

Company Registration No 3762366 (England and Wales)

**UC GROUP LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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# UC GROUP LIMITED

## DIRECTORS AND ADVISERS

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<b>Directors</b>	J A Paulsen R J Robinson F S van Hove
<b>Secretary</b>	R J Robinson
<b>Company number</b>	3762366
<b>Registered office</b>	The Mansion House, Plaistow Lane Bromley Kent BR1 3TP United Kingdom
<b>Registered auditors</b>	The Gallagher Partnership LLP 69/85 Tabernacle Street London EC2A 4RR
<b>Bankers</b>	HSBC plc 133 Regent Street London W1B 4HX
<b>Solicitors</b>	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

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# UC GROUP LIMITED

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# UC GROUP LIMITED

## CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

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Dear Shareholders,

During 2006 we continued to invest and restructure the respective business units and are pleased to report that these efforts have enabled the Group's return to profitability in 2007

The Payments business, under the leadership of former Managing Director of BarclayCard Business Gerald Kitchen, has made substantial progress in the areas of Culture, Commercial and Operational stability and development

UC Group's leadership in providing a Regulated and Licensed regime in the United States which is in its third year, continues to present a significant opportunity for our payments division as and when the US legislative environment changes. This large investment has certainly raised the profile of the Group at governmental level and within the wider industry. As part of the unique payment offering and utilising our exclusive partnership with Baker Tilly, the Group has secured special consideration by MasterCard for the operation of its high-risk payment model.

Secure Payments remain a critical component of the new economy and SecureTrading has continued its role as a leading financial services firm for E-Commerce globally.

We have restructured our Flower activities and started the divestment cycle of the traditional Flower business. We have continued our investment in the online flower business which saw the introduction of a flower supply from South America in addition to the Dutch market to service both the US and UK market. It is our intention to completely divest our flower interest over the short term to provide clearer focus on the enlarged payment activities of the Group.

Mansion Associates was set up in 2002 to provide exclusive management services to UC Group on a no-liability basis. All external contracts, operating and staff liabilities are currently held within Mansion Associates. The intention was to safeguard UC Group from any potential trading or operating liability. It is the Board's intention to restructure this arrangement by transferring all UC Group related activities back to UC Group. Additional restructuring is being planned of the legacy UC.com e-commerce Ltd Group that has been dormant for five years.

As the group attracts new high-calibre management and staff, the Board has considered the reintroduction of a staff share option scheme for existing and new employees equal to five percent of the issued capital of the group.

We remain confident that the changes implemented during the year and the continued investment during 2007 will result in improved shareholder value for the long term.



J.A. Paulsen  
31 October 2007

# UC GROUP LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2006

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The directors present their report and financial statements for the year ended 31 December 2006

#### Principal activities and review of the business

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 (2005 - £Nil).

#### Directors

The following directors have held office since 1 January 2006 unless otherwise stated.

J A Paulsen  
R J Robinson  
F S van Hove

#### Description of principal risks and uncertainties

The turnover of the group consists of income from the provision of electronic payment services and the supply of fresh flowers worldwide as well as supplying other group companies. Sales are dependent on the group being able to continually offer its customers cost-effective, versatile and reliable products and complying with ever changing demands of the environment in which it operates, including changes in global Government policies around the world.

The group as it adapts to global changes in its markets needs to ensure that it can maintain strong internal controls and procedures.

The group's principal financial instruments comprise cash in liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The main risk arising from the group's financial instruments is liquidity risk. The group finances its operations through a mixture of share capital, retained profits and income from sales. Liquidity risk is managed by maintaining a balance between continuity of funding and flexibility through the use of short-term deposits when surplus funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to purchasing authorities and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Foreign currency risk is the risk that the group will sustain losses through adverse movements in currency exchange rates. The group's business is impacted through its exposure to some of its fee income being in U S dollars and Euros. Foreign exchange risk is managed by converting non-Sterling income to Sterling promptly upon receipt.

# UC GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2006

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The group is exposed to changes in relationships with its customers and suppliers. It is a key task for the operational management in each business to maintain and develop relationships with customers and suppliers.

#### Charitable donations

	2006 £	2005 £
During the year the group made the following payments		
Charitable donations	1,050	4,000

#### 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 2006**

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### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 that 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.

