profit on our continuing businesses (pre goodwill impairment and non-recurring items) of £0.7 million, compared to £1.5 million the previous year. Our sales on continuing business were £11.3 million, against £15.7 million for 2005, yielding a loss before tax on continuing business (pre goodwill impairment and non-recurring items) of £0.3 million.

The 2006 results were disappointing in the context of prior years. Group demands necessitated cash restraints on HTEC, which have undoubtedly held it back.

Nonetheless, HTEC generated both cash and profits. HTEC continues to make good progress. The company has won a contract with a major oil company to supply software and services to its European petrol retailing outlets with the opportunity to extend this contract on a global basis.

The company has undertaken a major restructuring of its finances through a placing of new equity on 20 April 2007 raising £3 million (before costs). A new bank facility has also been arranged to replace the existing debt structure. I am confident that HTEC's operating momentum will resume in 2007, to the benefit of both the business and our shareholders.

The Universe Team

What has impressed me most in working with Universe since joining the Board in January 2007 is the enthusiasm and professionalism of its team. The company is staffed by people who are genuine enthusiasts for what they do. I am confident that this team can take us to great success in the future.

I believe that Universe has all the ingredients to move ahead strongly from its present position.

The addition of Paul Cooper to the executive team as CEO brings deep and pertinent operating experience to the team. His senior roles in hardware, software and managed services companies span start-ups, large high growth international companies and turnarounds. His contribution to the company will be extensive and positive.

As part of our recent board changes, Ray Mackie has moved from being Executive Chairman to a non-executive director role. Ray continues to support the company both in his board role and as a major shareholder.

Restructuring

As announced in the last AGM, the decision was taken to divest the French bureaux de change business. That divestment has now taken place, as approved by our shareholders at the EGM on 26th January 2007.

Also approved at that EGM was a small share placing which raised £373,000. The proceeds from both the disposal and the placing have been used to repay the Group's overdraft with its bankers Royal Bank of Scotland Plc.

Our review also considered it important to restructure our banking facilities and move to a new bank, which supports the new team and direction of the Company. We are pleased to announce that the company has agreed a facility with a new bank, including a rescheduled lending facility with repayment terms in line with current operations of business. The agreement was signed on 26 March 2007.

Strategic Review

On 17th November 2006, the company announced that it had received a number of unsolicited approaches to acquire the company, but had received no firm proposals. However, in the light of the expressions of interest that have been received, and given the continuing disappointing share price performance, the board decided to conduct a strategic review of the business and the opportunities available to the company, including means of improving the company's balance sheet.

That review is now complete. While there have been discussions with a number of third parties, none of those discussions have resulted in specific proposals which have a material chance of being of interest to Universe's shareholders. The board has therefore taken steps to focus on the operational strengths of its key business, HTEC Limited ('HTEC'), and to strengthen the Group's balance sheet by securing a supportive banking relationship and bringing further equity funding into the Group by means of a placing which has raised £3.0 million before costs. With this backing, I am confident that we can exploit our excellent market position to drive strong growth in the business.

Dividend

We are now very strongly focused on generating long term growth. In order to achieve this we need to provide sufficient financial resources to deliver the growth plan. Therefore we do not propose paying a final dividend for the year but will review the position regarding future dividend payments in the context of the performance of the Group.

Prospects

Universe has been through difficult times in the recent past, but we have put into place a sound basis from which to build the business anew. I look forward to 2007 and beyond with great purpose and optimism.

John Scholes
Chairman
20 April 2007



Having taken part in the strategic review set up by the board in 2006, I agreed to become CEO to drive through the recommendations from that process at the beginning of 2007.

The main elements of the future strategy are a financial restructuring, the disposal of non core activities and focus on growing the now unencumbered subsidiary, HTEC, into new markets and territories.

HTEC

From the start of 2007 this is the only continuing business and it provides a solid base for growth. HTEC already occupies a leading position in the UK forecourt managed services market and is poised to expand into international markets both in forecourt services and the wider retail arena.

Managed services revenues are now around 50% of turnover, enhancing the quality of earnings of the Company from good margin contract revenue streams.

HTEC provides Mission Critical Services to a customer base including: ASDA, Morrison, Texaco Chevron, Total Oil, BP Europe.

The HTEC product sets fall into 2 main categories:

Real Time Management Solutions:

- On line loyalty schemes
- Virtual Back Office
- Automatic number plate recognition
- Help desk
- Field service

Payments systems:

- Chip and PIN terminals
- Outdoor payment terminals
- EFT solutions
- Petrol EPOS and forecourt controllers

These systems give our customers unparalleled on-line power from the information gathered and reported on. HTEC 's on line systems for example help to prevent 'drive offs' from petrol stations by instant comparison of customer number plates to our databases prior to authorising pump use. Our systems also constantly monitor customer's operational-critical equipment allowing us to alert customers immediately of malfunctions or disruptions to their facilities. This power is encapsulated as 'Information Pays' in the new 2007 marketing collateral.

The Board is committed to continued development and enhancement of the product range to keep ahead of anticipated technical and legislative changes.

Infrastructure and Investment

HTEC operates from modern well-equipped premises with sufficient capacity for growth.

To achieve the Board's growth targets, 2007 will see emphasis placed on investment in the sales and marketing function. Together with the strategic review's product clarification initiative this investment will take HTEC into new markets and geographic territories. A programme of trade shows both in the UK and Europe, product re-branding, website enhancement and new marketing material are being put in place to support this programme.

The strategic review has at its core a growth message but also identified that the decline in manufacturing revenue from HTEC 's traditional business lines has resulted in manufacturing overcapacity. I will be addressing this issue as our Managed Service business grows over 2007 and 2008

I have commissioned an internal study of the carrying value of our goodwill. The goodwill arising on the acquisition of the currency division has been written off in the discontinued line. The remaining goodwill relates to HTEC. Our initial calculations underpin a carrying value of £20.1 million but applying a more challenging discount rate (the cost of money is rising) results in an impairment of £2.8 million. This amount has been written off the carrying value, which is now £17.3 million.

