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TRINTECH GROUP PLC
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JANUARY 2006



GROUP FINANCIAL STATEMENTS
For the year ended 31 January 2006

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TRINTECH GROUP PLC
GROUP INFORMATION

DIRECTORS	Cyril P. McGuire Trevor D. Sullivan R. Paul Byrne Robert M. Wadsworth (American) Kevin C. Shea (American) Dr. Jim Mountjoy
SECRETARY	Maurice Hickey
REGISTERED OFFICE	Trintech House, South County Business Park, Leopardstown, Dublin 18.
SOLICITORS	A. & L. Goodbody, IFSC, North Wall Quay, Dublin 1. Wilson Sonsini Goodrich and Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, CA 94304-1050, USA.
BANKERS	Bank of Ireland, Stillorgan, Co. Dublin.
AUDITORS	Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2.



TRINTECH GROUP PLC
DIRECTORS' REPORT
For the year ended 31 January 2006

The directors present their report and audited group financial statements for the year ended 31 January 2006.

PRINCIPAL ACTIVITIES

The Company is a holding company for its wholly-owned subsidiaries and as such, does not trade. Through its subsidiaries, the group is a leading provider of transaction reconciliation and payment infrastructure solutions to retailers, financial institutions, payment processors and network operators globally. Built on 19 years of experience, the group's solutions manage each area of the payment transaction cycle—authentication, authorisation, settlement, dispute resolution and reconciliation—enabling its customers to reduce transaction costs, eliminate fraud, minimise risk, maximise cashflow and increase profitability. The group has two business segments: Payments and Funds Management Systems (“FMS”).

REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS

Turnover was €39.3 million for the year ended 31 January 2006 (“fiscal 2006”) compared to €44.7 million for the year ended 31 January 2005 (“fiscal 2005”). The loss on ordinary activities before taxation for the year amounted to €1.9 million compared to a profit of €1.4 million in the previous year. Following a taxation credit of €355,000 and a minority interest charge of €304,000, a retained loss of €1.8 million was incurred in fiscal 2006. The basic loss per ordinary share amounted to €0.06c compared to a basic profit per ordinary share of €0.03c in the previous year.

The Payments business experienced difficult trading conditions in fiscal 2006. There was a decline in demand in the U.K. market following the passing of the implementation date for the EMV standard on 1 January 2005. In addition, the performance of the Payments business was affected by an exceptional €4.1 million warranty charge incurred in fiscal 2006, relating to technical issues associated with certain recently released products and the resultant extension of warranty periods for these hardware products. This provision was estimated by management following extensive discussions with both customers and third party suppliers of repair and re-work services.

The FMS business continued to perform strongly in fiscal 2006 and the group has commenced an investment programme to drive reconciliation revenue growth in new vertical markets. While these investments will have a negative impact on earnings in the short term, they, combined with the acquisition of the Assurity Technologies, Inc. (“Assurity”) business, present opportunities within the FMS existing target markets and position the group for long term growth.

Fiscal Year Ended 31 January 2006 Compared To Fiscal Year Ended 31 January 2005

<u>Turnover</u>	<u>Year ended 31 January 2006</u>	<u>Year ended 31 January 2005</u>	<u>(Decrease) increase from prior year</u>	<u>Percentage change from prior year</u>
		(Euro in thousands)		
Product	8,749	15,042	(6,293)	(42)%
License	19,056	18,889	167	1%
Service	11,510	10,743	767	7%
Total turnover	<u>39,315</u>	<u>44,674</u>	<u>(5,359)</u>	<u>(12)%</u>



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TRINTECH GROUP PLC
DIRECTORS' REPORT—(Continued)
For the year ended 31 January 2006

Turnover

Product. The decrease in product turnover in fiscal 2006 was attributable to a slowdown in demand for Chip and PIN (EMV) solutions in the U.K. market, reduced demand for our point-of-sale ("PoS") products in Germany and market delays in the adoption of unattended payment solutions generally. In addition, the unexpected technical difficulties experienced with some of our hardware products in June 2005, which have now been successfully resolved, impacted sales in the last three quarters of fiscal 2006.

License. License turnover showed no change on the prior year. This was due to a once-off settlement from Symbol Technologies, Inc. (Symbol) and from our FMS transaction reconciliation products, being offset by a similar reduction in license turnover from Chip and PIN and banking solutions.

Service. Service turnover increased by 7%. This solid performance was primarily due to an increase in service turnover from key FMS customers and design service contracts for unattended payment system solutions in advance of market adoption.

Cost of Sales

<u>Cost of Sales</u>	<u>Year ended 31 January 2006</u>	<u>Year ended 31 January 2005</u>	<u>Increase (decrease) from prior year</u>	<u>Percentage change from prior year</u>
	(Euro in thousands)			
Product	11,086	10,462	624	6%
License	2,911	3,016	(105)	(3)%
Service	4,201	4,667	(466)	(10)%
Total cost of sales	<u>18,198</u>	<u>18,145</u>	<u>53</u>	<u>0%</u>

Total Cost of Sales. Although total turnover decreased by 12% in fiscal 2006 compared to the prior year, the total cost of sales showed a marginal increase. This was primarily due to an exceptional €4.1 million warranty charge taken in fiscal 2006 relating to the costs associated with addressing technical issues that gave rise to the intermittent failure of certain hardware products deployed in the market and the extension of warranty periods for these products.

Product. Product cost of sales rose in fiscal 2006 both in absolute euro and in percentage terms as compared to product cost of sales in fiscal 2005. These costs represented 127% of product turnover in fiscal 2006 compared to 70% of product turnover in fiscal 2005. This was largely due to the warranty charge reflected in full in the cost of product sales line. This was partially offset by the reduction of direct product cost of sales due to a lower number of units sold during the year.

License. The cost of license sales reduced marginally in absolute euro in fiscal 2006 compared to the prior year with turnover remaining static. Similarly, the cost of license sales as a percentage of license turnover decreased marginally to 15% in fiscal 2006 from 16% in the previous year.

Service. Service cost of sales reduced in fiscal 2006 both in absolute euro and in percentage terms as compared to service turnover in the prior year. These costs represented 36% of service turnover in fiscal 2006 compared to 43% of service turnover in fiscal 2005. The decrease was primarily due to higher levels of capacity utilisation being achieved by our service teams in fiscal 2006.



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TRINTECH GROUP PLC

DIRECTORS' REPORT—(Continued)

For the year ended 31 January 2006

Operating Expenses

Distribution costs. The marginal increase in distribution costs in fiscal 2006 was primarily due to increased marketing expenditures in the FMS business on new and existing markets. These costs were partially offset by lower commission and bonus payments due to lower turnover.

Research and Development. The increase in research and development expenses in fiscal 2006 was primarily due to increased investment in unattended payment products and in the development of the next generation of our FMS product platform. The increase in fiscal 2006 was partially offset by research and development grants from Enterprise Ireland (the Irish Development Authority) that totalled €377,000 and by a reduction in the number of research and development employees from 114 at 31 January 2005 to 110 at 31 January 2006.

General and Administrative. The decrease in general and administrative expenses in fiscal 2006 was due to lower legal, facility and insurance costs compared to the previous fiscal year. The group incurred legal costs in relation to the Checkline mediation process of approximately €321,000 in fiscal 2005. Legal costs amounting to €704,000 were incurred in fiscal 2006. These costs were offset against the adjustment to the impairment loss on goodwill, as described below.

The group recorded an adjustment to the impairment loss on goodwill of €2.6 million in fiscal 2006. There have been extensive negotiations over the past two years with the vendors of Checkline on the payment of escrow monies and deferred consideration relating to the original acquisition of Checkline in fiscal 2001. Arising from these negotiations, a mediation process was entered into by both parties. The result of this process was the release to the group of €1.5 million held in an escrow account, which formed part of the original purchase consideration; the release of the group from payment of the deferred consideration liability of €1.1 million to the vendors of Checkline and the receipt of 533,720 ordinary shares) with a market value on the date of settlement of €746,000, which again formed part of the original purchase consideration. The net affect of the agreement was a reduction in the overall impairment loss on the acquisition, net of legal costs in fiscal 2006, of €2.6 million.

During fiscal 2005 in connection with a lease termination settlement relating to the Austin facility, the group recorded an adjustment which reduced acquisition liabilities by €204,000. No such adjustment was made in fiscal 2006.

Interest receivable and similar income. Interest receivable and similar income increased by €543,000 to €908,000 in fiscal 2006 compared to €365,000 in fiscal 2005. Despite lower cash and cash equivalent balances at 31 January 2006, the amounts invested attracted higher interest rates in both the U.S. and the U.K.

Exceptional item. The group recorded restructuring charges of €548,000 and €239,000 in fiscal 2006 and 2005, respectively. The restructuring charge in fiscal 2006 related to staff terminations in both the research and development and general and administrative functions in Ireland and Germany. In this regard, the group reduced its workforce by 9 employees. The group incurred an additional cost of €352,000 in fiscal 2006 as a result of the assignment of a lease obligation relating to one of our Dublin facilities, which had been assumed as part of the acquisition of Exceptis Technologies Limited in fiscal 2001.

