

Company Registration No. 3762366 (England and Wales)

UC GROUP LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003



UC GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	J A Paulsen R J Robinson F S van Hove
Secretary	R J Robinson
Company number	3762366
Registered office	The Mansion House, Plaistow Lane Bromley Kent BR1 3TP United Kingdom
Registered auditors	The Gallagher Partnership LLP 69/85 Tabernacle Street London EC2A 4RR
Bankers	HSBC plc PO Box 4BQ 133 Regents Street London W1B 4HX
Solicitors	Kidd Rapinet 14 & 15 Craven Street London WC2N 5AD

UC GROUP LIMITED

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UC GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Directors

The following directors have held office since 1 January 2003 unless otherwise stated:

J A Paulsen	
P S Meyer	(Resigned 1 September 2003)
R J Robinson	
F S van Hove	(Appointed 1 September 2003)

Principal activities and review of the business

The principal activity of UC Group is that of a global e-solutions company. Through a series of acquisitions, it has now been built up to comprise companies that offer a number of Internet-enabled services. These focus on internet-enabled bespoke payment solutions, a transaction and payment management system for specific industries - notably restricted transactions - and dis-intermediated market solutions - notably in the fresh produce market. UC Group Limited acts as a holding and management company for the group's operating subsidiaries.

2003 has been the first full year of trading since the company was discharged from Administration in October 2002. The financial statements for the year ended 31 December 2003 show a profit on ordinary activities after taxation and before minority interests of £3,119,434 (2002 - £4,167,349). As is explained in the notes to the financial statements this result is after writing back certain provision that had been made against investments.

Results and dividends

The consolidated profit and loss account for the year is set out on page 4.

The directors do not recommend payment of a dividend (2002 - £Nil).

Directors' interests

The directors' interests in the shares of the company were as stated below:

A ordinary shares of £0.0001 each

	31 December 2003	1 January 2003
JA Paulsen	264,481,710	239,500,000
RJ Robinson	12,235,710	10,000,000
FS van Hove	2,422,947	2,422,947

B ordinary shares of £0.0001 each

	31 December 2003	1 January 2003
JA Paulsen	10	10
RJ Robinson	-	-
FS van Hove	-	-

UC GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that The Gallagher Partnership LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

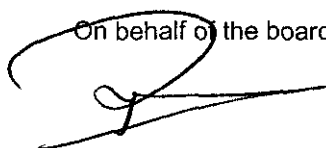
Directors' responsibilities

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 group and of the profit or loss of the group 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 accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

On behalf of the board



R J Robinson

Director

6 July 2004

UC GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UC GROUP LIMITED

We have audited the financial statements of UC Group Limited on pages 4 to 20 for the year ended 31 December 2003. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 company's and the group'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 financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 December 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



The Gallagher Partnership LLP

6 July 2004

Chartered Accountants
Registered Auditors

69/85 Tabernacle Street
London EC2A 4RR

UC GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	4,426,161	1,991,222
Cost of sales		(2,668,989)	(548,916)
Gross profit		1,757,172	1,442,306
Administrative expenses		(2,342,617)	5,129,842
Operating (loss)/profit	3	(585,445)	6,572,148
Other interest receivable and similar income		1,825	146
Amounts written back/(off) investments	4	3,703,054	(2,333,537)
Interest payable and similar charges	5	-	(71,408)
Profit on ordinary activities before taxation		3,119,434	4,167,349
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation		3,119,434	4,167,349
Minority interests		(10,856)	-
Profit for the financial year	7	3,108,578	4,167,349

The profit and loss account has been prepared on the basis that all operations are continuing operations.

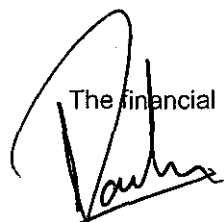
There are no recognised gains and losses other than those passing through the profit and loss account.