Business Focus

Our focus in 2007 is on sales of our new petrol outdoor payment systems and loyalty systems. In the former we have a proven system, which will be taken up as retailers upgrade their pumps to accommodate the mandated requirements of Stage 2 Vapour Recovery. In loyalty we have systems, which can and will be sold across borders and we will be seeking every opportunity for global, European and national operators to buy HTEC's systems for implementation in other European countries and beyond.

Paul Cooper
Chief Executive Officer

20 April 2007



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 Non - 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.

Directors' Detailed Emoluments

	2006 salary and fees £'000	Benefits £'000	Annual bonus £'000	2006 total £'000	2005 total £'000	2006 Pension contribution £'000	2005 Pension contribution £'000
Executives							
RJ Mackie	32	-	-	32	97	-	-
AH Grinsell	80	8	-	88	90	8	7
CPF Wines	52	5	-	57	94	6	8
EM Paul	80	9	-	89	90	8	7
Total	244	22	-	266	371	22	22
Non-executives							
BL Brinkman	15	-	-	15	20	-	-
KM Buchanan	10	-	-	10	18	-	-
P Cooper	6	-	-	6	-	-	-
Total	31	-	-	31	38	-	-

Interests in Share Options and Warrants

All share options held by directors at 31 December 2005 expired 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 were:

	20 April 2007 5p Ordinary share	31 Dec 2006 5p Ordinary share	31 Dec 2005 5p Ordinary share
RJ Mackie	8,557,397	8,557,397	8,417,327
BL Brinkman	886,147	886,147	874,579
AH Grinsell	157,329	107,329	59,571
EM Paul	179,500	94,500	50,595
P Cooper	215,000	-	-
J Scholes	365,000	-	-

On behalf of the board

R.J.Mackie
Chairman of the Remuneration Committee

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 share 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. 544,544 ordinary shares have been purchased by senior executives for a consideration of £58,504 and are held in trust for their benefit.



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 three executive directors and three non-executive directors.

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 reasonable 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 Ray Mackie, 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 page 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.



Directors Report

The directors present their report and the audited accounts for the year ended 31 December 2006.

Business review and principal activities

The principal activity of the company is as a holding company of HTEC limited. HTEC limited is the only current trading entity and is engaged in the provision of managed services, payment and loyalty systems for the Petrol forecourt and Retail sector. HTEC continues to invest in developing new equipment and systems for its markets.

As shown in the company's income statement on page 10, HTEC's performance, under continuing operations was below the level of 2005 mainly due to the delay in the rollout of chip and pin products to major customers.

The UK market remains the key area of operations for HTEC, accounting for just over 90% of sales. The directors intend to further expand sales into Europe, building on the customer base in Iberia and Holland.

The balance sheet on page 12 of the financial statements shows that the company's financial position has deteriorated in 2006 due to the loss on sale of the remaining currency operations in France and the write down of goodwill for HTEC. These write downs are in accordance with IFRS requirements for a value impairment review and have not had a materially adverse impact on cash resources.

The focus of the company now is to grow HTEC to its full potential and you are referred to the stock exchange announcement made on 26 March 2007 with regard to new banking facilities and the injection of £2.8 million, net of costs, of new equity from mainly institutional investors.

Key Performance indicators

There are three main KPI's that management monitor at HTEC:

- The directors monitor the order inflow at HTEC each day to ensure that annual sales forecasts are on schedule.
- The directors monitor detailed cost of sales documents, which are prepared each month in order that forecast product margins are achieved.
- The directors constantly liaise with customers to ensure that contracted SLA's (service level requirements) on forecourt trading are maintained so that customer's operations continue to operate efficiently.

Principal risks and uncertainties facing the company

The market for petrol forecourts equipment and services remains steady. The company manages any risk of reduced equipment sales by providing added value services to customers, having fast response time not only in supplying products but in handling all customer queries and maintaining strong relationships with customers.

Financial Instruments

The company's operations expose it to a variety of risks including the effect of changes in interest rates on debt, credit risk and liquidity risk.

The company does not have material exposures in any of the areas identified above and, consequently does not use derivative instruments to manage these exposures.

The company's principal financial instruments comprise bank loans, a director's loan, which was repaid in January 2007, and obligations under finance leases together with trade debtors and trade creditors that arise from these operations.

The amounts presented in the balance sheet are net of any allowances for doubtful debts based on an assessment of the customers and the current economic environment.

The main risks arising from the company's financial instruments can be analysed as follows:

Price risk

The company has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

Following completion of the disposal of currency divisions since the year end, the company no longer has a significant exposure to risks of changes in foreign currency exchange rates. It does transact business in euros but at less than 5% of turnover the exchange risk is small.

Credit risk

The company's principal financial assets are bank balances, cash, and trade debtors, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts estimated by the company's management based on prior experience and their assessment of the current economic climate.

The company has no significant concentration of credit risk, with exposure spread over a number of large blue chip customers.

Liquidity Risk

The company's policy has been to ensure continuity of funding through acquiring an element of the Group's fixed assets under finance leases, and arranging funding for operations via medium term loans.

Cash flow interest rate risk

The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the company.

Environment

The company's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environment impact of our activities. Our operations are conducted such that we comply with all the legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report HTEC has not incurred any fines or penalties or been investigated for any breach of environment regulations.

It is company policy to continually carry out research and develop new products and processes to minimise the impact of its operations on the environment.

Two new pieces of environmental legislation came or are coming into effect shortly, the EC Directive on Waste Electrical and Electronic Equipment (WEEE – effective 2007) and the EC Directive on the Restriction of the use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS – effective 2006). The WEEE Directive seeks to limit the total volume of used electronic equipment disposal and sets targets for the recovery rate and level of recycling for this equipment. All producers of such equipment will be obliged to take back used equipment. Additionally the RoHS Directive seeks to prevent the use of hazardous substances such as lead, mercury, cadmium and Polybrominated Biphenyls (PBBs) in the production of electrical and electronic equipment.