Tax on (loss) profit on ordinary activities. The tax on (loss) profit on ordinary activities was a credit of €355,000 in fiscal 2006 compared to a €111,000 charge for fiscal 2005. The credit balance relates primarily to a deferred tax credit of €357,000 in our U.S. and U.K. tax jurisdictions arising from net operating losses carried forward and deductible timing differences, which was partially offset by tax payable in our U.S. and German tax jurisdictions.



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TRINTECH GROUP PLC

DIRECTORS' REPORT—(Continued)

For the year ended 31 January 2006

FINANCIAL RISK MANAGEMENT

The group's operations are exposed to foreign exchange risk arising from cash flows and financial instruments that are denominated in currencies other than our reporting currency or that of the relevant subsidiary conducting the business. The purpose of our foreign currency management is to manage the effect of exchange rate fluctuations on certain foreign currency denominated turnover, costs and eventual cash flows and on foreign currency denominated assets and liabilities.

The terms of currency instruments used for hedging purposes are consistent with the timing of the transactions being hedged. The group does not use derivative financial instruments for trading or speculative purposes. The group uses derivative financial instruments, such as forward exchange contracts, to hedge certain forecasted foreign currency denominated transactions expected to occur within the next 12 months. As a policy the group only hedges anticipated foreign currency sales and purchase transactions for which the group has a firm commitment to a customer or supplier. As of 31 January 2006, the group had three forward exchange contracts maturing in fiscal 2007 to sell US\$1.5 million and receive euro in return. These derivative instruments are recorded at fair value and changes in fair value are recorded under exchange (loss) gain in the group profit and loss account. The aggregate fair value of the contracts as of 31 January 2006 was negative €12,000.

Furthermore, the group manages the currency exposure of certain receivables and payables using derivative instruments, such as currency options. The gains or losses on these instruments provide an offset to the gains or losses recorded on the foreign currency receivables and payables. These derivative instruments are recorded at fair value and changes in fair value are recorded under exchange (loss) gain in the group profit and loss account. At 31 January 2006, the group had no currency options.

KEY PERFORMANCE INDICATORS

The key financial indicators are set out below:

	<u>2006</u>	<u>2005</u>	<u>% Change from prior year</u>
1. Turnover (€'000)	39,315	44,674	(12)%
2. Operating expenses (€'000)	23,195	25,407	(9)%
3. EBITDA operating expense (€'000)	24,072	23,750	1%
4. Net (loss) income (€'000)	(1,813)	948	(291)%
5. EBITDA net income (€'000)	826	2,671	(69)%
6. Effective tax rate	0.1%	11%	(99)%
7. Basic net (loss) income per ordinary share	(0.06)	0.03	(300)%
8. Cash and cash equivalents (€'000)	29,012	30,573	(5)%
9. DSO's (days)	66	54	22%
10. Working capital (€'000)	26,313	23,357	13%

EBITDA operating expenses are operating expenses before depreciation, amortisation, adjustment of acquisition liabilities and adjustment to impairment loss on goodwill.

EBITDA net income is earnings before interest, taxation, depreciation, amortisation, adjustment of acquisition liabilities, adjustment to impairment loss on goodwill, exceptional warranty charge and restructuring charge.



TRINTECH GROUP PLC
DIRECTORS' REPORT—(Continued)
For the year ended 31 January 2006

LIKELY FUTURE DEVELOPMENT

The group plans to migrate its business model towards a software and transaction services business mix. This will involve growing organically our FMS business. This growth will be driven by increased investment in the development of the next generation of our FMS product platform to facilitate international expansion and the growth of our existing financial services business. Further investment will also be made in the international sales and marketing function of the FMS business which is designed to drive turnover growth in new geographic markets. In addition, the group is evaluating a number of strategic acquisitions to enhance our FMS software division. The group continues to examine a range of strategic options with regard to our Payments business. The migration of our business model to a software and transaction services business mix will present risks to our business which the group will not be able to identify until the migration plan has been formulated in greater detail.

PRINCIPAL RISKS AND UNCERTAINTIES

Under Irish Company law (Statutory Instrument 116.2005—European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005), the group is required to provide a description of the principal risks and uncertainties which it faces. The principal risks and uncertainties which the group faces are set out below:

- *New versions and releases of the group's products may contain errors or defects.*

The group's software products and PoS devices are complex and, accordingly, may contain undetected errors or be subject to intermittent failures when first introduced or as new versions are released. This may result in the loss of, or delay in, market acceptance of the group's products.

- *The group's reliance on two third parties to manufacture the group's electronic PoS system products involves risks including, in particular, reduced control over the manufacturing process and product quality.*

The group's electronic PoS system products are currently manufactured by Plexus Corp. (UK) Limited ("Plexus") and by Benchmark Electronics Ltd. ("Benchmark"). These companies purchase many of their products and components from one or a limited number of suppliers.

- *The group's plan to migrate its business towards a software and transaction services business model will present risks and may have an adverse effect on its financial performance.*

The group continues to examine a range of strategic options with regard to its Payments business and plans to migrate its business towards a software and transaction services business model. This will involve growing organically our Funds Management Systems ("FMS") business.

- *Some of the group's products, particularly in the unattended payment market, are relatively new to market and in the early stages of adoption, and continued adoption of the group's products is not assured.*
- *The group depends on a few key personnel to manage and operate us.*

The group's success is largely dependent on the personal efforts and abilities of the group's senior management.

- *If the group is unable to retain and attract highly skilled personnel with experience in the electronic payment, banking and retail industries, the group may be unable to grow the business.*



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TRINTECH GROUP PLC

DIRECTORS' REPORT—(Continued)

For the year ended 31 January 2006

The group is dependent upon its ability to attract and hire, when necessary, as well as train and retain highly skilled technical, sales and marketing, engineering, support and other highly skilled personnel with knowledge in payments, funds management, transaction reconciliation, exception and risk management, internet and other technologies.

- *The group's annual operating results are difficult to predict because they can fluctuate significantly. This limits the ability to evaluate the group's historical financial results and increases the likelihood that the group's results will fall below market analysts' expectations, which could cause the price of the group's ordinary shares to drop rapidly and severely.*
- *The group could be subject to potential product liability claims and third party liability claims related to products and services.*

The group's electronic payment software products are used for the processing of payment card transactions. Any errors, defects or other performance problems could result in financial or other damages to the group's customers.

- *Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.*

The group is committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from turnover-generating activities to compliance activities.

- *The group's business is subject to currency fluctuations that can adversely affect the group's operating results.*

Due to the group's multinational operations, the group's business is subject to fluctuations based upon changes in the exchange rates between the currencies in which the group collects turnover or pays expenses and the euro.

- *The group has historically depended on sales of the group's electronic PoS systems for payment card transactions to customers located in Europe for a significant portion of the group's total annual turnover.*

A significant portion of the group's total turnover historically has been derived from the sale of the group's electronic payment card PoS system products.

- *Average selling prices for electronic PoS system products may continue to decline, adversely affecting the group's results of operations, particularly the group's turnover, operating expenses and net (loss) income.*

The market for electronic PoS system products is characterised by increasing price competition, which historically has caused the average selling prices of the group's electronic PoS systems to decrease over the life of each product.

- *To be successful, the group needs to effectively respond to future changes in the rapidly developing markets in which the group sells its software products and services.*

The markets for the group's electronic payment software and transaction reconciliation software and services are rapidly evolving and changing.

- *Cost-reduction efforts may adversely impact the group's productivity and service levels and our ability to develop new products and respond to market changes.*



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TRINTECH GROUP PLC**DIRECTORS' REPORT—(Continued)****For the year ended 31 January 2006**

- *The group's success depends on the group's ability to manage and expand the group's software direct sales force.*

The group has sold the group's software products almost exclusively through the group's direct sales force. The group's future turnover growth will depend in large part on the group's ability to recruit, train and manage additional software sales personnel worldwide and generate increased sales productivity from the group's existing sales force.

- *Increased competition may result in decreased demand for the group's products and services, which may result in reduced turnover and gross margins and loss of market share.*

The market for electronic payment software, electronic PoS systems and transaction reconciliation solutions, is intensely competitive and the group expects competition to continue to increase.

- *The standards for electronic commerce payment transactions that the group supports may not achieve broad market acceptance or market acceptance may be slower than anticipated.*

An important aspect of the group's business strategy is to continue to develop software products that support approved security standards for payment card transactions over the Internet.

- *The group's corporate tax rate may increase, which could adversely impact the group's cash flow, financial condition and results of operations.*

RESEARCH AND DEVELOPMENT

Research and development expenses increased €409,000 to €7.8 million in fiscal 2006, from €7.4 million in fiscal 2005, an increase of 6%. The increase in research and development expenses in fiscal 2006 was primarily due to increased investment in unattended payment products and in the development of the next generation of our FMS product platform. The increase in fiscal 2006 was partially offset by research and development grants from Enterprise Ireland that totalled €377,000 and by a reduction in the number of research and development employees from 114 at 31 January 2005 to 110 at 31 January 2006.

IMPORTANT EVENTS SINCE THE YEAR-END

On 1 February 2006, the group acquired substantially all the assets of Assurity Technologies, Inc., a privately held company in the U.S., for a total initial consideration of €1.7 million subject to final adjustment relating to performance related contingent cash consideration. The total purchase costs comprise €1.7 million in cash, assumed liabilities of €73,000 and transaction costs of €35,000. In addition, the group will be required to pay additional performance related contingent cash consideration equal to 30% of net income plus 10% of gross revenues, as defined in the purchase agreement, earned by the acquired business for fiscal 2007, fiscal 2008 and fiscal 2009. These payments will result in an increase in the purchase price of the acquired business, and a corresponding increase in the goodwill recorded.