### **Statement of disclosure to auditor**

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



R J Robinson

**Director**

31 October 2007

# UC GROUP LIMITED

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF UC GROUP LIMITED

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We have audited the financial statements of UC Group Limited on pages 7 to 21 for the year ended 31 December 2006. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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

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#### Opinion

In our opinion

- 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 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



The Gallagher Partnership LLP

Chartered Accountants  
Registered Auditors

31 October 2007

69/85 Tabernacle Street  
London  
EC2A 4RR

# UC GROUP LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	<b>2</b>	3,826,312	8,609,694
Cost of sales		(687,381)	(4,428,272)
<b>Gross profit</b>		3,138,931	4,181,422
Administrative expenses		(5,403,528)	(5,586,635)
<b>Operating loss</b>	<b>3</b>	(2,264,597)	(1,405,213)
Other interest receivable and similar income		24,423	8,911
Interest payable and similar charges	<b>4</b>	-	(843)
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	(2,240,174)	(1,397,145)
Tax on loss on ordinary activities	<b>5</b>	81,600	(1,373)
<b>Loss on ordinary activities after taxation</b>		(2,158,574)	(1,398,518)

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 2006

		Group		Company	
	Notes	2006	2005	2006	2005
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7	217,662	303,537	-	-
Investments	8	-	-	179,835	179,835
		<u>217,662</u>	<u>303,537</u>	<u>179,835</u>	<u>179,835</u>
<b>Current assets</b>					
Debtors	9	1,668,336	2,216,093	2,824,845	3,530,261
Cash at bank and in hand		349,800	3,511,965	11,943	804,442
		<u>2,018,136</u>	<u>5,728,058</u>	<u>2,836,788</u>	<u>4,334,703</u>
<b>Creditors amounts falling due within one year</b>	10	(3,523,144)	(5,857,404)	(675,996)	(1,518,268)
<b>Net current liabilities</b>		<u>(1,505,008)</u>	<u>(129,346)</u>	<u>2,160,792</u>	<u>2,816,435</u>
<b>Total assets less current liabilities</b>		<u>(1,287,346)</u>	<u>174,191</u>	<u>2,340,627</u>	<u>2,996,270</u>
<b>Capital and reserves</b>					
Called up share capital	12	88,202	87,582	88,202	87,582
Share premium account	13	696,322	-	696,322	-
Profit and loss account	13	(2,078,820)	79,754	1,556,103	2,908,688
<b>Shareholders' funds - equity interests</b>	15	<u>(1,294,296)</u>	<u>167,336</u>	<u>2,340,627</u>	<u>2,996,270</u>
<b>Minority interests</b>	14	6,950	6,855	-	-
		<u>(1,287,346)</u>	<u>174,191</u>	<u>2,340,627</u>	<u>2,996,270</u>

The financial statements were approved by the board on 31 October 2007

  
J.A. Baulsen  
Director

  
R.J. Robinson  
Director

# UC GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006		2005	
	£	£	£	£
<b>Net cash outflow from operating activities</b>		(3,128,346)		(29,492,802)
<b>Returns on investments and servicing of finance</b>				
Interest received	24,423		8,911	
Interest paid	-		(843)	
Movement in minority interests	95		(55,616)	
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>		24,518		(47,548)
<b>Taxation</b>		-		(63,326)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(133,483)		(232,101)	
<b>Net cash outflow for capital expenditure</b>		(133,483)		(232,101)
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertakings (net of cash acquired)	(619,357)		-	
<b>Net cash outflow for acquisitions and disposals</b>		(619,357)		-
<b>Net cash outflow before management of liquid resources and financing</b>		(3,856,668)		(29,835,777)
<b>Financing</b>				
Issue of ordinary share capital	696,942		-	
<b>Net cash inflow from financing</b>		696,942		-
<b>(Decrease)/increase in cash in the year</b>		(3,159,726)		(29,835,777)

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

1	Reconciliation of operating loss to net cash outflow from operating activities	2006	2005
		£	£
	Operating loss	(2,264,597)	(1,405,213)
	Depreciation of tangible assets	219,358	223,240
	Amortisation of intangible assets	619,357	-
	Decrease in stocks	-	4,400
	Decrease in debtors	629,357	320,115
	Decrease in creditors within one year	(2,331,821)	(28,635,344)
	Net cash outflow from operating activities	(3,128,346)	(29,492,802)