Environment (continued)

The directors have engaged independent experts who have advised them that their current policies will be sufficient to comply with these new directives. In addition, the company is also carrying out a review in order to set targets for increased energy efficiency, reduced volumes of waste and increased levels of recycling across all areas of operation.

Employees

The quality and commitment of our people has played a major role in our business success. This has been demonstrated in many ways, including improvements in customer satisfaction, the development of our products line and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employee turnover remains below the 10% threshold we have set.

Research and development

The company has a continuing commitment to a high level of research and development. During the year expenditure on research and development was £567,660 (2005: £613,088). Research and development in the year concentrated on further improvements to the chip and pin products and enhancements to the online loyalty and back-office products.

Dividends

The directors do not propose a dividend.

Post balance sheet events

An EGM was held on 26 January 2007 to 1) agree to the sale of Bellword SAS to Prime Bureau Limited, of which R. Mackie is a director 2) agree to a placing of 6,225,000 new ordinary 5p shares at 6p 3) announce board changes and 4) agree to the trading update statement.

The sale of Bellword SAS together with the placing raised sufficient funds to pay-down the overdraft.

A second EGM was held on 20 April 2007 to approve the issue of 42.9 million shares to raise £2.8 million, net of costs. The company also refinanced its medium term borrowings with Royal Bank of Scotland where the new facilities are in line with the companies development plans.

Directors

The present directors of the company are set out on page 2. All the directors served throughout the year with the exception of P Cooper who was appointed a director on 8 September 2006.

Those directors serving at the end of the year had interest in share capital if the company at 31 December as follows:

	2006	Ordinary shares of 5p each 2005 (or date of appointment)
RJ Mackie	8,557,397	8,417,327
BL Brinkman	886,147	874,579
AH Grinsell	107,329	59,571
EM Paul	94,500	50,595

The directors had no other disclosure interest under the Companies Act 1985 in the shares of the company or of any other Group company apart from R. Mackie who has a directors loan to the company for £154,410. This loan was used on 30 January 2007 as part consideration of the sale of Bellword SAS.

In accordance with the Articles of Association, J.Scholes and P.Cooper offer themselves for appointment at the forthcoming Annual General Meeting.

Statement of directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable law and International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on Page 2, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

The auditors are willing to continue in office and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors was approved by the Board on 20 April 2007 and signed on its behalf by:

E. M. Paul

Director



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 to that we might 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, the Chief Executive's Report 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 2006 and of its loss 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 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors report is consistent with the financial statements.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England

20 April 2007

Consolidated Income Statement

for the year ended 31 December 2006



	Notes	Result excluding asset impairments £000	Asset impairment £000	2006 Total £000	Restated 2005 £000
Continuing operations					
Revenue	2,3,4	11,346	-	11,346	15,669
Net operating costs excluding non-recurring items	2	(10,690)	-	(10,690)	(14,143)
Operating profit before non-recurring items		656	-	656	1,526
Non-recurring items	5	(612)	(2,871)	(3,483)	-
Operating profit / (loss)		44	(2,871)	(2,827)	1,526
Finance costs excluding non-recurring items		(326)	-	(326)	(546)
Non-recurring finance costs	5	(359)	-	(359)	-
Finance costs	6	(685)	-	(685)	(546)
(Loss)/profit before taxation	7	(641)	(2,871)	(3,512)	980
Taxation	8	-	-	-	(24)
(Loss)/profit for the year from continuing operations		(641)	(2,871)	(3,512)	956
Loss for the year from discontinued operations	9	(254)	(2,753)	(3,007)	(718)
(Loss)/profit for the year attributable to equity shareholders		(895)	(5,624)	(6,519)	238
(Loss)/earnings per share				Pence	Pence
Basic and diluted					
Continuing	10			(5.41)	1.40
Discontinued	10			(4.63)	(1.01)
				(10.04)	0.39

Statement of changes in equity

for the year ended 31 December 2006



Group	Share Capital	Shares to be issued	Share premium	Revaluation Reserve	Merger reserve on acquisition	Translation reserve *	Profit and loss	Total Equity
At 1 January 2006	3,147	39	9,823	131	8,603	(169)	3,064	24,638
Revaluation change	-	-	-	(131)	-	-	-	(131)
Shares issued	134	(39)	294	-	-	-	-	389
Loss for the year attributable to equity shareholders	-	-	-	-	-	-	(6,519)	(6,519)
Dividends to shareholders	-	-	-	-	-	-	(164)	(164)
Translation difference	-	-	-	-	-	(12)	-	(12)
At 31 December 2006	<u>3,281</u>	<u>-</u>	<u>10,117</u>	<u>-</u>	<u>8,603</u>	<u>(181)</u>	<u>(3,619)</u>	18,201
At 1 January 2005	3,053	38	9,576	301	8,603	(70)	3,223	24,724
Revaluation change	-	-	-	(170)	-	-	60	(110)
Shares issued	94	1	247	-	-	-	-	342
Profit for the year attributable to equity shareholders	-	-	-	-	-	-	238	238
Dividends to shareholders	-	-	-	-	-	-	(457)	(457)
Translation difference	-	-	-	-	-	(99)	-	(99)
At 31 December 2005	<u>3,147</u>	<u>39</u>	<u>9,823</u>	<u>131</u>	<u>8,603</u>	<u>(169)</u>	<u>3,064</u>	<u>24,638</u>

*Cumulative translation differences arising on re-translation of foreign subsidiaries have been restated as a separate component of equity. On disposal of a foreign operation, the cumulative amount recognised in equity, relating to that particular foreign operation shall be recognised in the income statement.