Assurity Technologies Inc. is a Kansas based private company. Assurity provides an enterprise process management system for general ledger account reconciliation, review and certification. The product, AssureNET, is designed to increase workflow efficiencies and mitigate risk by strengthening internal controls to support Sarbanes-Oxley compliance programs. The acquisition strengthens the group's market position with customers benefiting from AssureNET functionality being integrated into Trintech's FMS products. These combined products provide an end-to-end solution for general ledger account reconciliation, review, certification and risk management.



TRINTECH GROUP PLC
DIRECTORS' REPORT—(Continued)
For the year ended 31 January 2006

DIVIDENDS

The directors do not propose the payment of a dividend for the year.

BOOKS AND ACCOUNTING RECORDS

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. To achieve this, the directors have appointed appropriate accounting personnel, including a Chief Financial Officer, in order to ensure that those requirements are complied with.

The books and accounting records are maintained at the Company's registered office at Trintech House, South County Business Park, Leopardstown, Dublin 18.

DIRECTORS

The present directors are as listed on page 2.

Mr. Kevin C. Shea and Dr. Jim Mountjoy will retire by rotation, and, being eligible, offer themselves for re-election.

DIRECTORS' AND SECRETARY'S INTEREST

The directors and secretary who held office on 31 January 2006 had the following interests in the ordinary shares of the Company and the group:

	<u>At 31 January 2006 Number of shares</u>	<u>At 31 January 2005 Number of shares</u>
Cyril P. McGuire	5,710,636	5,710,636
Trevor D. Sullivan	2,670	2,670
R. Paul Byrne	64,305	64,305
Robert M. Wadsworth	—	—
Kevin C. Shea	10,000	10,000
Dr. Jim Mountjoy	—	—
Maurice Hickey	—	—
	<u>Number of options over ordinary shares</u>	<u>Number of options over ordinary shares</u>
Cyril P. McGuire	488,334	388,334
Trevor D. Sullivan	102,500	72,500
R. Paul Byrne	1,070,588	983,088
Robert M. Wadsworth	160,000	130,000
Kevin C. Shea	312,500	282,500
Dr. Jim Mountjoy	100,000	70,000
Maurice Hickey	100,000	—

**TRINTECH GROUP PLC****DIRECTORS' REPORT—(Continued)****For the year ended 31 January 2006****STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standard Board and promulgated by the Institute of Chartered Accountants in Ireland.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper books of account 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 Acts 1963 to 2005. 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.

PARENT COMPANY SHARES

Trintech Group PLC, through a subsidiary Trintech Limited, held 255,104 of its own ordinary shares with a nominal value of €561 as of 31 January 2006.

AUDITORS

Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Directors,

R. Paul Byrne
Cyril P. McGuire

Directors

21 June 2006



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRINTECH GROUP PLC

We have audited the group and parent company financial statements (the "financial statements") of Trintech Group PLC for the year ended 31 January 2006 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 29. 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 193 of the Companies Act, 1990. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 are responsible for the preparation of the financial statements in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) as 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 Acts, 1963 to 2005. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether, at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the group is not given and, where practicable, include such information in our report.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TRINTECH GROUP PLC (Continued)**

Opinion

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the group and of the parent as at 31 January 2006 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2005.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

In our opinion the company balance sheet does not disclose a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Ernst & Young,
Registered Auditors

Dublin, Ireland
21 June 2006



TRINTECH GROUP PLC
GROUP PROFIT AND LOSS ACCOUNT
For the year ended 31 January 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		€'000	€'000
Turnover—continuing activities	2	39,315	44,674
Cost of sales—normal		(14,049)	(18,145)
Cost of sales – exceptional	5	(4,149)	—
Gross profit		21,117	26,529
Operating expenses:			
Distribution costs		(7,692)	(7,601)
Research and development		(7,775)	(7,366)
General and administrative – normal		(10,323)	(10,644)
General and administrative – exceptional	5	2,595	204
		(23,195)	(25,407)
Operating (loss) profit—continuing activities	2,3	(2,078)	1,122
Interest receivable and similar income		908	365
Interest payable and similar charges	6	(24)	(27)
Exchange (loss) gain		(122)	148
Exceptional item—restructuring	5	(548)	(239)
(Loss) profit on ordinary activities before taxation		(1,864)	1,369
Tax on (loss) profit on ordinary activities	7	355	(111)
(Loss) profit on ordinary activities after taxation		(1,509)	1,258
Minority interests		(304)	(310)
(Loss) profit for the financial year		(1,813)	948
Loss brought forward at the beginning of the year		(228,143)	(227,554)
Repurchase of ordinary share capital, net	17	(30)	(124)
Foreign currency reserve movement		2,258	(1,413)
Loss carried forward at the end of the year		(227,728)	(228,143)
Basic (loss) profit per ordinary share	8	(0.06)	0.03
Diluted (loss) profit per ordinary share	8	(0.06)	0.03

Approved by the Board on 21 June 2006

R. Paul Byrne
Cyril P. McGuire

Directors



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TRINTECH GROUP PLC

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 January 2006

	<u>2006</u>	<u>2005</u>
	€'000	€'000
(Loss) profit for the year attributable to ordinary shareholders	(1,813)	948
Currency translation effects on foreign currency net investments and on deferred trading balances	<u>2,258</u>	<u>(1,413)</u>
Total recognised gains and losses for the financial year	<u>445</u>	<u>(465)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2006</u>	<u>2005</u>
	€'000	€'000
Shareholders' funds at beginning of year	25,962	26,395
(Loss) profit for the financial year	(1,813)	948
Issuance of new shares for cash and on acquisition, net of issuance expenses	89	213
Premium (discount) on reissue of treasury shares	6	(57)
Currency translation effects on foreign currency net investments and on deferred trading balances	<u>2,258</u>	<u>(1,413)</u>
Repurchase of ordinary share capital, net	<u>(30)</u>	<u>(124)</u>
Shareholders' funds at end of year	<u>26,472</u>	<u>25,962</u>



TRINTECH GROUP PLC
GROUP BALANCE SHEET
As at 31 January 2006

	Note	2006		2005	
		€'000	€'000	€'000	€'000
FIXED ASSETS					
Intangible assets	9		2,218		3,472
Tangible assets	10		1,091		632
			<u>3,309</u>		<u>4,104</u>
CURRENT ASSETS					
Stocks	12	2,215		909	
Debtors	13	12,027		9,634	
Cash at bank and in hand		29,012		30,573	
		<u>43,254</u>		<u>41,116</u>	
CREDITORS (amounts falling due within one year)					
Bank loans and overdrafts		158		436	
Trade and other creditors	14	15,448		14,872	
Deferred acquisition consideration		1,279		2,231	
Corporation taxation		56		220	
		<u>16,941</u>		<u>17,759</u>	
NET CURRENT ASSETS			<u>26,313</u>		<u>23,357</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>29,622</u>		<u>27,461</u>
CREDITORS (amounts falling due after more than one year)					
Deferred acquisition consideration			—		1,196
Provisions for liabilities	15		<u>3,150</u>		<u>303</u>
			<u>26,472</u>		<u>25,962</u>
CAPITAL AND RESERVES					
Called up share capital	16	79		79	
Share premium account	18	253,749		253,660	
Treasury shares – premium on reissue	18	142		136	
Other reserves	18	230		230	
Profit and loss account deficit	18	(227,728)		(228,143)	
Shareholders' funds			26,472		25,962
MINORITY INTEREST			<u>—</u>		<u>—</u>
			<u>26,472</u>		<u>25,962</u>

Approved by the Board on 21 June 2006

R. Paul Byrne
Cyril P. McGuire

Directors



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TRINTECH GROUP PLC
COMPANY BALANCE SHEET
As at 31 January 2006

	<u>Note</u>	€'000	<u>2006</u> €'000	€'000	<u>2005</u> €'000
NON-CURRENT ASSETS					
Financial assets	11		156,288		156,288
CURRENT ASSETS					
Debtors	13	2,239		501	
Cash at bank and in hand		<u>1,118</u>		<u>1,388</u>	
			<u>3,357</u>	<u>1,889</u>	
CREDITORS (amounts falling due within one year)					
Amounts due to subsidiary undertakings		127,774		125,544	
Deferred acquisition consideration		—		1,315	
Accruals and deferred income	14	—		<u>304</u>	
			<u>127,744</u>	<u>127,163</u>	
NET CURRENT LIABILITIES			<u>(124,417)</u>		<u>(125,274)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			31,871		31,014
CREDITORS (amounts falling due after more than one year)			—		—
			<u>31,871</u>		<u>31,014</u>
CAPITAL AND RESERVES					
Called up share capital	16	79		79	
Share premium account	18	253,749		253,660	
Treasury shares—premium on reissue	18	142		136	
Other reserves	18	215		215	
Profit and loss account deficit	18	<u>(222,314)</u>		<u>(223,076)</u>	
Shareholders' funds (all equity interests)			<u>31,871</u>		<u>31,014</u>