2	Analysis of net funds	1 January 2006	Cash flow	Other non-cash changes	31 December 2006
		£	£	£	£
	Net cash				
	Cash at bank and in hand	3,511,965	(3,162,165)	-	349,800
	Bank overdrafts	(2,449)	2,439	-	(10)
	Liquid resources				
	Net funds	3,509,516	(3,159,726)	-	349,790

3	Reconciliation of net cash flow to movement in net debt	2006	2005
		£	£
	Decrease in cash in the year	(3,159,726)	(29,835,777)
	Movement in net funds in the year	(3,159,726)	(29,835,777)
	Opening net funds	3,509,516	33,345,293
	Closing net funds	349,790	3,509,516

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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### 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

The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. On that basis and the current performance of the group, the directors consider it appropriate to prepare the financial statements on the going concern basis.

#### 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 2006. 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 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.

#### 1.7 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

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

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### 1 Accounting policies (continued)

#### 1 8 Leasing

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

#### 1 9 Investments

Fixed asset investments are stated at cost less provision for impairment

#### 1 10 Pensions

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

#### 1 11 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 12 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 13 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 14 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 2006

### 2 Segmental analysis by class of business

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

#### Turnover

	2006 £	2005 £
<b>Class of business</b>		
Electronic payment services	2,859,701	6,307,843
Supply chain re-engineering - fresh produce market	966,611	2,301,851
	<u>3,826,312</u>	<u>8,609,694</u>

### 3 Operating loss

	2006 £	2005 £
Operating loss is stated after charging		
Depreciation of intangible assets	619,357	-
Depreciation of tangible assets	218,903	223,240
Loss on foreign exchange transactions	200,105	163,654
Auditors' remuneration (company £47,500, 2005 £45,000)	60,250	54,375
Remuneration of auditors for non-audit work	33,000	31,500
	<u></u>	<u></u>

### 4 Interest payable

	2006 £	2005 £
On bank loans and overdrafts	-	127
On loans repayable after five years	-	13
On overdue tax	-	703
	<u>-</u>	<u>843</u>



# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 5 Taxation

	2006 £	2005 £
<b>Foreign corporation tax</b>		
Dutch corporation tax	-	1,373
<b>Deferred tax</b>		
Deferred tax charge/credit current year	(81,600)	-
	<u>(81,600)</u>	<u>1,373</u>
<b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	<u>(2,240,174)</u>	<u>(1,397,145)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 30.00%)	<u>(672,052)</u>	<u>(419,144)</u>
Effects of		
Non deductible expenses	67,043	59,770
Depreciation add back	251,225	66,639
Capital allowances	(45,872)	(57,712)
Tax losses to carry forward	644,077	547,641
Tax losses utilised	<u>(244,421)</u>	<u>(195,821)</u>
	<u>672,052</u>	<u>420,517</u>
<b>Current tax charge</b>	<u>-</u>	<u>1,373</u>

### 6 Loss 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 for the financial year, which has been included within the consolidated profit and loss account on page 7, is made up as follows:

	2006 £	2005 £
Holding company's loss for the financial year	<u>(1,352,585)</u>	<u>(319,954)</u>

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 7 Tangible fixed assets Group

	Computer hardware, software and websites £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 1 January 2006	727,664	60,438	788,102
Additions	132,678	805	133,483
	<hr/>	<hr/>	<hr/>
At 31 December 2006	860,342	61,243	921,585
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2006	450,862	33,703	484,565
Charge for the year	204,430	14,928	219,358
	<hr/>	<hr/>	<hr/>
At 31 December 2006	655,292	48,631	703,923
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2006	205,050	12,612	217,662
	<hr/>	<hr/>	<hr/>
At 31 December 2005	276,802	26,735	303,537
	<hr/>	<hr/>	<hr/>

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 8 Fixed asset investments Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2006 & at 31 December 2006	179,835
At 31 December 2005	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	%
<b>Subsidiary undertakings</b>			
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
FWX com BV**	Netherlands	Ordinary	80
UC Asia Limited****	Hong Kong	Ordinary	80
Trademarklogo com Limited****	Hong Kong	Ordinary	80
Totalpay Group Limited*	England	Ordinary	80

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 8 Fixed asset investments

(continued)

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
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
FWX com BV**	Online flower sales
UC Asia Limited****	Investment holding company of Trademarklogo
Trademarklogo com Limited****	Online legal trademark registration system
Totalpay Group Limited*	management and holding company for companies that specialise in internet payment processing in certa