Company	Share Capital	Shares to be issued	Share premium	Merger reserve on acquisition	Profit and loss	Total Equity
At 1 January 2006	3,147	39	9,823	476	8,403	21,888
Shares issued	134	(39)	294	-	-	389
Loss for the year attributable to equity shareholders	-	-	-	-	(7,603)	(7,603)
Dividends to shareholders	-	-	-	-	(164)	(164)
At 31 December 2006	<u>3,281</u>	<u>-</u>	<u>10,117</u>	<u>476</u>	<u>636</u>	14,510
At 1 January 2005	3,053	38	9,576	476	8,297	21,440
Shares issued	94	1	247	-	-	342
Profit for the year attributable to equity shareholders	-	-	-	-	563	563
Dividends to shareholders	-	-	-	-	(457)	(457)
At 31 December 2005	<u>3,147</u>	<u>39</u>	<u>9,823</u>	<u>476</u>	<u>8,403</u>	<u>21,888</u>

Balance Sheets
for the year ended 31 December 2006



	Notes	Group		Company	
		2006 £000	2005 £000	2006 £000	2005 £000
Non-current assets					
Goodwill	12	17,250	20,983	-	-
Development costs	13	2,655	2,533	-	-
Fonds de commerce	14	-	2,433	-	-
Property, plant and equipment	15	1,472	2,068	-	110
Investments	16	-	-	17,117	19,443
Financial assets—loans receivable	16	-	-	-	4,156
		21,377	28,017	17,117	23,709
Current assets					
Inventories	17	1,205	1,795	-	-
Trade and other receivables	18	1,793	2,744	20	19
Cash and cash equivalents		5	146	871	865
		3,003	4,685	891	884
Assets held for sale	19	854	-	204	-
		3,857	4,685	1,095	884
Total assets		25,234	32,702	18,212	24,593
Current liabilities					
Trade and other payables	20	(3,412)	(3,272)	(627)	(686)
Current tax liabilities	21	(296)	(390)	-	-
Short term borrowings	22	(3,140)	(2,621)	(1,563)	(659)
		(6,848)	(6,283)	(2,190)	(1,345)
Liabilities directly associated with assets classified as held for sale	19	(154)	-	-	-
		(7,002)	(6,283)	(2,190)	(1,345)
Non-current liabilities					
Medium term borrowings	24	(31)	(1,454)	-	(1,360)
Other liabilities	25	-	-	(1,512)	-
Deferred tax liabilities	27	-	(327)	-	-
		(31)	(1,781)	(1,512)	(1,360)
Total liabilities		(7,033)	(8,064)	(3,702)	(2,705)
Net assets		18,201	24,638	14,510	21,888
Equity					
Share capital	28	3,281	3,147	3,281	3,147
Shares to be issued		-	39	-	39
Share premium		10,117	9,823	10,117	9,823
Revaluation reserve		-	131	-	-
Other reserves		8,603	8,603	476	476
Translation reserve		(181)	(169)	-	-
Profit and loss account		(3,619)	3,064	636	8,403
Total equity		18,201	24,638	14,510	21,888

The financial statements were approved by the board of directors and authorised for issue on 20 April 2007. They were signed on its behalf by

E Paul
Director



	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Cash flows from operating activities				
Operating (loss)/profit				
Continuing	(2,827)	1,526	(1,324)	562
Discontinued	(3,334)	(623)	(6,280)	-
Depreciation and amortisation	629	933	-	-
Loss on disposal of fixed assets	-	55	-	-
Impairments	5,624	-	6,340	-
Movement in working capital:				
Decrease in inventories	590	641	-	-
Decrease in receivables	951	261	48	372
Increase/(decrease) in payables	175	(991)	1,654	439
Interest paid	(326)	(465)	(176)	(213)
Dividends paid	(255)	(305)	(255)	(305)
Tax paid	(94)	-	-	-
Net cash inflow from operating activities	1,133	1,032	71	855
Cash flows from investing activities:				
Purchase of tangible fixed assets	(79)	(294)	-	-
Purchase of intangible fixed assets	(366)	(856)	-	-
Disposal of fixed assets	-	515	-	-
Acquisitions and disposals	-	191	-	-
Net cash outflow from investing activities	(445)	(444)	-	-
Cash flow from financing activities				
Capital elements of lease payments	(166)	(432)	-	-
Repayment of loans	(979)	(945)	(709)	(945)
Issue of shares net of expenses	389	342	389	342
Other new loans	-	290	-	-
Net cash (outflow)/inflow from financing	(756)	(745)	(320)	(603)
(Decrease)/increase in cash and cash equivalents	(68)	(157)	6	252
Cash and cash equivalents at beginning of year	(393)	(217)	865	613
Exchange differences	(12)	(19)	-	-
Cash and cash equivalents at end of year	(473)	(393)	871	865



1. Significant Accounting Policies

These financial statements have been prepared under the historic cost convention modified by revaluations of fonds de commerce 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 of 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, 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 parent companies loss for the year is disclosed in the company statement of changes in equity.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiaries undertakings. New subsidiary undertakings have been consolidated using the acquisition method of accounting.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on acquisition 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.

For the purpose of impairment testing, goodwill is allocated to cash generating units, which are tested for impairment annually, or more frequently if impairment indicators are found. If the recoverable amount is found to be less than the carrying value, impairment is allocated first to goodwill and then pro rata to other assets in the cash-generating unit.

Borrowing costs

No borrowing costs are capitalised in non-current assets. Loan issue costs are accounted for on an accrual basis in profit or loss, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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 below. 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.

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 and losses on translation are included in the income statement.

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.

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 employees.

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.

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 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.

Assets under finance leases are depreciated over useful economic life on the same basis as owned assets or where shorter over the term of the relevant lease.



Non current assets held for sale.

Non current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Fonds de Commerce

The Group re-values French exchange bureaux leasehold properties on a fonds de commerce basis (see note 14). It is the Group's policy to revalue the properties regularly at intervals not exceeding three years.

Revenue recognition

HTEC revenue, which excludes value added tax, represents the invoiced value of goods and services supplied. Goods are invoiced on despatch, and revenue from service contracts are time apportioned with reference to the stage of completion.

Revenue is measured at the fair value of consideration receivable.

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 project are expected to arise. Expenditure on pure and applied research is written off as incurred.

Inventories

Inventory is 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 provision 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are measured at fair value. The carrying value of trade and other payables approximates to their fair value.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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.

