universe group plc

Delivering Essential, Innovative Services to the Cornerstones of UK Retailing

ANNUAL REPORT AND ACCOUNTS
Year ended 31 December 2020
Stock Code: UNG

Innovative Payments Solutions, Retail Management Systems and Services for the UK's Convenience & Forecourt Businesses

About Universe Group

Vision

Universe group aims to be a leading real-time, retail management solution provider to the convenience and forecourt markets.

What Makes Us Different?

Our unique, real-time, retail management solution provides convenience retailers with the kind of dynamic data feeds normally only available to supermarkets, bringing a new level of efficiency to store operations in critical areas such as replenishment, store layout and stock wastage.

Card payment services that we provide are especially optimised for our 5,500 forecourt customer sites, where card payments, fuel cards and loyalty are combined into a complex set of transactions that needs to be handled quickly, with integrity and in volume.

Supporting our customers requires a 24/7/365 operation, which we staff from our call centre, directing our own engineers to sites which cannot be fixed remotely.

Universe provides a wide-ranging suite of innovative software applications, payment services, complementary technologies and support services to the growing convenience and forecourt market, in the UK and Europe.

Our position as a leader in the convenience and forecourt services sector remains strong, through our unique combination of specialist card payments, customer loyalty software, forecourt site controllers, outdoor payment terminals, retail management solutions and 24/7 support services.

Our unparalleled retail management system gives our customers a real-time, data-driven, solution that means that they have new levels of visibility, control, efficiency and agility in their business.

We serve over 20,000 concurrent users every day, processing over 20bn transactions through our retail systems, which allow over 6.6 Billion litres of fuel (17% of total UK Petrol & Diesel sold in 2020) * to flow through our customers' forecourts every year.

* Source: The Petrol Retailers Association (the PRA)

Universe Group In Numbers

£5.8bn

per annum

Payments processed through our Gempay Switch

5,500

forecourt and convenience stores in the UK

(65% of the forecourt market) *

*(Source: PRA Report)

Serving over

20,000

daily concurrent users

Highlights

Revenue

£19.75m

2016	£19.7m
2017	£19.6m
2018	£19.6m
2019	£22.4m
2020	£19.75m

Operating (loss)/profit before tax

£(0.41m)

2016	£2.04m
2017	£0.88m
2018	£0.91m
2019	£(1.32m)
2020	£(0.41m)

Adjusted EBITDA

£1.94m

2016	£3.77m
2017	£2.37m
2018	£2.64m
2019	£3.89m
2020	£1.94m

Diluted (loss)/earnings per share

(0.24p)

2016	0.76p
2017	0.26p
2018	0.33p
2019 restated	(0.40p)
2020	(0.24p)

6.6bn

Litres of fuel & additives sold through forecourts using our products and services

20bn

transactions processed per year

Contents

Our Products and Services

htec
get data smart

Celtech™

Why?

We believe in making retail easier for our customers.

How?

Our complete suite of payments, retail management and loyalty gives our customers the insights to drive footfall, basket size and growth, while optimising inventory and pricing to improve margin.

PAYMENTS

- PAYMENTS PROCESSING
- MOBILE PAYMENTS
- GEMPAY

CONVENIENCE SOFTWARE

- AB-INITIO
- CALLISTO

FORECOURT SOFTWARE AND 3RD PARTY PRODUCT INTEGRATION

- OUTDOOR PAYMENT TERMINALS (OPTS)
- ANPR
- SITE CONTROLLER SOFTWARE

ENGAGEMENT APPLICATION

- ONLINE LOYALTY POINTS ENGINE
- IOCASTE
- CUSTOMER LOYALTY

SUPPORT

- SERVICE DESK
- ON-SITE ENGINEERS
- HARDWARE MAINTENANCE
- PROFESSIONAL SERVICES

Chairman's Statement

"As 2020 unfolded, the Group took all necessary steps to sustain its customers, employees and operations, in what was a very unpredictable environment. I am pleased to say that we closed the year with a robust business which, by delivering commendable financial results, has proven its value to the marketplace in the toughest of times.

ANDREW BLAZYE
EXECUTIVE CHAIRMAN

In a very unpredictable trading environment, the Company remained resilient, delivering high quality services to our customers, securing new business and renewing a number of key contracts.

Introduction

I am pleased to announce our results for the year ended 31 December 2020.

As the financial year started, the coronavirus pandemic accelerated into the first of three lockdowns. The executive team worked with the Department of Business, Innovation and Strategy to establish our status as an Essential Service Provider ("ESP"), due to our material market share of the UK's convenience and fuel forecourt estates. This enabled the Company to continue to deploy its fleet of engineers and keep its call centre running 24/7, even while most employees were working from home.

We also needed some staff working at our Southampton site, managing spares and supplying engineers with the equipment required to keep our customers up and running. It is testimony to the resilience and hard work of the whole business that our core service metrics remained high during the ongoing coronavirus crisis.

Like many companies, our business started the year with several objectives, which had to be revisited and re-planned as the pandemic unfolded. As we closed the year, we managed to deliver revenue for the second half which was in line with that of the first. A key payments contract planned for the second half is now expected to roll out in mid-2021 and the revenues recognised in 2021. The project is now making good progress and is currently in the live customer pilot phase.

We closed some valuable new business in the first half, which rolled out in the second part of year, including the addition of a new payment services client. We also completed the integration of the Company's acquisition of Celtech, advancing the Group's retail management solutions portfolio considerably and improving the breadth and depth of our proposition.

The Company has maintained the development programme for our core products and invested in our service capabilities, which have been adapted to work throughout the pandemic. The Group is ready for the return of a more normal working environment as and when it comes about.