\* Interest held through Securetrading Group Limited

\*\*Interest held through UC Market Makers Limited

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

\*\*\*\*Interest held through UC Capital Limited

### 9 Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	471,407	958,942	-	74,661
Amounts owed by group undertakings	-	-	1,896,914	2,532,228
Other debtors	984,941	946,876	923,596	897,321
Prepayments and accrued income	130,388	310,275	4,335	26,051
Deferred tax asset (see note 11)	81,600	-	-	-
	<u>1,668,336</u>	<u>2,216,093</u>	<u>2,824,845</u>	<u>3,530,261</u>

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 10 Creditors amounts falling due within one year

	Group 2006 £	2005 £	Company 2006 £	2005 £
Bank loans and overdrafts	10	2,449	-	-
Trade creditors	544,977	466,549	113,515	29,731
Amounts owed to group undertakings	-	-	313,368	1,324,554
Taxes and social security costs	321,552	292,822	71,739	23,455
Other creditors - see below	59,840	2,185,844	-	3,362
Accruals and deferred income	2,596,765	2,909,740	177,374	137,166
	<u>3,523,144</u>	<u>5,857,404</u>	<u>675,996</u>	<u>1,518,268</u>

Included within other creditors is an amount of £15,383 (31 December 2005 - £1,717,106) 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.

### 11 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 9) is made up as follows

	Group 2006 £	Company 2006 £
Profit and loss account	<u>(81,600)</u>	<u>-</u>

  

	Group 2006 £	2005 £	Company 2006 £	2005 £
Decelerated capital allowances	(6,350)	-	-	-
Tax losses available	<u>(75,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(81,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

12 Share capital	2006 £	2005 £
<b>Authorised</b>		
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>
<b>Allotted, called up and fully paid</b>		
882,018,747 A ordinary shares of £0 0001 each	88,202	87,582
10 B ordinary shares of £0 0001 each	-	-
	<u>88,202</u>	<u>87,582</u>

During the year 6,195,037 ordinary shares of £0 0001 each were allotted and fully paid at £0 1125p per share in consideration for a 50% interest in UC Asia Limited

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

### 13 Statement of movements on reserves Group

	Share premium account £	Profit and loss account £
Balance at 1 January 2006	-	79,754
Retained loss for the year	-	(2,158,574)
Premium on shares issued during the year	696,322	-
Balance at 31 December 2006	<u>696,322</u>	<u>(2,078,820)</u>

### Company

	Share premium account £	Profit and loss account £
Balance at 1 January 2006	-	2,908,688
Retained loss for the year	-	(1,352,585)
Premium on shares issued during the year	696,322	-
Balance at 31 December 2006	<u>696,322</u>	<u>1,556,103</u>

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

<b>14</b>	<b>Minority interests</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Minority interests' share of net assets and liabilities in subsidiary undertakings	6,950	6,855
<b>15</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2006</b>	<b>2005</b>
	<b>Group</b>	<b>£</b>	<b>£</b>
	Loss for the financial year	(2,158,574)	(1,398,518)
	Issue of shares at a premium	696,942	-
	Net depletion in shareholders' funds	(1,461,632)	(1,398,518)
	Opening shareholders' funds	167,336	1,565,854
	Closing shareholders' funds	(1,294,296)	167,336
		<b>2006</b>	<b>2005</b>
	<b>Company</b>	<b>£</b>	<b>£</b>
	Loss for the financial year	(1,352,585)	(319,954)
	Issue of shares at a premium	696,942	-
	Net depletion in shareholders' funds	(655,643)	(319,954)
	Opening shareholders' funds	2,996,270	3,316,224
	Closing shareholders' funds	2,340,627	2,996,270
<b>16</b>	<b>Directors' emoluments</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	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.

# UC GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 17 Employees

#### Number of employees

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

	2006 Number	2005 Number
Management	7	6
Sales and administration	14	10
Technical and development	11	11
Customer service support	6	7
	<u>38</u>	<u>34</u>

#### Employment costs

	£	£
Wages and salaries	781,879	816,016
Social security costs	76,918	86,981
Other pension costs	24,805	34,726
	<u>883,602</u>	<u>937,723</u>

### 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

### 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 year was £1,026,392 (2005 - £1,180,655), with £nil (2005 - £375,000) charged directly to subsidiary companies. At 31 December 2006 MAL owed UC Group Limited £917,273 (2005 - £897,321).