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 effect the asset and liability 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 that Board believe are reasonable under the circumstances, the results of which form the basis for making judgements 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	2006	2005
	£000	£000
Revenue	11,346	15,669
Cost of sales	(7,911)	(10,517)
Gross profit	3,435	5,152
Administrative expenses	(2,779)	(3,626)
Operating profit before non-recurring items	656	1,526

3. Revenue analysis

Revenue consists of £5,864,000 from sales of products – hardware and software – and £5,482,000 from the provision of services (2005: £10,414,000 sale of products, £5,255,000 provision of services).

4. Segment information

The Group now has one business, HTEC Limited, a retail and Information systems provider. All material HTEC operations are in the UK, and all currency operations were in France.

"Currency" refers to discontinued operations and "HTEC" and "Head Office" to continuing operations. The segmental disclosure below exclude asset impairments – these are disclosed on the face of the income statement.

	HTEC 2006 £000	Head Office 2006 £000	Currency 2006 £000	Total 2006 £000
Revenue all external	11,346	-	1,365	12,711
Operating profit/(loss)	821	(165)	(254)	402
Non-recurring items	-	-	-	(612)
Finance costs	-	-	-	(685)
Taxation	-	-	-	-
Loss for the year	-	-	-	(895)
Total assets	24,380	204	650	25,234
Total liabilities	(3,389)	(3,440)	(204)	(7,033)
Net book amount	20,991	(3,236)	446	18,201
Depreciation and amortisation	629	-	-	629
Capital expenditure:	126	-	-	126
Tangible assets	366	-	-	366
Intangible assets	492	-	-	492
Total	492	-	-	492

	HTEC 2005 £000	Head Office 2005 £000	Currency 2005 £000	Total 2005 £000
Revenue – all external	15,669	-	2,313	17,982
Operating profit/(loss)	1,826	(300)	(623)	903
Non-recurring items	-	-	-	-
Finance	-	-	-	(546)
Taxation	-	-	-	(119)
Profit for the year	-	-	-	238



4. Segment information (continued)

	HTEC 2005 £000	Head Office 2005 £000	Currency 2005 £000	Total 2005 £000
Total assets	29,293	(596)	4,005	32,702
Total liabilities	(4,442)	(217)	(3,405)	(8,064)
Net book amount	24,851	(813)	600	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

5. Non-recurring items

**2006
£000**

Results excluding non-current asset impairment

Write off of HTEC stock containing lead etc. that after 1 July 2006 cannot be used in some manufactured products (EU legislation)

267

Group restructuring costs*

345

612

* Consisting mainly of legal, professional and consultants fees incurred in strategic review of Group

Non-Current Asset Impairment

2,811

Impairment of HTEC Goodwill

60

Impairment of Antibes property being sold in 2007

2,871

Finance Costs

254

Accelerated amortisation of loan issue costs*

105

Bank risk fees

359

* Loan issue costs being fully expensed in 2006 due to Group's decision to arrange new banking facilities in 2007.

6. Finance costs

**2006
£000**

2005
£000

Interest payable on bank loans and overdrafts

300 421

Interest payable on finance leases

26 44

Amortisation of loan issue cost

- 81

Non-recurring finance costs *

359 -

685 546

* Details of non-recurring items are included in note 5.



7. (Loss)/profit for the year attributable to equity shareholders	2006	2005
	£000	£000
This is stated after charging:		
Cost of inventory recognised as expense	2,864	4,817
Loss on sale of fixed assets	-	55
Depreciation/amortisation		
- Intangible	244	462
- Tangible, owned	286	354
- Tangible, subject to finance lease	99	117
Impairment of non current assets	5,624	3
Research and development expenditure	568	613
Auditor's remuneration for audit (Company £33,516 2005:£27,649)	58	60
Other services by the Group auditor	-	4
Operating lease charges – plant and machinery	235	178
Operating lease charges – property	420	1,172
Inventory provision	72	62
Bad debt expense	-	31
	<hr/>	<hr/>
8. Tax on loss on ordinary activities		
Continuing operations		
Current tax:		
Current year	-	-
	<hr/>	<hr/>
	-	8
Deferred tax (note 27):		
Current year	-	16
	<hr/>	<hr/>
Total	-	24
	<hr/>	<hr/>
Discontinuing operations		
Current tax:		
Current year	-	95
	<hr/>	<hr/>
	-	95
Deferred tax (note 27):		
Current year	(327)	-
	<hr/>	<hr/>
	(327)	95
	<hr/>	<hr/>
Corporation tax is calculated at 30 % (2005: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the profit per the income statement as follows:		
(Loss)/profit before tax	(6,519)	357
	<hr/>	<hr/>
Tax at the UK corporation tax rate of 30% (2005: 30%)	(1,956)	106
Tax effect:		
Expenses not deductible in determining taxable profit	(43)	(5)
Loss on disposal of investments not deductible for tax purposes	542	-
Amortisation of goodwill not deductible for tax purposes	1,120	-
Capital allowances in excess of depreciation	(10)	-
Tax losses utilised	-	2
Unrelieved tax losses carried forward	347	-
	<hr/>	<hr/>
Current corporation tax charge for the period	-	103
Temporary timing differences	-	16
	<hr/>	<hr/>
	-	119
	<hr/>	<hr/>



9. Discontinued operations

The results of the discontinued operations which have been included in the consolidated income statement for 2006 and 2005 were as follows:

	Total 2006 £000	Total 2005 £000
Revenue all external	1,365	2,313
Expenses	(1,619)	(2,933)
Pre tax loss	(254)	(620)
Impairment of non current assets	(2,753)	(3)
Current tax charge	(3,007)	(623)
	-	(95)
	(3,007)	(718)

The loss of £254,000 arose on the operations and management of Bellword SAS, the closure of the currency division headquarters and a loss on the early settlement of the deferred consideration on the 2005 sale of the money transfer operations.

A loss of £2,573,000 arose on the impairment of the assets and liabilities of Bellword SAS prior to its disposal, being the contracted proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill. The impairment of non-current assets of £2,753,000 includes a write back of deferred tax of £327,000.

The cash effect of the operating losses was £8000 in 2006 (2005: £276,000).