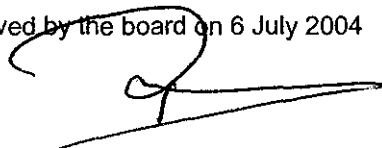
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BALANCE SHEETS AS AT 31 DECEMBER 2003

		Group		Company	
	Notes	2003 £	2002 £	2003 £	2002 £
Fixed assets					
Tangible assets	9	282,525	41,691	-	-
Investments	10	-	-	29,835	29,835
		<u>282,525</u>	<u>41,691</u>	<u>29,835</u>	<u>29,835</u>
Current assets					
Debtors	11	1,272,018	305,282	979,272	293,000
Cash at bank and in hand		8,428,105	104,981	18,460	18,544
		<u>9,700,123</u>	<u>410,263</u>	<u>997,732</u>	<u>311,544</u>
Creditors: amounts falling due within one year	12	(10,556,781)	(6,297,611)	(1,169,406)	(1,702,972)
Net current liabilities		<u>(856,658)</u>	<u>(5,887,348)</u>	<u>(171,674)</u>	<u>(1,391,428)</u>
Total assets less current liabilities		<u>(574,133)</u>	<u>(5,845,657)</u>	<u>(141,839)</u>	<u>(1,361,593)</u>
Capital and reserves					
Called up share capital	14	87,582	54,775	87,582	54,775
Share premium account	15	31,509,019	29,391,076	31,509,019	29,391,076
Profit and loss account	15	(32,182,930)	(35,291,508)	(31,738,440)	(30,807,444)
Shareholders' funds - equity interests	17	<u>(586,329)</u>	<u>(5,845,657)</u>	<u>(141,839)</u>	<u>(1,361,593)</u>
Minority interests	16	<u>12,196</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(574,133)</u>	<u>(5,845,657)</u>	<u>(141,839)</u>	<u>(1,361,593)</u>

The financial statements were approved by the board on 6 July 2004


J A Paulsen
Director


R J Robinson
Director

UC GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003		2002	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		8,121,492		(4,740,957)
Returns on investments and servicing of finance				
Interest received	1,825		146	
Interest paid	-		(9,289)	
Interest element of finance lease rentals	-		(62,119)	
Movement in minorities interest	1,340		-	
Net cash inflow/(outflow) for returns on investments and servicing of finance		3,165		(71,262)
Capital expenditure				
Payments to acquire tangible assets	(308,521)		(55,573)	
Net cash outflow for capital expenditure		(308,521)		(55,573)
Net cash inflow/(outflow) before management of liquid resources and financing		7,816,136		(4,783,215)
Financing				
Issue of ordinary share capital	500,750		4,918,896	
Net cash inflow from financing		500,750		4,918,896
Increase in cash in the year		8,316,886		135,681

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities	2003		2002	
		£		£	
	Operating (loss)/profit	(585,445)		6,572,148	
	Depreciation of tangible assets	54,562		72,356	
	Loss on disposal of tangible assets	13,125		195,952	
	Amounts written back/(off) investments	3,703,054		(2,333,537)	
	(Increase)/decrease in debtors	(966,736)		66,743	
	Increase/(decrease) in creditors within one year	5,902,932		(9,233,534)	
	Net effect of foreign exchange differences	-		3,492	
	Net cash inflow/(outflow) from operating activities	8,121,492		(4,740,957)	
2	Analysis of net funds	1 January 2003		31 December 2003	
		£		£	
	Net cash:				
	Cash at bank and in hand	104,981	8,323,124	-	8,428,105
	Bank overdrafts	(43,459)	(6,238)	-	(49,697)
		<u>61,522</u>	<u>8,316,886</u>	<u>-</u>	<u>8,378,408</u>
	Net funds	<u>61,522</u>	<u>8,316,886</u>	<u>-</u>	<u>8,378,408</u>
3	Reconciliation of net cash flow to movement in net debt	2003		2002	
		£		£	
	Increase in cash in the year	8,316,886		135,681	
	Cash (inflow)/outflow from (increase)/decrease in debt	-		1,566,572	
	Movement in net funds in the year	8,316,886		1,702,253	
	Opening net funds/(debt)	61,522		(1,640,731)	
	Closing net funds	<u>8,378,408</u>		<u>61,522</u>	

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

A summary of the group principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2003. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT.

1.5 Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life, subject to a maximum of 20 years. Provision is made for any impairment.

1.6 Domains

The cost of patents and registering domain names is valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives between 3 to 5 years. Provision is made for any impairment.