Approved by the Board on 21 June 2006

R. Paul Byrne
Cyril P. McGuire

Directors



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TRINTECH GROUP PLC
GROUP CASH FLOW STATEMENT
for the year ended 31 January 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		€'000	€'000
Net cash (outflow) inflow from operating activities	19	(2,386)	2,650
<i>Returns on investments and servicing of finance</i>			
Interest paid		(23)	(13)
Interest received		869	365
Dividends paid to minority interests		(304)	(310)
Finance lease interest		(1)	(13)
		<u>541</u>	<u>29</u>
<i>Taxation</i>			
Overseas taxes received (paid)		<u>265</u>	<u>(472)</u>
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets		<u>(892)</u>	<u>(427)</u>
<i>Investments in subsidiary undertakings</i>			
Payments relating to the acquisition of subsidiary undertakings and businesses		<u>(900)</u>	<u>(622)</u>
<i>Cash (outflow) inflow before financing</i>		<u>(3,372)</u>	<u>1,158</u>
<i>Financing</i>			
Issue of share capital, net of expenses		200	311
Repurchase of share capital	17	(135)	(279)
Capital element of finance leases repaid	20	(64)	(309)
(Repayments) proceeds under bank overdraft facility	20	<u>(278)</u>	<u>436</u>
		<u>(277)</u>	<u>159</u>
<i>(Decrease) increase in cash in the year</i>	20	<u>(3,649)</u>	<u>1,317</u>



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 31 January 2006

1. ACCOUNTING POLICIES

(a) Organisation

Trintech Group PLC (the “Company”) is incorporated as a public limited company under the laws of the Republic of Ireland. Trintech Group PLC and its wholly-owned subsidiaries (collectively, the “group”) is a leading provider of secure payment infrastructure and transaction reconciliation solutions globally. The group develops, markets and sells a comprehensive suite of transaction reconciliation software products and services which allow customers to optimise enterprise funds management and payment lifecycle management including account reconciliation and risk management functions for their receipts and payments transactions. The group also develops, markets and sells a comprehensive suite of software and electronic PoS systems that enable electronic payments in multiple channels.

(b) Basis of accounting

The accompanying group financial statements are prepared under the historical cost convention in accordance with Irish generally accepted accounting practice (“Irish GAAP”).

(c) Basis of consolidation

The group financial statements consolidate the results of Trintech Group PLC and its subsidiary undertakings. The group financial statements include the results of acquired companies or businesses for the post-acquisition period.

(d) Accounting periods

The group financial statements include the financial statements of the Company and its subsidiary undertakings, made up to 31 January 2006.

(e) Turnover

Turnover represents the value of goods and services supplied to external customers and excludes intercompany sales and value added tax.

(f) Revenue recognition

The group’s revenue is derived from product sales, license fees and charges for services.

Revenue is recognised on product sales when persuasive evidence of an arrangement exists, delivery has occurred, the related fee is fixed or determinable and collectibility is reasonably assured.

The group recognises license revenue in accordance with the Securities and Exchange Commission’s Staff Accounting Bulletins (SAB) No. 101, “Revenue Recognition in Financial Statements”, as amended by SAB No. 104 “Revenue Recognition”, issued by the staff of the SEC in December 2003, the American Institute of Certified Public Accountants’ Statement of Position (“SOP”) 97-2, “Software Revenue Recognition”, as amended by SOP 98-9, “Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions”. For license arrangements that do not require significant production, modification or customisation of the software, the group recognises license revenue when: (1) persuasive evidence of an arrangement with a



TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued) for the year ended 31 January 2006

1. ACCOUNTING POLICIES—(Continued)

customer exists; (2) delivery to the customer has occurred; (3) the fee to be paid by the customer is fixed or determinable; and (4) collection is probable. In addition, if the group provides services that are considered essential to the functionality of the software products, both the license revenue and the service revenue are recognised in accordance with the provisions of SOP 81-1, “Accounting for Performance of Construction-Type and Certain Production-Type Contracts” in accordance with the “Input Method”. The amount of revenue recognised is based on the total license and service fees under the agreement and the percentage of completion achieved.

If the license fee due from the customer is not fixed or determinable, revenue is recognised as payment becomes due, assuming all other revenue recognition criteria have been met. The group considers arrangements with payment terms extending beyond one year not to be fixed or determinable and revenue is recognised as payments become due from the customer. If collection of the fees from the customer is not considered probable, revenue is recognised when the fee is collected. Revenue arrangements with resellers are recognised, net of fees, when persuasive evidence is received that the reseller has sold the products to an end user customer and all other revenue recognition criteria are met.

SOP 97-2, as amended, generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair values of the elements. Revenue recognised from multiple-element arrangements is allocated to various elements of the arrangement based on the relative fair values of the elements specific to the group. The group’s determination of fair value of each element in multi-element arrangements is based on vendor-specific objective evidence (“VSOE”). The group limits its assessment of VSOE for each element to either the price charged when the same element is sold separately or the price established by management, having the relevant authority to do so, for an element not yet sold separately.

If evidence of fair value of all undelivered elements exists but evidence does not exist for one or more delivered elements, then revenue is recognised using the residual method. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognised as revenue.

Revenue allocated to maintenance and support is recognised ratably over the maintenance term, typically one year. Revenue allocated to implementation, training and other service elements is recognised as the services are performed. The group obtains VSOE for maintenance from substantive renewal rates based on consistent percentages of the license fee.

Service revenue is derived mainly from customisation, implementation and training services. Services are provided primarily on a time and materials basis for which revenue is recognised in the period that the services are provided. Where contracts for services extend over a number of accounting periods and are not being provided on a time and materials basis, the revenue is accounted for in conformity with the percentage-of-completion contract accounting method. Percentage-of-completion is measured using either output measures, primarily arrangement milestones where such milestones indicate progress to completion, or input measures using the allocation of time spent to date as a proportion of total time allocated to the contract.

Arrangements that include services are evaluated to determine whether those services are essential to the functionality of other elements of the arrangement. When services are not considered essential, the revenue allocable to the software services is recognised as the services are performed. If the group provides services that are considered essential to the functionality of the software products the amount of revenue recognised is based



TRINTECH GROUP PLC

**NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006**

1. ACCOUNTING POLICIES—(Continued)

on the total license and service fees under the agreement and the percentage of completion achieved. The percentage of completion is measured by monitoring progress using records of actual time incurred to date in the project compared to the total estimated project requirements, which corresponds to the costs related to earned revenues. Estimates of total project requirements are based on prior experience of customisation of similar software and delivery of similar services and are reviewed and updated regularly by management. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are first determined, in the amount of the estimated loss on the entire contract. No such estimated losses were identified in any of the periods presented.

The group also offers hosting arrangements, known as Application Service Provision (ASP). With ASP arrangements the group installs and runs software applications through its own or third-party's servers giving customers access to the application via the internet or a dedicated line. ASPs are within the scope of SOP 97-2 if the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software without significant penalty. Assuming all other revenue recognition criteria have been met, and VSOE has been established for the hosting element, revenue is recognised on the portion of the fee attributable to the license on delivery, while the portion of the fee related to the hosting element would be recognised ratably as the service is provided.

(g) Cost of sales

Cost of product revenue includes outsourced manufacturing costs, and packaging, documentation, labour and other costs associated with packaging and shipping electronic PoS system products. Cost of licence revenue includes shipping, software documentation, labour, third-party licence fees and other costs associated with the delivery of software products from which licence revenue is derived and the cost of providing after-sales support and maintenance services to customers and amortisation of acquired technology costs. Cost of service revenue includes labour, travel and other non-recoverable costs associated with the delivery of services to customers.

(h) Goodwill and purchased technology

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in various business acquisitions. Goodwill is being amortised on a straight-line basis over six years. The carrying value of goodwill is subject to an annual impairment review.

Purchased technology is recorded at its fair value at the date of acquisition and is being amortised on a straight-line basis over three years.

(i) Taxation

Current taxation represents the amount expected to be paid or recovered in respect of tax on the profits for the year and is calculated using the taxation rates and laws that have been enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Timing differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements, which arise because certain items



TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

1. ACCOUNTING POLICIES—(Continued)

of income and expenditure in the financial statements are dealt with in different periods for taxation purposes. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(j) Foreign currency translation

The Euro is the functional currency of the Company’s subsidiaries in Ireland and Germany. The U.S. Dollar (US\$) is the functional currency of the parent company, Trintech Group PLC and the Company’s subsidiaries in the United States, Uruguay and the Cayman Islands. The United Kingdom pound sterling (Stg£) is the functional currency of the Company’s UK subsidiaries.

These financial statements are presented in euro. Results and cash flows of subsidiary undertakings based in non-euro countries have been translated into euro at average exchange rates for the year, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. Adjustments arising on translation of the results of the non-euro subsidiary undertakings at average rates, and on restatement of the operating net assets at closing rates, are dealt with in reserves, net of differences on related currency borrowings. All other translation differences are included in arriving at operating (loss) profit.

Rates used for translation of results and balance sheets into euro:

<u>Euro 1 =</u>	<u>Average rates</u>		<u>Year-end rates</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
U.S. Dollar	1.2389	1.2462	1.2118	1.3035
Pound Sterling	0.6834	0.6793	0.6843	0.6912

(k) Revenue grants

Revenue grants received in respect of categories of revenue expenditure are credited to the profit and loss account in the year in which the expenditure to which they relate is charged.