10. (Loss)/earnings per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

(Loss)/earnings from continuing operations

(Loss)/earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent

	2006 £000	2005 £000
	(3,512)	861

Number of shares

Weighted average number of ordinary shares for the purposes of basic earnings per share

Weighted average number of ordinary shares for the purposes of diluted earnings per share

	Number	Number
	64,973	61,506
	64,973	61,506

Basic & Diluted

	2006 pence	2005 pence
	(5.41)	1.40

(Loss)/earnings from discontinued operations

(Loss)/earnings for the purposes of basic and diluted earnings per share

(Loss)/earnings attributable to shareholders

	£000	£000
	(3,007)	(623)
	(6,519)	238

Basic & Diluted

	pence	pence
	(4.63)	(1.01)

Basic & Diluted

	(10.04)	(0.39)
--	----------------	--------

11. Dividends

Dividends declared on equity shares

2005 interim paid in January 2006

Ordinary – 2005 final paid in July 2006 (2005: 2004 final paid in July 2005)

	2006 £000	2005 £000
	-	152
	164	305
	164	457



12. Goodwill	HTEC Group	Master- change	2006 Total £000	HTEC Group £000	Master- change	2005 Total £000
Cost at 1 January 2006	20,061	922	20,983	20,061	922	20,983
Impairment	(2,811)	(922)	(3,733)	-	-	-
Cost at December 2006	<u>17,250</u>	<u>-</u>	<u>17,250</u>	<u>20,061</u>	<u>922</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. The discounted rate used is the Group's marginal pre-tax borrowing rate of 7.25%. The future cash flows are those anticipated in the budget for 2007 with 2.5% growth assumed in the next 30 years. Management have decided that the carrying value of HTEC Goodwill shares after carrying out this test is £17,250,000.

13. Development costs	2006 £000	2005 £000
Group		
Cost		
At 1 January	4,018	3,215
Additions	366	863
Costs written off	-	(60)
<i>At 31 December</i>	<u>4,384</u>	<u>4,018</u>
Amortisation		
At 1 January	1,485	1,023
Charge for the year	244	462
<i>At 31 December</i>	<u>1,729</u>	<u>1,485</u>
Carrying amount		
<i>At 31 December</i>	<u>2,655</u>	<u>2,533</u>

Development costs are tested for impairment annually and are amortised over the period during which the benefits of the development projects are expected to arise.

14. Fonds de Commerce	2006 £000	2005 £000
Fonds de Commerce was the valuation basis applied to French bureaux de change properties, which were owned by Bellword SAS until sold in January 2007 (2005: £2,433,000).		
Valuation at 1 January	2,433	2,673
Exchange adjustment	-	(70)
Valuation adjustments	(1,779)	(170)
Transfer to assets held for sale	(654)	-
Valuation at 31 December	<u>-</u>	<u>2,433</u>
Historical cost	-	2,320



15. Property, plant and equipment	Investment property £000	Leasehold improvements £000	Plant Equipment £000	Total £000
Group				
Cost or valuation				
At 1 January 2006	110	1,188	3,236	4,534
Exchange differences	-	-	-	-
Additions	-	-	126	126
Transfer to current assets for sale	(110)	(198)	(177)	(485)
Disposals	-	-	(18)	(18)
<i>At 31 December 2006</i>	<u>-</u>	<u>990</u>	<u>3,167</u>	<u>4,157</u>
Depreciation				
At 1 January 2006	-	312	2,154	2,466
Exchange differences	-	-	-	-
Charge for year	-	49	336	385
Transfer of assets for sale	-	(85)	(63)	(148)
Disposals	-	-	(18)	(18)
<i>At 31 December 2006</i>	<u>-</u>	<u>276</u>	<u>2,409</u>	<u>2,685</u>
Net book value				
<i>At 31 December 2006</i>	<u>-</u>	<u>714</u>	<u>758</u>	<u>1,472</u>
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)
Transfer to current assets	-	-	-	-
<i>At 31 December 2005</i>	<u>110</u>	<u>1,188</u>	<u>3,236</u>	<u>4,534</u>
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)
Transfer to current assets	-	-	-	-
<i>At 31 December 2005</i>	<u>-</u>	<u>312</u>	<u>2,154</u>	<u>2,466</u>
Net book value				
<i>At 31 December 2005</i>	<u>110</u>	<u>876</u>	<u>1,082</u>	<u>2,068</u>
Company – investment property			2006	2005
			£000	£000
Valuation and net book value				
At 1 January			110	110
Transfer to current assets			(110)	-
<i>At 31 December</i>			<u>-</u>	<u>110</u>

The net book value of plant and equipment included £314,608 (2005: £403,229) in respect of assets held under finance leases. The depreciation charged on these assets during the year was £99,117 (2005: £116,645). The investment property was the Antibes property now transferred to assets held for sale.



16. Investments and financial assets - loans receivable

Company	Shares at Cost £000	Loans £000	Total £000
Fixed Asset Investments			
At 1 January 2006	19,443	4,156	23,599
Loans written off	-	(4,156)	(4,156)
Impairment	(2,326)	-	(2,326)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	17,117	-	17,117

17. Inventories

	2006 £000	2005 £000
Finished Goods	18	25
Work in progress	492	663
Raw materials	695	970
Bureaux floats held for trading	-	137
	<hr/>	<hr/>
	1,205	1,795

18. Trade and other receivables

	2006 £000	2005 £000
Group		
Trade receivables	1,622	1,992
Other receivables	-	562
Prepayments and accrued income	171	190
	<hr/>	<hr/>
	1,793	2,744
Company		
Other receivables	17	11
Prepayments and accrued income	3	8
	<hr/>	<hr/>
	20	19

The average credit period on sales of goods is 53 days (2005:46 days). No allowance is believed to be required for irrecoverable amounts from the sale of goods.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

19. Assets held for sale and liabilities directly associated with assets classified as held for sale

	2006 £000	2005 £000
Group		
Assets held for sale		
Investment property held for sale	50	-
Fonds de commerce	654	-
Trade and other receivables	150	-
	<hr/>	<hr/>
Total	854	-
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	154	-
	<hr/>	<hr/>
Total	154	-



19. Assets held for sale and liabilities directly associated with assets classified as held for sale (continued)

Company	2006	2005
	£000	£000
Assets held for sale		
Investment property held for sale	50	-
Trade and other receivables	154	-
	<hr/>	<hr/>
Total	204	-
	<hr/>	<hr/>

20. Trade and other payables

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Trade creditors	870	2,079	110	92
Amounts owed to Group undertakings	-	-	-	300
Other creditors	-	29	43	44
Accruals and deferred income	1,697	430	407	92
Other taxation	778	576	-	-
Dividends	67	158	67	158
	<hr/>	<hr/>	<hr/>	<hr/>
	3,412	3,272	627	686
	<hr/>	<hr/>	<hr/>	<hr/>

Trade and other payables are an average of 60 days of purchases (2005 52 days).