1.7 Development expenditure

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer hardware & software	over 3 years
Fixtures, fittings & equipment	over 3 years

1.9 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.10 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

(continued)

1.11 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

1.12 Taxation

Corporation tax payable is provided on taxable profits at the current rates.

Deferred tax is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations of periods different from those in which they are included in the financial statements. Deferred assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.14 Cash held on deposit

Cash is held on deposit in respect of customer electronic payment transactions where there is a higher than normal risk of loss to the payment processor. This cash is held for a fixed period to protect the company and its financial service providers, and is returned to the customer to the extent the deposit is not used. Cash held on deposit under these arrangements is recorded on the balance sheet as cash, with an equal liability for the amount held.

2 Segmental analysis by class of business

The analysis by class of business of the group's turnover is set out as below:

Turnover

	2003 £	2002 £
Class of business		
Electronic payment services	3,468,774	1,285,907
Supply chain re-engineering - fresh produce market	957,387	705,315
	<u>4,426,161</u>	<u>1,991,222</u>

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

3	Operating (loss)/profit	2003	2002
		£	£
	Operating (loss)/profit is stated after charging:		
	Depreciation of tangible assets	54,562	72,356
	Loss on disposal of tangible assets	13,125	195,952
	Loss on foreign exchange transactions	3,647	-
	Operating lease rentals	47,909	135,719
	Auditors' remuneration (company £35,000; 2002: £30,000)	44,850	33,500
	Additional costs of the CVA (see Note 14)	130,000	-
	Exceptional restructuring costs	235,895	-
	and after crediting:		
	Profit on foreign exchange transactions	(7,822)	-
		<u> </u>	<u> </u>
4	Amounts written back/(off) investments	2003	2002
		£	£
	Amounts written back/(off) investments in prior years	3,703,054	(2,333,537)
		<u> </u>	<u> </u>

At 31 December 2002 provision was made against all fixed asset investments and intercompany balances reflecting the uncertainty of the recoverability of the assets following the discharge from Administration. Recovery of the value of certain assets through restructuring of the subsidiary undertakings has enabled some provisions to be released and the assets recognised on the balance sheet.

5	Interest payable	2003	2002
		£	£
	On bank loans and overdrafts	-	30
	On other loans wholly repayable within 5 years	-	518
	Lease finance charges	-	62,119
	Other interest	-	8,741
		<u> </u>	<u> </u>
		-	71,408
		<u> </u>	<u> </u>

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

6 Taxation

	2003 £	2002 £
Current tax charge	-	-
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	3,119,434	4,167,349
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)	935,830	1,250,205
Effects of:		
Non deductible expenses	(1,106,723)	776,982
Depreciation add back	16,743	21,352
Capital allowances	(37,384)	-
Tax losses to carry forward	191,534	-
Tax losses utilised	-	(2,048,539)
	(935,830)	(1,250,205)
Current tax charge	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to the trading losses carried forward against future profits of the same trade and non-trading deficits eligible to be carried forward against non-trading income as there is insufficient evidence that the asset will be recovered. The asset would be recovered if sufficient taxable profits are made to offset these losses.

7 (Loss)/profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's detailed profit and loss account has not been separately included in these financial statements. The (loss)/profit for the financial year, which has been included within the consolidated profit and loss account on page 4, is made up as follows:

	2003 £	2002 £
Holding company's (loss)/profit for the financial year	(930,996)	4,638,238

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

8 Intangible fixed assets

Group

	Domains £	Total £
Cost		
At 1 January 2003 & at 31 December 2003	116,975	116,975
Amortisation		
At 1 January 2003 & at 31 December 2003	116,975	116,975
Net book value		
At 31 December 2003	-	-
At 31 December 2002	-	-

Intangible fixed assets (continued)

Company

	Domains £	Goodwill £	Total £
Cost			
At 1 January 2003 & at 31 December 2003	116,975	1,834,915	1,951,890
Amortisation			
At 1 January 2003 & at 31 December 2003	116,975	1,834,915	1,951,890
Net book value			
At 31 December 2003	-	-	-