(l) Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation and amortisation are computed using the straight-line method over estimated useful lives of the assets as follows:

Motor vehicles, computer and office equipment, fixtures and fittings—3 years.

Leasehold improvements are amortised over the lesser of the leasehold improvements useful life or the lease term.

(m) Leasing

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the group are capitalised. The capital element of the related rental obligations is included in creditors. The



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006**1. ACCOUNTING POLICIES—(Continued)**

interest element of the related rental obligations is charged to the profit and loss account so as to produce a constant rate of charge. Operating lease rentals are charged to the profit and loss account.

(n) Stocks

Stocks are stated at the lower of cost and net realisable value and net of amounts received and receivable on account.

(o) Warranty reserves

The group accrues warranty liabilities at the time of sale of hardware product for the estimated costs that may be incurred to provide warranty services. Factors that affect the group's warranty liability include the number of units currently under warranty, historical and anticipated rates of warranty claims on those units, and an estimated cost per claim to satisfy the group's warranty obligation. The anticipated rate of warranty claims is the primary factor impacting the group's estimated warranty obligation. Other factors include repair parts and labor rates. Repair parts are generally already in stock or available at pre-determined prices, and labor rates are generally arranged at pre-established amounts with service providers. On a regular basis, the group re-evaluates its estimates to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

(p) Financial instruments

Financial instruments include (i) borrowings, (ii) cash, deposits and liquid investments and (iii) forward contracts and other derivatives. The group uses derivative instruments to manage certain exposures to foreign currency risks. The objective for holding derivatives is to minimise these risks using the most effective methods to eliminate or reduce the impact of such exposure. When derivatives are used to hedge cross currency cash flows arising from trading activities, the underlying transaction is recorded at the contract rate.

(q) Fair values of financial instruments

The carrying amount of cash, short-term investments, accounts receivable and accounts payable reported in the balance sheet approximates the fair value of these financial instruments.

(r) Discounts on share options

Discounts on share options granted to employees and directors under the group Share Option scheme, representing the difference between the market value of the shares at the date of grant of the options and the option price, are recognised in the profit and loss account on a straight line basis over the vesting period. The corresponding credit is reported in other reserves.



TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

2. SEGMENTAL INFORMATION

Geographical analysis

The geographical analysis of turnover and profits is based on market/destination. There is no material difference between this analysis and the split of turnover and operating (loss) profit by origin:

	<u>2006</u>	<u>2005</u>
	€'000	€'000
TURNOVER		
Republic of Ireland	315	63
United Kingdom	10,816	16,003
Germany	5,793	8,524
Rest of Europe	3,090	3,020
United States of America	17,030	15,761
Rest of World	2,271	1,303
	<u>39,315</u>	<u>44,674</u>

The directors do not consider that the geographical segments differ significantly from each other and consequently have not provided geographical segment information. The group views its operations as a split between its Payments and Funds Management Systems (“FMS”) businesses. The group does not report indirect operating expenses, interest income and expense, capital expenditure or identifiable assets and liabilities other than stocks, trade debtors and accrued revenue by class of business segment. Reconciliations of segment profits and losses to consolidated operating (loss) profit before tax and segment net assets to consolidated operating net assets are provided below.

	<u>2006</u>	<u>2005</u>
	€'000	€'000
<i>Turnover per segment</i>		
Payments	22,270	29,375
FMS	17,045	15,299
	<u>39,315</u>	<u>44,674</u>
<i>Operating (loss) profit per segment</i>		
Payments	(4,391)	2,376
FMS	5,471	4,612
	1,080	6,988
Unallocated amounts:		
Central overheads	(4,413)	(4,739)
Amortisation, impairment loss on goodwill and adjustment of acquisition liabilities (net)	1,255	(1,127)
Restructuring charges	(548)	(239)
Interest receivable and similar income	908	365
Interest payable and similar charges	(24)	(27)
Exchange (loss) gain	(122)	148
Total operating (loss) profit before tax	<u>(1,864)</u>	<u>1,369</u>



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

2. SEGMENTAL INFORMATION—(Continued)

	<u>2006</u>	<u>2005</u>
	€'000	€'000
<i>Operating net assets per segment</i>		
Payments	6,434	5,685
FMS	3,129	2,496
	<u>9,563</u>	<u>8,181</u>
<i>Reconciliation to net assets</i>		
Intangible assets	2,218	3,472
Tangible assets	1,091	632
Prepaid expenses and other receivables	4,679	2,362
Cash	29,012	30,573
Liabilities	(20,091)	(19,258)
Total net assets	<u>26,472</u>	<u>25,962</u>

3. OPERATING (LOSS) PROFIT

Operating (loss) profit is arrived at after charging (crediting):

	<u>2006</u>	<u>2005</u>
	€'000	€'000
Directors' emoluments:		
Salaries	450	442
Fees	72	38
Auditors' remuneration	114	102
Depreciation	437	584
Amortisation of intangible assets	1,340	1,127
Adjustment to impairment loss on goodwill	(2,595)	—
Revenue grants	(377)	(127)
Operating leases – land & buildings	2,501	2,631
Operating leases – other	5	29
	<u>5</u>	<u>29</u>

4. EMPLOYMENT

The average number of group employees by region was as follows:

	<u>2006</u>	<u>2005</u>
	Number	Number
	€'000	€'000
Republic of Ireland	92	104
United Kingdom	65	58
Germany	7	8
United States of America	116	116
Uruguay	28	27
	<u>308</u>	<u>313</u>



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

4. EMPLOYMENT—(Continued)

The average number of persons employed by the group (including executive directors) during the year was as follows:

	<u>2006</u> <u>Number</u>	<u>2005</u> <u>Number</u>
General and administrative	47	46
Sales and marketing	55	55
Manufacturing and development	206	212
	<u>308</u>	<u>313</u>

The staff costs comprise:

	<u>2006</u> <u>€'000</u>	<u>2005</u> <u>€'000</u>
Wages and salaries	19,441	19,423
Social welfare costs	1,785	1,855
	<u>21,226</u>	<u>21,278</u>

5. EXCEPTIONAL ITEMS

	<u>2006</u> <u>€'000</u>	<u>2005</u> <u>€'000</u>
<i>Cost of sales</i>		
Warranty	4,149	—
<i>Operating expenses</i>		
Adjustment to impairment loss on goodwill	(2,595)	—
Adjustment of acquisition liabilities	—	(204)
	<u>(2,595)</u>	<u>(204)</u>
<i>Other</i>		
Restructuring charges	548	239

In fiscal 2006, the group increased its warranty reserve by an exceptional charge of €4,149,000 relating to the costs of a re-work programme and the extension of warranty periods for certain new and recently brought to market hardware products, deployed, in Europe that were found to fail intermittently. The provision was calculated using the actual number of units deployed in the market-place, supplier quotes for the required re-work to these units and the re-imburement to customers of costs associated with the re-work programme.

In fiscal 2006, the group recognised a reduction of the impairment loss on goodwill previously written off. There have been extensive negotiations over the past two years with the vendors of Checkline on the payment of escrow monies and deferred consideration relating to the original acquisition of Checkline in fiscal 2001. Arising from these negotiations, a mediation process was entered into by both parties. The result of this process was the release of monies held in the escrow account, an element of the original purchase consideration, amounting to €1.5 million to the group; the release of the group from payment of the deferred consideration liability of €1.1 million to the vendors of Checkline; and the receipt of 533,720 ordinary shares with a market value on the date of



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

5. EXCEPTIONAL ITEMS—(Continued)

settlement of €746,000, which again formed part of the original purchase consideration. The net effect of the settlement was a reduction in the overall impairment loss on the acquisition, net of legal costs in fiscal 2006, of €2.6 million.

During fiscal 2005 in connection with a lease termination settlement relating to the group's Austin facility, the group recorded an adjustment, which reduced acquisition liabilities by €204,000. Following an impairment review during fiscal 2003 the goodwill, in connection with the group's acquisitions, was written down to its estimated fair value and consequently the adjustment of acquisition liabilities was recognised in the group profit and loss account in fiscal 2005.

During fiscal 2006, the group implemented restructuring plans which resulted in staff terminations in both the research and development and general administrative functions in Ireland and Germany. In connection with these activities the group recorded a restructuring charge of €196,000 and reduced its workforce by 9 employees. The group incurred an additional cost of €352,000 as a result of the assignment of a lease obligation relating to a Dublin facility, which had been assumed as part of the acquisition of Exceptis Technologies Limited in fiscal 2001.