21. Current Tax Liabilities

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Corporation tax	296	390	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

22. Short term borrowings

	Group		Company	
	2006	2005	2006	2004
	£000	£000	£000	£000
Bank loans and other borrowing (see note 23)	2,142	1,353	1,563	659
Invoice discounting	998	1,268	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,140	2,621	1,563	659
	<hr/>	<hr/>	<hr/>	<hr/>

The invoice discounting facility is secured on the Book debts of HTEC Limited.

23. Bank and other borrowings due within one year

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Overdraft	478	539	-	-
Bank loan	1,409	628	1,409	628
Directors loan	154	31	154	31
Finance lease obligations	101	155	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,142	1,353	1,563	659
	<hr/>	<hr/>	<hr/>	<hr/>



24. Medium term borrowings

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Bank loans	-	1,236	-	1,236
Director's loan	-	124	-	124
Finance lease obligations	31	94	-	-
	31	1,454	-	1,360

The bank loans bear interest based on Royal Bank of Scotland base rate. Bank borrowings are secured by a first charge over all undertakings and assets of the Group. The Directors estimate the fair value of the group's borrowings to be equal to book value. Finance lease obligations are repayable within 2 years. They are secured on the assets to which they relate.

Loans are analysed as follows:

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Amounts falling due:				
In one year or less	1,563	659	1,563	659
In more than one year but not more than two years	-	659	-	659
In more than two years but not more than five years	-	701	-	701
	1,563	2,019	1,563	2,019

25. Other Liabilities

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Amounts owed to group undertaking	-	-	1,512	-

26. Financial risk management

The Group uses various methods to limit its exposure to financial risks, which arise from its business activities. The main risks, as in the past, are from movements in interest rates. It no longer has significant risk on foreign currency. The board reviews the requirements on a regular basis.

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

Credit Risk

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 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 acquisition of plant and equipment under finance leases and funding operations by term loans and overdraft. Equity is raised when available (see note 33 "under events after balance sheet date" for details of recent share issues).

Interest rates

The interest rate on the bank loans is at market rate and the Group's policy is to limit loan finance so that interest rate changes on loans would not have a significant impact on cash flows.

Financial assets

The Group's financial assets comprise cash deposits.



26. Financial risk management (continued)

Maturity of financial liabilities - Group

The maturity profile of the carrying value of the Group's financial liabilities, at 31 December 2006, was as follows:

	Debt £000	Finance leases £000	2006 Total £000	Debt £000	Finance leases £000	2005 Total £000
Within 1 year	3,039	101	3,140	2,466	155	2,621
Between 1 and 2 years	-	24	24	659	84	743
Between 2 and 5 years	-	7	7	701	10	711
	<u>3,039</u>	<u>132</u>	<u>3,171</u>	<u>3,826</u>	<u>249</u>	<u>4,075</u>

Maturity of financial liabilities - Company

	2006 £000	2005 £000
Within 1 year	863	659
Between 1 and 2 years	300	659
Between 2 and 5 years	400	701
	<u>1,563</u>	<u>2,019</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.

27. Deferred tax

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

	Amount provided	
	2006 £000	2005 £000
Provision on Fonds de Commerce	-	407
Other timing differences	-	(80)
	<u>-</u>	<u>327</u>
The movement on the net provision for deferred taxation is as follows:		
Net provision 1 January	327	387
Released to equity - revaluation change	-	(60)
Credit to profit and loss account on sale of Fonds de Commerce	(327)	-
Net provision at 31 December	<u>-</u>	<u>327</u>

There are no other tax losses carried forward.



28. Called up share capital	2006	2005
	£000	£000
Authorised:		
100,000,000 ordinary shares of 5p each	5,000	5,000
Allotted, called up and fully paid:		
65,622,396 ordinary shares of 5p each (2005:62,927,345)	3,281	3,147

Allotments for cash made in 2006:

Date	No. of Shares	Gross Consideration	Reason
4.4.06	2,479,410	£421,500	Placing

Placings after balance sheet date

On 26 January 2007 an EGM was held to approve the placing of 6,225,000 5 pence ordinary shares at 6 pence per share.

On 20th April 2007 an EGM was held to approve the placing of 42,857,143 5 pence ordinary shares at 7 pence per share.

Share options

All of the remaining share options expired on 21 March 2006.

Long term investment plan

Subject to performance conditions being met the Group is obligated to match shares purchased by directors 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 267,281 ordinary shares at the balance sheet date.

29. Employees and directors	2006	2005
	£000	£000
Wages and salaries	4,501	5,526
Social security costs	600	797
Pension costs	145	168
	5,246	6,491

The average number of people (including executive directors) employed during the year	2006	2005
	Nos.	Nos.
HTEC	175	190
Head Office	1	1
Discontinued	25	40
	201	231

Emoluments paid to the highest paid director were as follows:	£000	£000
Aggregate emoluments	89	97
Company pension contribution to money purchase schemes	8	-
	97	97

There were 4 directors (2005:4) 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 page 5.



30. Pension commitments

The Group operates a defined contribution scheme. The pension costs charged represent contributions payable by the Group to the fund amounting to £145,090 (2005:£167,725), together with the administration charge of the fund. In addition the Group continues to contribute to personal pension plans for certain of its employees.