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

9 Tangible fixed assets Group

	Computer hardware & software £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 January 2003	26,373	16,500	42,873
Additions	290,301	18,220	308,521
Disposals	(17,907)	(906)	(18,813)
At 31 December 2003	298,767	33,814	332,581
Depreciation			
At 1 January 2003	724	458	1,182
On disposals	(5,424)	(264)	(5,688)
Charge for the year	48,493	6,069	54,562
At 31 December 2003	43,793	6,263	50,056
Net book value			
At 31 December 2003	254,974	27,551	282,525
At 31 December 2002	25,649	16,042	41,691

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

10 Fixed asset investments Group

	Shares in group undertakings £
Cost	
At 1 January 2003 & at 31 December 2003	11,552,121
Provisions for diminution in value	
At 1 January 2003 & at 31 December 2003	11,552,121
Net book value	
At 31 December 2003	-

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings exceeds the amount included in the balance sheet, however, provisions made during 2002 when future value was uncertain have been retained.

Company

	Shares in group undertakings £
Cost	
At 1 January 2003 & at 31 December 2003	45,035
Provisions for diminution in value	
At 1 January 2003 & at 31 December 2003	15,200
Net book value	
At 31 December 2003	29,835
At 31 December 2002	29,835

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held
		Class %
Subsidiary undertakings		
Securetrading Group Limited	England	Ordinary 85
Securetrading Limited*	England	Ordinary 85
Secure G Two BV*	England	Ordinary 85
Secure G Three BV*	England	Ordinary 85
UC Market Makers Limited	England	Ordinary 100
UC Flowers Group Limited**	England	Ordinary 100
HB Enterprises BV**	Holland	Ordinary 100
June USA Inc**	USA	Ordinary 100
UC.Com e-commerce Limited	England	Ordinary 89
Resolution One Limited***	England	Ordinary 71
UC Capital Limited	England	Ordinary 100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Securetrading Group Limited	Holding company
Securetrading Limited*	Electronic payment services
Secure G Two BV*	Electronic payment services
Secure G Three BV*	Electronic payment services
UC Market Makers Limited	Holding company
UC Flowers Group Limited**	Holding company
HB Enterprises BV**	Fresh produce wholesaler
June USA Inc**	Online flower sales
UC.Com e-commerce Limited	Holding company
Resolution One Limited***	Receipt of deferred consideration
UC Capital Limited	Holding company for minority interests and joint ventures

* Interest held through Securetrading Group Limited

**Interest held through UC Market Makers Limited

***Interest held through UC.Com e-commerce Limited

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

11 Debtors

	Group 2003 £	2002 £	Company 2003 £	2002 £
Trade debtors	904,207	213,294	-	-
Amounts owed by group undertakings	-	-	962,344	267,000
Other debtors	90,743	16,000	16,928	16,000
Prepayments and accrued income	277,068	75,988	-	10,000
	<u>1,272,018</u>	<u>305,282</u>	<u>979,272</u>	<u>293,000</u>

12 Creditors : amounts falling due within one year

	Group 2003 £	2002 £	Company 2003 £	2002 £
Bank loans and overdrafts	49,697	43,459	-	-
Trade creditors - see below	9,381,128	274,344	49,651	172
Amounts owed to group undertakings	-	-	1,026,357	22,800
Taxes and social security costs	60,858	285,674	-	-
Shares to be issued	-	1,650,000	-	1,650,000
Other creditors	194,062	-	-	-
Accruals and deferred income	871,036	4,044,134	93,398	30,000
	<u>10,556,781</u>	<u>6,297,611</u>	<u>1,169,406</u>	<u>1,702,972</u>

Included within trade creditors is an amount of £3,442,823 (31 December 2002 - £Nil) of cash held on deposit in respect of electronic payments services customers undertaking types of transactions where there is a higher than normal risk of loss to the payment processor. Such deposits are held to protect the company and its financial service providers, however this is returned to the customer to the extent the deposit is not used.