During fiscal 2005, the group implemented restructuring plans primarily related to staff terminations in connection with the research and development facility in Uruguay and excess sales and marketing employees in Ireland and the U.S. In connection with these activities the group reduced its workforce by 18 employees. The group recorded restructuring charges of €239,000 in relation to these restructurings.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2006</u>	<u>2005</u>
	€'000	€'000
Interest payable on overdrafts wholly repayable within five years	(23)	(14)
Finance lease interest	<u>(1)</u>	<u>(13)</u>
	<u>(24)</u>	<u>(27)</u>

7. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	<u>2006</u>	<u>2005</u>
	€'000	€'000
<i>Current taxation</i>		
Ireland—corporation tax at 12.5% (2005: 12.5%)	—	—
Adjustment in respect of prior periods	<u>(38)</u>	<u>(120)</u>
Irish taxation	(38)	(120)
Overseas taxation	<u>23</u>	<u>271</u>
Total current taxation (credit) charge	(15)	151
<i>Deferred taxation</i>		
Origination and timing differences	<u>(340)</u>	<u>(40)</u>
Total taxation (credit) charge on (loss) profit on ordinary activities	<u>(355)</u>	<u>111</u>



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

7. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES—(Continued)

EFFECTIVE TAXATION RATE

	<u>2006</u>	<u>2005</u>
	€'000	€'000
(Loss) profit on ordinary activities before taxation	(1,864)	1,369
As a percentage of (loss) profit before taxation		
—current taxation	0.1%	11.0%
—total taxation (current and deferred)	19.0%	8.1%

The following table relates the applicable Republic of Ireland statutory rate to the effective current taxation rate of the Group:

	<u>2006</u>	<u>2005</u>
	%	%
Irish corporation taxation rate	(12.5)	12.5
Income subject to higher rates of taxation	1.6	55.9
Operating losses utilised	(73.4)	(109.4)
Operating losses not utilised	85.9	43.3
Income not subject to taxation	(7.4)	(7.3)
(Losses) income from Irish manufacturing operations taxed/relieved at lower rates	7.7	4.3
State and local taxes	0.5	3.7
Other	(2.3)	8.0
	<u>0.1</u>	<u>11.0</u>
	<u>2006</u>	<u>2005</u>
	€'000	€'000
<i>Deferred tax assets</i>		
Net operating loss carryforwards	16,069	15,528
Amounts not recognised	(15,706)	(15,490)
Net deferred tax assets	<u>363</u>	<u>38</u>
	<u>2006</u>	<u>2005</u>
	€'000	€'000
<i>Deferred tax assets</i>		
Opening net deferred tax asset at 1 February	36	—
Origination and reversal of timing differences	340	40
Exchange differences	(13)	(4)
Closing deferred tax asset as at 31 January	<u>363</u>	<u>36</u>

As at 31 January 2006, the group has net operating tax loss carryforwards (NOLs) of approximately €134.6 million for tax purposes, which will be available for offset against future taxable income. If not used, the US carryforwards of €9.5 million will expire between 2014 and 2023.



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

7. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES—(Continued)

The group has provided in full against the NOLs and other deferred benefits in the Irish entity and partially against the NOL's in the U.K. and U.S. entities, due to the history of operating losses in the related tax jurisdictions. No provision has been made for against the deferred tax asset recognised in the German entity due to the likelihood of taxable profits in future years to offset the NOLs.

8. (LOSS) PROFIT PER ORDINARY SHARE

The computation of basic and diluted earnings per share is set out below:

	<u>2006</u>	<u>2005</u>
	€'000	€'000
<i>Numerator</i>		
Numerator for basic and diluted (loss) profit per ordinary share—(loss) profit for the financial year	(1,813)	948
<i>Denominator</i>		
Denominator for basic (loss) profit per ordinary share—weighted average ordinary shares	30,997,352	30,786,268
Denominator for diluted (loss) profit per ordinary share—weighted average ordinary shares	30,997,352	32,361,102
<i>Basic (loss) profit per ordinary share</i>	(0.06)	0.03
<i>Diluted (loss) profit per ordinary share</i>	(0.06)	0.03

9. INTANGIBLE ASSETS

	<u>Technology</u>	<u>Goodwill</u>	<u>Total</u>
	€'000	€'000	€'000
<i>Cost</i>			
At 1 February 2005	17,014	121,942	138,956
Additions	—	86	86
At 31 January 2006	17,014	122,028	139,042
<i>Amortisation and impairment</i>			
At 1 February 2005	16,979	118,505	135,484
Amortised during the year	20	1,320	1,340
At 31 January 2006	16,999	119,825	136,824
<i>Net book amounts</i>			
At 31 January 2006	15	2,203	2,218
At 31 January 2005	35	3,437	3,472

On 1 November 2003, the group acquired the outstanding shares of CW & Associates, Inc, doing business as DataFlow Services, a privately held company in the U.S., for an initial consideration of approximately €4.9 million subject to final adjustment relating to performance related contingent consideration, of which €1.5 million was accrued at the year ended 31 January 2004. The total purchase costs comprise approximately €3.3 million in cash and transaction costs of €112,000. In addition, the group will be required to pay additional



TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

9. INTANGIBLE ASSETS—(Continued)

performance related contingent consideration equal to fifty percent of profits, as defined in the purchase agreement, earned by the acquired business for the year ended 31 January 2005 and the year ended 31 January 2006. The additional contingent consideration is subject to certain top-up provisions from profits for the year ending 31 January 2007 if the aggregate payments under the provisions for fiscal 2005 and fiscal 2006 are less than €2.15 million.

The group paid €900,000 relating to performance related consideration in March 2005 for the year ended 31 January 2005 and have accrued an additional €86,000 relating to additional performance consideration for the year ended 31 January 2006 which brings the cumulative amount of contingent consideration recorded to the minimum levels provided for in the purchase agreement. The group paid €1.3 million in May 2006, as a full and final payment, relating to the performance related consideration for the two years ended 31 January 2006.

10. TANGIBLE ASSETS

	Motor Vehicles	Office Furniture and Fittings	Computer and Office Equipment	Project Equipment	Total
	€'000	€'000	€'000	€'000	€'000
<i>Cost</i>					
At 1 February 2005	89	2,321	6,215	613	9,238
Additions during year	—	207	489	196	892
Disposals and amounts written off during year	(48)	(114)	(1,001)	(111)	(1,274)
Currency adjustment	2	21	58	—	81
At 31 January 2006	<u>43</u>	<u>2,435</u>	<u>5,761</u>	<u>698</u>	<u>8,937</u>
<i>Depreciation</i>					
At 1 February 2005	64	2,267	5,835	440	8,606
Charged in year	7	46	260	124	437
Disposals and amounts written off during year	(37)	(114)	(1,003)	(111)	(1,265)
Currency adjustment	(2)	22	48	—	68
At 31 January 2006	<u>32</u>	<u>2,221</u>	<u>5,140</u>	<u>453</u>	<u>7,846</u>
<i>Net book amounts</i>					
At 31 January 2006	<u>11</u>	<u>214</u>	<u>621</u>	<u>245</u>	<u>1,091</u>
At 31 January 2005	<u>25</u>	<u>54</u>	<u>380</u>	<u>173</u>	<u>632</u>

Included in the net book value of fixed assets above is an amount for financed leased assets of €4,000 (2005: €32,000) for computer and office equipment. The depreciation charge for the year in respect of these assets was €28,000 (2005: €141,000).



TRINTECH GROUP PLC

**NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006**

10. TANGIBLE ASSETS—(Continued)

FUTURE TANGIBLE ASSET PURCHASE COMMITMENTS

	<u>2006</u>	<u>2005</u>
	€'000	€'000
Authorised by the Directors but not contracted for	<u>800</u>	<u>415</u>

11. FINANCIAL ASSETS

	<u>2006</u>	<u>2005</u>
	€'000	€'000
COMPANY		
<i>Unlisted investments in ordinary shares, at cost</i>		
Trintech GmbH	24	24
Trintech Group Finance Limited	145,317	145,317
Trintech Inc	10,405	10,405
Trintech Limited	2	2
Trintech Technologies Limited	540	540
Trintech Limited (formerly Checkline PLC)	—	—
Exceptis Technologies Limited	—	—
	<u>156,288</u>	<u>156,288</u>
	<u>2006</u>	<u>2005</u>
	€'000	€'000
Balance at beginning and end of year	<u>156,288</u>	<u>156,288</u>

At 31 January 2006, the Company had the following wholly owned subsidiary undertakings. All shareholdings are in ordinary shares.

<u>Group companies</u>	<u>Registered office</u>	<u>Holding</u>	<u>Nature of business</u>
Trintech GmbH	Schleussner Strasse 42, Neu-Isenburg 63263, Frankfurt, Germany	100%	Sale of specialised financial transaction processing systems
Trintech Group Finance Limited	PO Box 309, Grand Cayman, Cayman Islands, British West Indies.	100%	Group finance company
Trintech Inc	15851 Dallas Parkway, Suite 855, Addison, Texas 75001, United States of America.	100%	Sale of specialised financial transaction processing systems
Trintech Limited	Trintech House, South County Business Park, Leopardstown, Dublin 18.	100%	Research, development and design of specialised financial transaction processing systems



TRINTECH GROUP PLC

**NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006**

11. FINANCIAL ASSETS—(Continued)

<u>Group companies</u>	<u>Registered office</u>	<u>Holding</u>	<u>Nature of business</u>
Trintech Technologies Limited	Trintech House, South County Business Park, Leopardstown, Dublin 18.	100%	Manufacture of specialist financial transaction processing systems
Trintech UK Limited	Victoria House, 49 Clarendon House, Watford, Hertfordshire, WD1 1HP, England.	100%	Sale of specialised financial transaction processing systems
Trintech Limited	The Colonnades, Beaconsfield Close, Hatfield, Herts, AL10 8YZ, England.	100%	Transaction processing and electronic card payment company
Exceptis Technologies Limited	Trintech House, South County Business Park, Leopardstown, Dublin 18.	100%	Provider of internet enabled payment infrastructure solutions
CW & Associates, Inc.	15851 Dallas Parkway, Suite 855, Addison, Texas 75001, United States of America.	100%	Provider of a data delivery service supporting customers' bank reconciliation processes

In the opinion of the directors, the value to the company of the unlisted investments is not less than the book amounts shown above.