31. Operating lease commitments

At 31 December 2006 the group has lease agreements in respect of properties, vehicles, plant and equipment, for which payments extend over a number of years:

Annual commitments under minimum lease payments which expire:

	Property £000	Plant and Machinery £000	2006 Total £000	Property £000	Plant and Machinery £000	2005 Total £000
Within 1 year	-	50	50	20	37	57
Between 2 to 5 years	-	39	39	58	83	141
After 5 years	393	-	393	801	-	801
Total	393	89	482	879	120	999

32. Contingent liabilities

Duty deferment guarantee given by HTEC for HMRC £5,000 (2005: £100,000)

33. Capital and other financial commitments

There are no contracts placed for future expenditure not provided for (2005:nil).

34. Events after the balance sheet date

An EGM was held on 26 January 2007 to 1) agree to the sale of Bellword SAS to Prime Bureau Limited, of which R.Mackie is a Director 2) agree to a placing of 6,225,000 new ordinary 5p shares at 6p 3) announce board changes and 4) agree to the trading update statement.

An EGM was held on 20 April 2007 to agree to a placing of 42,857,143 new ordinary 5 pence shares at 7 pence.

35. Directors' transactions

A director, R.Mackie, provided an unsecured loan to the company of £491,000 in 2004. £86,590 was repaid in 2005 and £250,000 was capitalised into 1,250,000 5p ordinary shares at 20p each. The balance of £154,410 was outstanding until 30 January 2007. Interest on this balance was payable at Royal Bank of Scotland base rate, until it was used as part consideration for the purchase by Mr. Mackie, with co-investors, of Bellword SAS from the company.



36. Principal Subsidiaries

Name of undertaking	Place and Date of Incorporation	Issued and Fully Paid Share Capital	Percentage Held	Business
HTEC Group Ltd	England and Wales	Ordinary £1	100% held	Holding company
HTEC Ltd	England and Wales	Ordinary 1p Convertible redeemable preference £1	100% held	Information systems
High Technology Electronic Clearance SL	Spain	Ordinary 6 euro	100% held	Retail services
Master Change Ltd	England and Wales	Ordinary £1	100% held	Holding company
Bellword Ltd	England and Wales	Ordinary £1	100% held	Holding company
Masternet Associates Ltd	England and Wales	'A' Ordinary £1	100% held	Holding company
First Remit Ltd	England and Wales	Ordinary £1	100% held	Money transfer

All the above companies are included in the consolidation.

Unaudited proforma statement of net assets

for the year ended 31 December 2006



Post Balance sheet events (unaudited)

This proforma does not form part of the group's statutory accounts.

As described in note 34 there were 2 placings and the sale of Bellword SAS after the balance sheet date.

A Circular describing the sale of Bellword SAS and a placing of 6,225,000 new 5p ordinary shares at 6p was sent to shareholders on 9 January 2007. The sale and placing were agreed at an EGM held on 26 January 2007.

A circular describing a placing of 42,857,143 new 5p ordinary shares at 7p was sent to shareholders on 27 March 2007. The placing was agreed at an EGM held on 20 April 2007.

Further to the above new banking facilities were arranged with HBOS on 26 March 2007.

The unaudited proforma statement of net assets has been prepared as if the sale and the placings had been completed at 31 December 2006. The proforma has been prepared on the bases referred to below. No adjustments have been made to take account of the trading or changes in the financial position of the group after 31 December 2006, save for the sale and two placings.

The proforma is for illustrative purposes only, to provide information about how the sale, two placings and new bank facilities have affected the financial information presented. The proforma does not form part of the group's statutory accounts.

	Group £000	Sale of Bellword SAS £000	Adjustments Placing on 26 Jan £000	Placing on 30 April £000	New Banking facilities £000	Unaudited Pro forma net assets of the group £000
	(note 1)	(note 2)	(note 3)	(note 4)	(note 5)	
As at 31 December 2006						
Non-current assets						
Goodwill	17,250	-	-	-	-	17,250
Development costs	2,655	-	-	-	-	2,655
Property, plant and equipment	1,472	-	-	-	-	1,472
	<u>21,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,377</u>
Current assets						
Inventories	1,205	-	-	-	-	1,205
Receivables	1,793	-	-	-	-	1,793
Cash and cash equivalents	5	200	-	2,781	-	2,986
	<u>3,003</u>	<u>200</u>	<u>-</u>	<u>2,781</u>	<u>-</u>	<u>5,984</u>
Assets held for sale	854	(654)	-	-	-	200
	<u>3,857</u>	<u>(454)</u>	<u>-</u>	<u>2,781</u>	<u>-</u>	<u>6,184</u>
Total assets	<u>25,234</u>	<u>(454)</u>	<u>-</u>	<u>2,781</u>	<u>-</u>	<u>27,561</u>
Current liabilities						
Payables	(3,412)	-	-	-	-	(3,412)
Current tax liabilities	(296)	-	-	-	-	(296)
Short term borrowings	(3,140)	300	332	-	700	(1,808)
	<u>(6,848)</u>	<u>300</u>	<u>332</u>	<u>-</u>	<u>700</u>	<u>(5,516)</u>
Liabilities directly associated with assets classified as held for sale	(154)	154	-	-	-	-
	<u>(7,002)</u>	<u>454</u>	<u>332</u>	<u>-</u>	<u>700</u>	<u>(5,516)</u>
Non-current liabilities						
Medium term borrowings	(31)	-	-	-	(700)	(731)
	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>(731)</u>
Total liabilities	<u>(7,033)</u>	<u>454</u>	<u>332</u>	<u>-</u>	<u>-</u>	<u>(6,247)</u>
Net assets	<u>18,201</u>	<u>-</u>	<u>332</u>	<u>2,781</u>	<u>-</u>	<u>21,314</u>

Notes

1 The audited net assets of the group have been extracted from the balance sheet on page 12.

2 This adjustment represents the sale of Bellword SAS.

3 This adjustment represents the receipt of funds from the placing of £373,500 less costs.

4 This adjustment represents the receipt of funds from the placing of £3 million less costs.

5 This adjustment represents the new banking facility with HBOS.