

Company Registration No. 3762366 (England and Wales)

UC GROUP LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005

FRIDAY



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COMPANIES HOUSE

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 133 Regent Street London W1B 4HX
Solicitors	Alston & Bird LLP 601 Pennsylvania Avenue Washington, DC Covington & Burling One Front Street San Francisco, CA DLA SchutGroscheide NV Amstelveenseweg 638 Amsterdam Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS Kidd Rapinet 14 & 15 Craven Street London WC2N 5AD

UC GROUP LIMITED

CONTENTS

	Page
Chairman's statement	1
Directors' report	2 - 4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Balance sheets	8
Consolidated cash flow statement	9
Notes to the consolidated cash flow statement	10
Notes to the financial statements	11 - 21

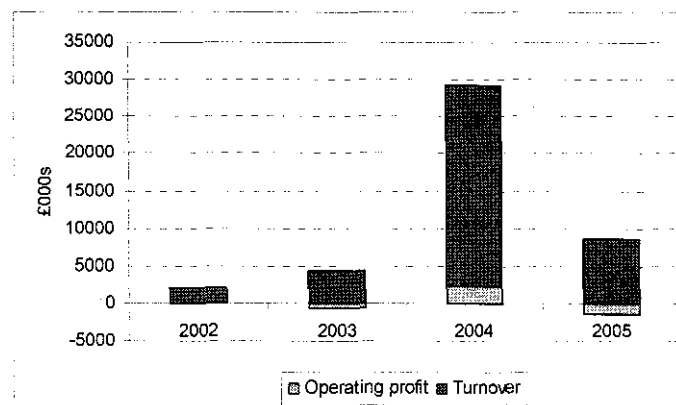
UC GROUP LIMITED

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

I am pleased to report another year of progress for UC Group, which has responded well to market changes and continues to underpin strong potential for business enablement. It has been a year of significant investment and adjustment, and we are now better positioned than ever before to take the business forward.

	2005	2004	2003	2002
	£000	£000	£000	£000
Turnover	8,610	26,901	4,426	1,191
Gross profit	4,181	7,633	1,757	1,442
Operating profit (loss)	(1,405)	2,193	(585)	*
Net profit (loss) after tax	(1,399)	2,215	*	*
Net assets (liabilities)	174	1,628	(586)	(5,845)

* Data not comparable



UC Payments

As reported in my previous statement, UC Payments operates in segments that have the potential to generate significant value and profit, as can be seen in the 2004 performance. However, there have been major regulatory changes to our main operating sector online gaming, in particular in the USA, and as a result we've had to restructure and reposition our research and resources.

We have continued to work with regulators and law makers, in the USA and Europe, and are uniquely positioned to take advantage of the new rules and regulations. UC Group has been invited by the US [Government] to assist with the establishment of a regulatory framework to enable payments for online gaming on a state-by-state basis. UC Group has played an important role in the education of law makers, politicians and regulators and is well regarded for its market knowledge in this field. I believe that our almost exclusive relationship will yield substantial benefits in the coming years.

UC Payments has continued its position as a well respected payment service provider and our partnership network now also includes the major credit card schemes. We will continue our investment in technology, processes and partnership to ensure our market position.

UC Markets

As the flower market continues to expand worldwide, the flower business has continued stable growth in Europe and the US. We have recently started sourcing flowers from suppliers based in South American and as such has now overtaken our Dutch supply to the US market. The business operation has been streamlined with the amalgamation of the Dutch back-office operation in London. Our new technology platform is being rolled out and will provide for the market access. We have also withdrawn from certain markets where previous management incurred unrecoverable losses. The wholesale and online combination and integration continues to inspire new customers and we anticipate reasonable growth in turnover and to break even in 2007.

UC Capital

After significant effort to establish an investment advisory business, we have decided to focus the Group's resources entirely on UC Payments and UC Markets. However the Group's Asian operation has continued under the leadership of Chairman Robert Wang and we are planning to increase our holding. Further assessment of the UC Capital model will be made once the Group has returned to profit.

The Group is well positioned to start the process of capitalising on the respective group assets. Although 2006 has been a continuation of the reported year we are very confident about our prospects for 2007.

J A Paulsen
27th November 2006

UC GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of UC Group is that of a global e-solutions company, offering 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.

Results and dividends

The consolidated profit and loss account for the year is set out on page 7.

The directors do not recommend the payment of a dividend (2004 - £Nil).