12. STOCKS

	<u>2006</u>	<u>2005</u>
	€'000	€'000
GROUP		
Raw materials	522	377
Finished goods	<u>1,693</u>	<u>532</u>
	<u>2,215</u>	<u>909</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

13. DEBTORS

	<u>2006</u>	<u>2005</u>
	€'000	€'000
GROUP		
<i>Amounts falling due within one year</i>		
Trade debtors	6,955	6,396
Prepayments and accrued income	2,136	2,800
Amount receivable on legal settlements	2,239	—
Deferred tax (note 7)	363	36
Value added tax	334	402
	<u>12,027</u>	<u>9,634</u>
COMPANY		
<i>Amounts falling due within one year</i>		
Amounts receivable on legal settlement	2,239	—
<i>Amounts falling due after more than one year</i>		
Due from subsidiary undertakings, net of provision of €155.8 million (2005: €153.5 million) for uncollectible amounts	—	501
	<u>2,239</u>	<u>501</u>

14. TRADE AND OTHER CREDITORS

	<u>2006</u>	<u>2005</u>
	€'000	€'000
GROUP		
<i>Amounts falling due within one year</i>		
Trade creditors	4,918	3,687
PAYE and PRSI	339	149
Value added tax	382	478
Obligations under finance leases (note 22)	—	64
Accruals	2,948	3,631
Deferred income	6,861	6,863
	<u>15,448</u>	<u>14,872</u>
COMPANY		
Accruals and deferred income	—	304

Revolving credit facility: Bank overdraft facility and overdrafts

The group has agreed an unsecured overdraft facility of €2.5 million with Bank of Ireland. Advances under this facility will bear interest at the Bank's prime overdraft rate, 2.84% as at 31 January 2006. As of 31 January 2006 there was €158,000 outstanding under the facility. The facility does not have a stated expiration date, but all amounts drawn thereunder are repayable on demand.



TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

15. PROVISIONS FOR LIABILITIES

	<u>2006</u>	<u>2005</u>
	€'000	€'000
GROUP		
Warranty reserve	<u>3,150</u>	<u>303</u>
<i>Warranty reserve</i>		
	<u>2006</u>	<u>2005</u>
	€'000	€'000
Balance at beginning of year	303	287
Additional provision	4,393	125
Amount used to cover expenses	(1,546)	(109)
Balance at end of year	<u>3,150</u>	<u>303</u>

The group maintains reserves for future warranty claims arising from past sales of product. The group makes provision for such costs when revenue is recorded from product sales. The group re-evaluates its estimates to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. In the year ended 31 January 2006, the group increased its warranty reserve by an exceptional charge of €4,149,000 relating to costs of a re-work programme and the extension of warranty periods for certain new and recently brought to market hardware products deployed in Europe that were found to fail intermittently. The provision was calculated using the actual number of units deployed in the market-place, supplier quotes for the required re-work to these units and the re-imburement to customers of costs associated with the re-work programme.

16. SHARE CAPITAL

The Company's authorised share capital comprises 100,000,000 ordinary shares of US\$0.0027 par value per share and 10,000,000 Series B redeemable convertible preference shares of US\$0.0027 par value per share, which may be issued with such special, qualified, preferred, deferred or other rights or privileges or conditions as to capital, dividends, rights of voting or other matters as the directors may decide.

	<u>2006</u>	<u>2005</u>
	US\$'000	US\$'000
<i>Authorised</i>		
100,000,000 ordinary shares of US\$0.0027 each	270	270
10,000,000 Series B redeemable convertible preference shares of US\$0.0027 each	<u>27</u>	<u>27</u>
	<u>297</u>	<u>297</u>



TRINTECH GROUP PLC

**NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006**

16. SHARE CAPITAL—(Continued)

	<u>2006</u>	<u>2005</u>
	€'000	€'000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of US\$0.0027 each:		
At beginning of year		
31,160,091 (2005: 30,851,283) shares	79	79
Issued during the year		
For cash 129,936 (2005: 308,808) shares	<u>0</u>	<u>0</u>
At end of year 31,290,027 (2005: 31,160,091) shares	<u>79</u>	<u>79</u>

In fiscal 2006 the Company issued a further 129,936 ordinary shares for cash with a nominal value of €277 and received net proceeds of €89,000. The proceeds were used for general working capital purposes. In fiscal 2005 the Company issued 308,808 ordinary shares for cash with a nominal value of €659 and received net proceeds of €222,000. The proceeds were used for general working capital purposes.

The Company also reissued treasury shares as described in note 17.

Share Option Schemes

The Company has the following active stock option and purchase plans: the Trintech Group PLC 1997 Share Option Scheme, the Trintech Group PLC Directors and Consultants Share Option Scheme, the 1999 Employee Savings Related Share Option Scheme and the 1999 Employee Share Purchase Plan (the “Stock Plans”). An aggregate of 8,100,000 ordinary shares has been allocated for issue collectively under the Stock Plans. 769,584 ordinary shares remain available for option grants collectively under the Stock Plans. If an option expires or is cancelled for any reason without having been fully exercised or vested, the unvested or cancelled options will continue to be available for future grant under the Stock Plans.

The Trintech Group PLC 1997 Share Option Scheme (the “1997 Plan”), which provides for the grant of options to purchase ordinary shares of the Company, was approved by the Company’s Board of Directors and was subsequently amended. Under the 1997 Plan, non-temporary employees and executive directors holding salaried employment or office with the Company or any subsidiary companies are eligible to participate in the 1997 Plan. All options granted have a seven-year term and generally commence vesting at a rate of one twelfth of the total per quarter for each of the quarters in the three years commencing on the anniversary date of the grant. The exercise price of each share option is the fair market value of the share on the date of grant.

During 1998, the Company’s Board of Directors and shareholders approved the Directors and Consultants Share Option Scheme which provides for the grant of options to purchase ordinary shares of the Company to non-employee directors and consultants of the Company. All options granted have a seven-year term and are generally exercisable at date of the grant. The exercise price of each share option is the fair market value of the share on the date of grant.

In August 1999, the Company obtained shareholder approval for the establishment of the Trintech 1999 Employee Savings Related Share Option Scheme for the Company’s Irish employees. The 1999 savings related scheme applies to all of the Company’s qualifying Irish employees and is intended to be an approved scheme under Schedule 12A to the Taxes Consolidation Act 1997 of the Republic of Ireland. The eligible employees may



TRINTECH GROUP PLC
NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

16. SHARE CAPITAL—(Continued)

apply for an option to purchase ordinary shares of the Company at a discount of 15% to the market value of ordinary shares on the last day on which the ordinary shares were traded before grant. Participants must enter into approved savings arrangements the purpose of which is to fund the cost of the exercise of the option. As of 31 January 2006, no shares had been issued under this scheme.

Also in August 1999, the Company obtained shareholder approval for the establishment of the Trintech 1999 Employee Share Purchase Plan for Trintech's U.S. employees. The 1999 share purchase plan is intended to qualify under Section 423 of the Code and contains consecutive, overlapping, twenty-four month offering periods. Each offering period includes four six-month purchase periods. The offering periods generally start on the first trading day on or after 1 March and 1 September of each year.

The 1999 Share Purchase Plan permits participants to purchase ordinary shares of the Company at 85% of the lower of the fair market value on the first day of the applicable offering period or on the last day of the six-month purchase period, through payroll deductions of up to 15% of the participant's compensation. As of 31 January 2006, 427,140 ordinary shares had been issued under this plan, of which 76,952 ordinary shares were issued for a total consideration of approximately €111,000 during the year ended 31 January 2006.

A summary of the Company's stock option activity and related information for the years ended 31 January 2006 and 2005 is as follows:

	31 January 2006		31 January 2005	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding at beginning of year	4,825,222	€ 2.39	4,515,240	€3.49
Granted	791,180	1.55	1,813,050	2.02
Cancelled	(13,332)	19.78	(836,656)	5.97
Forfeited	(225,836)	2.94	(353,674)	5.67
Exercised	(126,000)	0.70	(312,738)	0.92
Outstanding at end of year	<u>5,251,234</u>	<u>€ 2.41</u>	<u>4,825,222</u>	<u>€2.39</u>

17. REPURCHASE OF ORDINARY SHARES

	<u>2006</u>	<u>2005</u>
	<u>€'000</u>	<u>€'000</u>
Repurchase of ordinary share capital	135	279
Reissue of ordinary share capital	(105)	(155)
Repurchase of ordinary share capital, net	<u>30</u>	<u>124</u>

During the years ended 31 January 2005 and 2006 Trintech Limited, a subsidiary company, purchased in the market 135,440 and 80,600 of Trintech Group PLC's ordinary shares of US\$0.0027 each, at a total cost of €279,000 and €135,000 respectively, as part of its share buy-back programme (note 16). In fiscal 2006 the Company reissued 76,952 ordinary shares for cash and received total proceeds of €111,000. The premium of €6,000 on the reissue of treasury shares has been added to the premium recorded in prior years. Purchased ordinary shares net of reissued ordinary shares, represent some .82% of the issued ordinary share capital at 31 January 2006.



TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

17. REPURCHASE OF ORDINARY SHARES—(Continued)

At 31 January 2006, Trintech Limited held 255,104 treasury shares with a nominal value of US\$0.0027 each at an average price of €1.67. The total amount of ordinary shares repurchased through 31 January 2006 under the share buy-back programme is 833,996 at a total cost of €1,017,000 and an average price of €1.22. The amount of ordinary shares reissued through 31 January 2006 is 578,892 with total proceeds arising of €590,000 and an average price of €1.02.

At 31 January 2006, the subsidiary has an unexpired authority to repurchase further shares up to a maximum value of US\$3,800,000 (€3,136,000).

18. RESERVES

	<u>Share premium</u>	<u>Other reserves</u>	<u>Treasury shares-premium on reissue</u>	<u>Profit and loss account</u>
	€'000	€'000	€'000	€'000
GROUP				
At beginning of year	253,660	230	136	(228,143)
Retained loss for the financial year	—	—	—	(1,813)
Premium on shares issued, net of expenses	89	—	—	—
Translation adjustments on foreign currency net investments	—	—	—	2,258
Purchase of ordinary share capital, net	—	—	—	(30)
Premium on treasury shares reissued	—	—	6	—
At end of year	<u>253,749</u>	<u>230</u>	<u>142</u>	<u>(227,728)</u>
COMPANY				
At beginning of year	253,660	215	136	(223,076)
Retained profit for the financial year	—	—	—	762
Premium on shares issued, net of expenses	89	—	—	—
Premium on treasury shares reissued	—	—	6	—
At end of year	<u>253,749</u>	<u>215</u>	<u>142</u>	<u>(222,314)</u>

The parent company has availed of the exemptions in section 148(8) of the Companies Act, 1963 from laying its individual profit and loss account before the annual general meeting and the exemption in section 7(1A) of the Companies (Amendment) Act, 1986 from filing its individual profit and loss account with the Registrar of Companies.



TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

19. RECONCILIATION OF OPERATING (LOSS) PROFIT TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2006	2005
	€'000	€'000
Operating (loss) profit	(2,078)	1,122
Exceptional item	(548)	(239)
Impairment of goodwill	(3,298)	—
Depreciation	437	584
Loss on disposal of tangible fixed assets	9	—
Amortisation and adjustment of acquisition liabilities	1,340	1,127
Increase in stocks	(1,306)	(245)
(Increase) decrease in debtors	(114)	848
Increase (decrease) in creditors	2,781	(670)
Effects of changes in foreign currency exchange rates	391	123
Net cash (outflow) inflow from operating activities	<u>(2,386)</u>	<u>2,650</u>

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006	2005
	€'000	€'000
(Decrease) increase in cash	(3,649)	1,317
Payments (proceeds) from bank loans and overdrafts	278	(436)
Capital element of finance leases repaid	64	309
Change in net funds resulting from cash flow	(3,307)	1,190
Exchange movement	2,088	(1,489)
Movement in net funds in the year	(1,219)	(299)
Net funds at beginning of year	30,073	30,372
Net funds at end of year	<u>28,854</u>	<u>30,073</u>

21. ANALYSIS OF NET FUNDS

	At 1 February 2005	Cash flow	Exchange Movement	At 31 January 2006
	€'000	€'000	€'000	€'000
Cash and cash equivalents	30,573	(3,649)	2,088	29,012
Bank loans and overdrafts	(436)	278	—	(158)
	30,137	(3,371)	2,088	28,854
Finance leases	(64)	64	—	—
Net funds	<u>30,073</u>	<u>(3,307)</u>	<u>2,088</u>	<u>28,854</u>

At 31 January 2006 the group had restricted cash balances of €339,000. Restricted cash balances relate to guarantees for operating lease commitments on premises in Frankfurt and to employee restructuring costs in connection with our research and development facility in Uruguay.



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TRINTECH GROUP PLC

**NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006**

21. ANALYSIS OF NET FUNDS—(Continued)

Cash and cash equivalents consist primarily of highly liquid investments with maturities of less than three months.

22. COMMITMENTS

Operating leases

The group has commitments under operating leases to make payments in the next year on leases, which expire as follows:

	<u>2006</u>	<u>2005</u>
	€'000	€'000
Within one year:		
Buildings	833	119
Other	—	5
Between two and five years:		
Buildings	1,133	1,888
After more than five years:		
Buildings	<u>—</u>	<u>298</u>
	<u>1,966</u>	<u>2,310</u>

Finance leases

Finance lease obligations, net of interest, are due as follows:

Within one year (note 14)	<u>—</u>	<u>64</u>
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23. CONTINGENCIES

Under agreements between the group and the Industrial Development Authority and the Irish Trade Board, the group has certain grants received or receivable amounting to €955,000 (fiscal 2005: €578,000), which may be revoked, cancelled or abated in certain circumstances: principally the disposal by the group of intellectual property arising from the grant aided research and development. The group has not disposed of any such intellectual property through 31 January 2006.

24. GUARANTEES

Pursuant to the provisions of Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of Trintech Technologies Limited and Trintech Limited, two of its subsidiary undertakings in the Republic of Ireland for the financial year ended 31 January 2006 and, as a result, such subsidiary undertakings have been exempted from the filing provisions of Section 7 of the Companies (Amendment) Act, 1986.



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TRINTECH GROUP PLC

NOTES TO THE GROUP FINANCIAL STATEMENTS—(Continued)
for the year ended 31 January 2006

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The group uses forward exchange contracts to hedge certain operational cash flow exposures resulting from changes in foreign currency exchange rates expected to occur within the next 12 months. The group enters into these foreign exchange contracts to hedge anticipated sales or purchase transactions in the normal course of business for which there is a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The group does not use such instruments for trading or speculative purposes.

Furthermore, the group manages the currency exposure of certain receivables and payables using derivative instruments, such as currency options. The gains or losses on these instruments provide an offset to the gains or losses recorded on the foreign currency receivables and payables.

As of 31 January 2006, the group had three forward exchange contracts maturing in fiscal 2007 to sell US\$1.5 million (€1.2 million) and receive euro in return. These derivative instruments are recorded at fair value and changes in fair value are recorded in earnings under exchange gain, net in the consolidated statement of operations. The aggregate fair value of the contracts as of 31 January 2006 was negative €12,000.

As of 31 January 2006, the group had no currency options outstanding.

	Year ended 31 January			
	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
	(€'000)			
<i>Non-Derivatives</i>				
Cash and cash equivalents	29,012	29,012	30,573	30,573
<i>Derivatives</i>				
Foreign exchange forward contracts	(12)	(12)	(30)	(30)

The fair value of the contracts was calculated as the present value of the settlement amount less the current valuation based on the 31 January 2006 spot rate.

26. RELATED PARTY TRANSACTIONS

The group leases its corporate headquarters in Dublin from John and Cyril McGuire. These facilities are held under two leases expiring in 2023 and 2025, with rent reviews every five years and options to exit in 2006 and 2009, respectively. The group exercised the break clause of one lease agreement in February 2006 at a cost of €255,000. The group is in negotiation with various parties on the leasing of new facilities. The rent paid by the group was determined after completion of a survey of the rental market and the terms of the leases are no less favourable than those that could be obtained in arm's length transactions. The rental and service charge for the year ended 31 January 2006 was €1.4 million (2005: €1.4 million).

Rent was paid in advance, in accordance with the group's contractual obligation under the lease, to Cyril McGuire and John McGuire, of €346,000 as of 31 January 2006 (2005: €347,000).

27. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to current year presentation.



TRINTECH GROUP PLC

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for the year ended 31 January 2006

28. IMPORTANT EVENTS SINCE THE YEAR-END

On 1 February 2006, the group acquired substantially all the assets of Assurity Technologies, Inc., a privately held company in the U.S., for a total initial consideration of €1.7 million subject to final adjustment relating to performance related contingent cash consideration. The total purchase costs comprise €1.7 million in cash, assumed liabilities of €73,000 and transaction costs of €35,000. In addition, the group will be required to pay additional performance related contingent cash consideration equal to 30% of net income plus 10% of gross revenues, as defined in the purchase agreement, earned by the acquired business for fiscal 2007, fiscal 2008 and fiscal 2009. These payments will result in an increase in the purchase price of the acquired business, and a corresponding increase in the goodwill recorded.

Assurity Technologies Inc. is a Kansas based private company. Assurity provides an enterprise process management system for general ledger account reconciliation, review and certification. The product, AssureNET, is designed to increase workflow efficiencies and mitigate risk by strengthening internal controls to support Sarbanes-Oxley compliance programs. The acquisition strengthens the group's market position with customers benefiting from AssureNET functionality being integrated into Trintech's FMS products. These combined products provide an end-to-end solution for general ledger account reconciliation, review, certification and risk management.

29. APPROVAL OF SHAREHOLDERS' FINANCIAL STATEMENTS

The shareholders' financial statements were approved and authorised for issue by the directors on 21 June 2006.