13 Pension costs

Defined contribution

	2003 £	2002 £
Contributions paid by group companies for the year	<u>25,468</u>	<u>19,393</u>

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

14 Share capital	2003 £	2002 £
Authorised		
999,999,990 A ordinary shares of £0.0001 each	100,000	100,000
10 B ordinary shares of £0.0001 each	-	-
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
875,823,710 A ordinary shares of £0.0001 each	87,582	54,775
10 B ordinary shares of £0.0001 each	-	-
	<u>87,582</u>	<u>54,775</u>

Under a Company Voluntary Arrangement ("CVA") proposed during 2002 certain creditors of the company opted to receive new shares in the company in settlement of the company's obligations to them. Creditors opting for conversion received shares with a value equivalent to the amount due to them, based on a price per share of 10p, being a premium of 9.99p per share. 75,353,261 shares were issued in respect of creditor conversions during the year. £5,397,455 of shares premium was recognised in the 2002 financial statements.

The company raised cash to fund the CVA and also for working capital during the time the company was in Administration in 2002. The company agreed to issue shares to the providers of such funds. 8,500,000 ordinary shares were issued in respect of the CVA fund, at a premium of 9.99p per share. A further 190,000,000 ordinary shares were issued at an average premium of 0.41p per share in respect of £800,000 of working capital provided both during the Administration and immediately thereafter, and also in respect of guarantees required by the Administrators. A further 54,216,479 shares were issued at par in respect of services provided to the company during the Administration and immediately thereafter.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

15 Statement of movements on reserves

Group

	Share premium account £	Profit and loss account £
Balance at 1 January 2003	29,391,076	(35,291,508)
Retained profit for the year	-	3,108,578
Premium on shares issued during the year	2,117,943	-
Balance at 31 December 2003	<u>31,509,019</u>	<u>(32,182,930)</u>

Company

	Share premium account £	Profit and loss account £
Balance at 1 January 2003	29,391,076	(30,807,444)
Retained loss for the year	-	(930,996)
Premium on shares issued during the year	2,117,943	-
Balance at 31 December 2003	<u>31,509,019</u>	<u>(31,738,440)</u>

16 Minority interests

	2003 £	2002 £
Minority interests' share of net assets and liabilities in subsidiary undertakings	12,196	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

17	Reconciliation of movements in shareholders' funds	2003	2002
	Group	£	£
	Profit for the financial year	3,108,578	4,167,349
	Settlement of liabilities through issue of shares at a premium	2,150,750	5,400,142
		<u> </u>	<u> </u>
	Net addition to shareholders' funds	5,259,328	9,567,491
	Opening shareholders' funds	(5,845,657)	(15,413,148)
		<u> </u>	<u> </u>
	Closing shareholders' funds	<u>(586,329)</u>	<u>(5,845,657)</u>
	Company	2003	2002
		£	£
	(Loss)/Profit for the financial year	(930,996)	4,638,238
	Settlement of liabilities through issue of shares at a premium	2,150,750	7,050,286
		<u> </u>	<u> </u>
	Net addition to shareholders' funds	1,219,754	11,688,524
	Opening shareholders' funds	288,407	(11,400,117)
		<u> </u>	<u> </u>
	Closing shareholders' funds	<u>(141,839)</u>	<u>288,407</u>
18	Directors' emoluments	2003	2002
		£	£
	Emoluments for qualifying services	9,612	48,459
		<u> </u>	<u> </u>

As disclosed in note 21, following the company's discharge from Administration, the services of the Executive Directors were provided through a management company, Mansion Associates Limited. The emoluments disclosed in these financial statements are fees for the services of Non-Executive Directors.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

19 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Management	4	4
Sales and administration	28	25
	<u>32</u>	<u>29</u>

Employment costs

	£	£
Wages and salaries	460,319	781,294
Social security costs	54,539	66,260
Other pension costs	25,468	19,393
	<u>540,326</u>	<u>866,947</u>

20 Control

The ultimate controlling party is J A Paulsen, a director of the company, who controls the company as a result of controlling directly more than 50.5% of the issued share capital of the company in the form of B ordinary shares.

21 Related party transactions

Group

Mansion Associates

Mansion Associates Limited ("MAL") is majority owned by the Directors of UC Group Limited. The company was established to incur substantially all of the operating expenses of the company, including salaries of the Directors and the costs of the head office, on behalf of the company. These services have been charged on a commercial basis. The amount charged by MAL in the year was £481,500 (2002 - £Nil).

The purpose of this arrangement with MAL is to protect the company from any potential action from creditors and the directors consider it to be significant benefit to the company.