Directors

The following directors have held office since 1 January 2005 unless otherwise stated:

J A Paulsen
R J Robinson
F S van Hove

Directors' interests

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

	A ordinary shares of £0.0001 each	
	31 December 2005	1 January 2005
J A Paulsen	274,315,043	264,481,710
R J Robinson	12,235,710	12,235,710
F S van Hove	517,527	2,422,947

	B ordinary shares of £0.0001 each	
	31 December 2005	1 January 2005
J A Paulsen	10	10
R J Robinson	-	-
F S van Hove	-	-

UC GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Charitable donations

	2005	2004
	£	£

During the year the company made the following payments:

Charitable donations	4,000	6,884
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Employee involvement

The group's policy is to consult and discuss directly with employees any matters likely to affect employees' interests.

Information on 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.

UC GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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

27 November 2006

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 7 to 21 for the year ended 31 December 2005. 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 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 or 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 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 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 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.

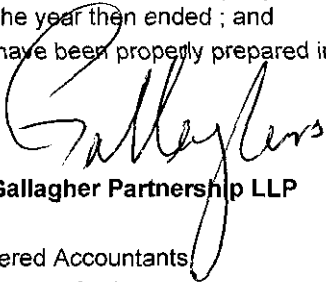
UC GROUP LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF UC GROUP LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 December 2005 and of the group's loss for the year then ended ; and
- have been properly prepared in accordance with the Companies Act 1985.


The Gallagher Partnership LLP

Chartered Accountants
Registered Auditors


28 November 2006

69/85 Tabernacle Street
London
EC2A 4RR

UC GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover	2	8,609,694	26,901,590
Cost of sales		(4,428,272)	(19,268,097)
Gross profit		4,181,422	7,633,493
Administrative expenses		(5,586,635)	(5,439,820)
Operating (loss)/profit	3	(1,405,213)	2,193,673
Other interest receivable and similar income		8,911	83,678
Interest payable and similar charges	4	(843)	(261)
(Loss)/profit on ordinary activities before taxation		(1,397,145)	2,277,090
Tax on (loss)/profit on ordinary activities	5	(1,373)	(61,971)
(Loss)/profit on ordinary activities after taxation		(1,398,518)	2,215,119
Minority interests		-	(50,275)
(Loss)/profit for the financial year	6	(1,398,518)	2,164,844

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.

UC GROUP LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2005

	Notes	Group 2005 £	2004 £	Company 2005 £	2004 £
Fixed assets					
Tangible assets	7	303,537	294,676	-	-
Investments	8	-	-	179,835	179,835
		<u>303,537</u>	<u>294,676</u>	<u>179,835</u>	<u>179,835</u>
Current assets					
Stocks	9	-	4,400	-	-
Debtors	10	2,216,093	2,536,208	3,530,261	2,812,200
Cash at bank and in hand		3,511,965	33,345,293	804,442	13,410,782
		<u>5,728,058</u>	<u>35,885,901</u>	<u>4,334,703</u>	<u>16,222,982</u>
Creditors: amounts falling due within one year	11	(5,857,404)	(34,552,252)	(1,518,268)	(13,086,593)
Net current (liabilities)/assets		<u>(129,346)</u>	<u>1,333,649</u>	<u>2,816,435</u>	<u>3,136,389</u>
Total assets less current liabilities		<u>174,191</u>	<u>1,628,325</u>	<u>2,996,270</u>	<u>3,316,224</u>
Capital and reserves					
Called up share capital	12	87,582	87,582	87,582	87,582
Profit and loss account	13	79,754	1,478,272	2,908,688	3,228,642
Shareholders' funds	15	<u>167,336</u>	<u>1,565,854</u>	<u>2,996,270</u>	<u>3,316,224</u>
Minority interests	14	<u>6,855</u>	<u>62,471</u>	<u>-</u>	<u>-</u>
		<u>174,191</u>	<u>1,628,325</u>	<u>2,996,270</u>	<u>3,316,224</u>

Approved by the Board and authorised for issue on 27 November 2006


J A Paulsen
Director


R J Robinson
Director

UC GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(29,492,802)		25,163,597
Returns on investments and servicing of finance				
Interest received	8,911		83,678	
Interest paid	(843)		(261)	
Movement in minority interests	(55,616)		(50,275)	
Net cash (outflow)/inflow for returns on investments and servicing of finance		(47,548)		33,142
Taxation		(63,326)		-
Capital expenditure				
Payments to acquire tangible assets	(232,101)		(229,854)	
Net cash outflow for capital expenditure		(232,101)		(229,854)
Net cash (outflow)/inflow before management of liquid resources and financing		(29,835,777)		24,966,885
(Decrease)/increase in cash in the year		(29,835,777)		24,966,885

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities	2005	2004		
		£	£		
	Operating (loss)/profit	(1,405,213)	2,193,673		
	Depreciation of tangible assets	223,240	214,453		
	Loss on disposal of tangible assets	-	3,250		
	Decrease/(increase) in stocks	4,400	(4,400)		
	Decrease/(increase) in debtors	320,115	(1,264,190)		
	(Decrease)/Increase in creditors within one year	(28,635,344)	24,020,811		
	Net cash (outflow)/inflow from operating activities	(29,492,802)	25,163,597		
2	Analysis of net funds	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	33,345,293	(29,833,328)	-	3,511,965
	Bank overdrafts	-	(2,449)	-	(2,449)
	Liquid resources:				
	Net funds	33,345,293	(29,835,777)	-	3,509,516
3	Reconciliation of net cash flow to movement in net debt	2005	2004		
		£	£		
	(Decrease)/increase in cash in the year	(29,835,777)	24,966,885		
	Movement in net funds in the year	(29,835,777)	24,966,885		
	Opening net funds	33,345,293	8,378,408		
	Closing net funds	3,509,516	33,345,293		

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

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 2005. 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, provided in the normal course of business. Revenue is recognised in line with the accruals accounting based on fees received for services provided during the financial year.

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 Research and 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 accumulated depreciation and provision for impairment, where impairment is expected to be permanent. 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 and websites	over 2-3 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.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(continued)

1.10 Investments

Fixed asset investments are stated at cost less provision for impairment.

1.11 Stock

Work in progress is valued at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

1.12 Pensions

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

1.13 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 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.

1.14 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. The results of overseas operations are translated at average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date.

1.15 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.

1.16 Website development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the cost of developing the design and the content are charged to the profit and loss account as incurred.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

2 Segmental analysis by class of business

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

Turnover

	2005 £	2004 £
Class of business		
Electronic payment services	6,307,843	24,507,466
Supply chain re-engineering - fresh produce market	2,301,851	2,394,124
	<u>8,609,694</u>	<u>26,901,590</u>

3 Operating (loss)/profit

	2005 £	2004 £
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	223,240	214,453
Loss on disposal of tangible assets	-	3,250
Loss on foreign exchange transactions	163,654	73,148
Auditors' remuneration (company £45,000; 2004: £45,000)	54,375	79,373
Exceptional restructuring costs	-	100,968
	<u></u>	<u></u>

4 Interest payable

	2005 £	2004 £
On bank loans and overdrafts	127	261
On loans repayable after five years	13	-
On overdue tax	703	-
	<u>843</u>	<u>261</u>

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

5 Taxation

	2005 £	2004 £
Domestic current year tax		
UK corporation tax	-	61,953
Foreign corporation tax		
Dutch corporation tax	1,373	18
	<u>1,373</u>	<u>61,971</u>
 Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(1,397,145)	2,277,090
 (Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>(419,144)</u>	<u>683,127</u>
 Effects of:		
Non deductible expenses	59,770	7,317
Depreciation add back	66,639	64,065
Capital allowances	(57,712)	(35,243)
Tax losses to carry forward	547,641	-
Foreign tax adjustments	-	18
Tax losses utilised	(195,821)	(652,844)
Marginal relief	-	(4,469)
	<u>420,517</u>	<u>(621,156)</u>
 Current tax charge	<u>1,373</u>	<u>61,971</u>

6 (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 7, is made up as follows:

	2005 £	2004 £
Holding company's (loss)/profit for the financial year	<u>(319,954)</u>	<u>3,458,062</u>

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7 Tangible fixed assets Group

	Computer hardware, software and websites £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 January 2005	519,294	36,707	556,001
Additions	208,370	23,731	232,101
At 31 December 2005	727,664	60,438	788,102
Depreciation			
At 1 January 2005	244,629	16,696	261,325
Charge for the year	206,233	17,007	223,240
At 31 December 2005	450,862	33,703	484,565
Net book value			
At 31 December 2005	276,802	26,735	303,537
At 31 December 2004	274,665	20,011	294,676

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Fixed asset investments Company

	Shares in group undertakings £
Cost	
At 1 January 2005 & at 31 December 2005	179,835
At 31 December 2004	179,835

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.

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	80
Securetrading Limited*	England	Ordinary	80
Secure G Two BV*	Netherlands	Ordinary	80
Secure G Three BV*	Netherlands	Ordinary	80
UC Market Makers Limited	England	Ordinary	80
UC Flowers Group Limited**	England	Ordinary	80
HB Enterprises BV**	Netherlands	Ordinary	80
FWX.com Inc**	USA	Ordinary	80
UC.Com e-commerce Limited	England	Ordinary	89
Resolution One Limited***	England	Ordinary	71
UC Capital Limited	England	Ordinary	80
UC Safetx Limited**	England	Ordinary	80
Secure G Holdings Limited*	England	Ordinary	80

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

	Principal activity
Securetrading Group Limited	Development and operation of payment systems
Securetrading Limited*	Development and operation of payment systems

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8 Fixed asset investments

(continued)

Secure G Two BV*	Payment service provider
Secure G Three BV*	Payment service provider
UC Market Makers Limited	Investment holding and management company
UC Flowers Group Limited**	Investment holding and management company
HB Enterprises BV**	Fresh produce wholesaler
FWX.com Inc**	Online flower sales
UC.Com e-commerce Limited	Investment holding and management company
Resolution One Limited***	Receipt of deferred consideration
UC Capital Limited	Holding company for minority interests, joint ventures and provision of consultancy services
UC Safetx Limited**	Cheque and electronic payment distribution
Secure G Holdings Limited*	Investment holding and management company

* Interest held through Securetrading Group Limited

**Interest held through UC Market Makers Limited

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

9 Stocks

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Packing and storage materials	-	4,400	-	-

10 Debtors

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	958,942	1,441,419	74,661	-
Amounts owed by group undertakings	-	-	2,532,228	2,325,118
Other debtors	946,876	57,112	897,321	7,083
Prepayments and accrued income	310,275	1,037,677	26,051	479,999
	<u>2,216,093</u>	<u>2,536,208</u>	<u>3,530,261</u>	<u>2,812,200</u>

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

11 Creditors : amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	2,449	-	-	-
Trade creditors	466,549	446,660	29,731	4,169
Amounts owed to group undertakings	-	-	1,324,554	12,810,326
Corporation tax	-	61,953	-	54,233
Taxes and social security costs	292,822	116,628	23,455	8,446
Other creditors - see below	2,185,844	31,932,607	3,362	35,307
Accruals and deferred income	2,909,740	1,994,404	137,166	174,112
	<u>5,857,404</u>	<u>34,552,252</u>	<u>1,518,268</u>	<u>13,086,593</u>

Included within other creditors is an amount of £1,717,106 (31 December 2004 - £17,878,487) 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.

12 Share capital

	2005	2004
	£	£
Authorised		
2,999,999,990 A ordinary shares of £0.0001 each	300,000	300,000
10 B ordinary shares of £0.0001 each	-	-
	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid		
875,823,710 A ordinary shares of £0.0001 each	87,582	87,582
10 B ordinary shares of £0.0001 each	-	-
	<u>87,582</u>	<u>87,582</u>

The control of the company is in owning the issued share capital of the company in the form of the B ordinary shares.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

13 Statement of movements on profit and loss account

Group

	Profit and loss account £
Balance at 1 January 2005	1,478,272
Retained loss for the year	(1,398,518)
Balance at 31 December 2005	<u>79,754</u>

Company

	Profit and loss account £
Balance at 1 January 2005	3,228,642
Retained loss for the year	(319,954)
Balance at 31 December 2005	<u>2,908,688</u>

14 Minority interests

	2005 £	2004 £
Minority interests' share of net assets and liabilities in subsidiary undertakings	<u>6,855</u>	<u>62,471</u>

15 Reconciliation of movements in shareholders' funds

Group	2005 £	2004 £
(Loss)/Profit for the financial year	(1,398,518)	2,164,844
Opening shareholders' funds	<u>1,565,854</u>	<u>(598,990)</u>
Closing shareholders' funds	<u>167,336</u>	<u>1,565,854</u>

Company	2005 £	2004 £
(Loss)/Profit for the financial year	(319,954)	3,458,062
Cost of share issue written off to share premium account	-	(31,509,019)
Net depletion in shareholders' funds	<u>(319,954)</u>	<u>(28,050,957)</u>
Opening shareholders' funds	<u>3,316,224</u>	<u>31,367,181</u>
Closing shareholders' funds	<u>2,996,270</u>	<u>3,316,224</u>

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

16 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	24,000	24,000

As disclosed in note 19 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.

17 Employees

Number of employees

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

	2005 Number	2004 Number
Management	6	6
Sales and administration	10	10
Technical and development	11	6
Customer service support	7	9
	34	31

Employment costs

	£	£
Wages and salaries	816,016	843,898
Social security costs	86,981	88,207
Other pension costs	34,726	31,038
	937,723	963,143

18 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.

UC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

19 Related party transactions

Group

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 to the company in the period was £1,180,655 (2004 - £1,594,785), with £375,000 (2004 - £561,734) charged directly to subsidiary companies.