Group revenues at £19.75 million (2019: £22.44 million) decreased by 12.0% reflecting the COVID down-turn in customers' fuel retailing activities, with recovery expected during 2021. The change in revenue mix in the business, with a reduction in consultancy and software license revenue, resulted in our gross margin decreasing to 43.5% (2019: 51.8%).

Adjusted earnings before interest, taxes, depreciation, amortisation, administration expenses resulting from acquisition costs and share-based payments 'Adjusted EBITDA' (see note 3) reduced by 50.1% to £1.94m (2019: £3.89 million). In line with revenue, Group administrative costs were down by 11.7% to £8.68 million (2019: £9.83 million).

Operating losses totalled £0.41 million (2019: profit of £1.43 million before impairment of development costs of £2.75m) which resulted from the impact of both lower revenues and gross profit margin, partially offset by the reduction in administrative costs.

Cash and cash equivalents less bank borrowings ended the year in a net debt position of £4.69m million (31 December 2019: net cash £0.37 million) due primarily to an increase in year-end inventories of £3.68m to £4.82 million (31 December 2019: £1.13 million) required to service a material contract win, the fulfilment of which has been delayed into 2021.

Chairman's Statement

CONTINUED

By winning new, multi-year contracts with key payment clients and being awarded a major contract extension for a loyalty customer, it is clear our proposition remains compelling and full of further potential.

Overview

Despite difficult trading conditions, the Group remains on track to deliver a substantial contract to replace the outdoor payment terminals for a key grocery customer, as part of a project that is scheduled to finished in mid-2021.

During the year, we also closed a material new contract for our payments business. Our latest Gempay payments device was selected as a preferred solution across the network of a large fuel retailer in the UK. This is a 5-year contract won following a competitive tender process and is for multiple payment operations, including the provision of payment switching, merchant services and a Private Wide Area Network solution. This contract also sees the introduction of Point-to-Point-Encryption across the terminal estate, greatly increasing transaction security and reducing the cost of Payment Card Industry ("PCI") compliance for retailers.

In the area of loyalty, the Group also secured a significant 5-year extension to a contract with a major international oil group for the provision of real-time loyalty services across their European forecourt estate, in a deal signed in April 2021.

Staff

Through the year, the Group employed an average of 213 people (2019: 241) in the UK, and a further 20 people (2019: 22) in Ireland. As stated above, our position as an ESP, has meant that we have continued to run the business as normally as possible, and for that we are hugely grateful for the adaptability and fortitude of our employees. During the year, a number of employees were furloughed and sadly we had to reduce the size of the team by a small number in the second half. For all staff, whether working at home, in our offices or on the road supporting on-site equipment, their work has been exemplary.

Board

Post the period end we announced that Jeremy Lewis, Chief Executive Officer, had decided to leave the Group to pursue other opportunities outside of the public markets. I am very grateful to Jeremy for his excellent leadership and steering us through the difficult trading conditions caused by the pandemic in 2020.

On 12 March 2021 we announced that Neil Radley would be joining the Group as our new Chief Executive Officer from 1 May 2021. Neil brings tremendous strategic, M&A and finance experience from a range of positions across our markets, particularly the highly regulated and technically complex payments space.

On 23 April 2021 we announced the appointment of Adrian Wilding as Chief Financial Officer and Graham Bird as a Non-Executive Director. Adrian Wilding is an experienced CFO with experience in B2B and B2C financial services, with experience of working in both listed and private equity-led businesses. Adrian has worked with the Company on a consultancy basis in recent weeks and will formally join the board on 1 May 2021. Carmel Warren, previously interim CFO, leaves with the board's thanks for her contribution as interim CFO.

Graham Bird is a chartered accountant, having qualified with Deloitte, and has over twenty years' experience in corporate finance and public markets. He is currently the Chief Financial Officer of Escape Hunt plc, the largest international operator of escape rooms. From 2015 to 2019, he served as Managing Director at Gresham House plc, where, in addition to supporting the growth of Gresham House plc, he was responsible for establishing and managing the successful strategic equity business unit which focuses on both quoted and unquoted equity investments using the principles and practices of private equity.

COVID-19 update

The health and safety of our staff and customers remains our priority and we continue to extend our sympathies to all those in our business community who have lost loved ones as a result of the pandemic.

With the current sustained demand for local shopping, the convenience stores sector is one that has shown resilience to the pandemic, with some increases in both footfall and basket size. However, the pressure of operational demands and on their management capacity, has delayed some retailers' ability to implement an upgrade of their retail systems. Consequently, some projects for our ab-initio retail management solution have been delayed into 2021, despite much positive commercial engagement and proof of concept work.

During the second and third lockdowns, our role as a designated ESP required us to ensure that our stock of spares, fleet of vans and staff of engineers were available 24/7 for our customers. Directed and supported by our call centre staff, almost all of whom were working from home, we maintained our service levels.

As previously stated, in some instances our engineers had to temporarily postpone the processing of ad hoc hardware and software upgrades, as well as new installations that are not deemed to be critical in nature. While some of our scheduled upgrades still went ahead, any postponed work will be rescheduled to when restrictions are reduced enough for them to safely resume.

It should be noted that we do not expect any material customer losses. We continue to run the Company on a prudent basis with robust cash conservation measures in place, using the furlough programme as much as we deemed appropriate. During such a period of exceptional trading challenges, we are proud of the way the Group has adapted its processes and working practices.

Summary and outlook

As 2020 unfolded, the Group took all necessary steps to sustain its customers, employees and operations, in what was a very unpredictable environment. I am pleased to say that we closed the year with a business which, by delivering commendable financial results, has proven its value to the marketplace in the toughest of times.

By winning new, multi-year contracts with key payment clients and being awarded a major contract extension for a loyalty customer, it is clear our proposition remains compelling and full of potential.

During the pandemic, we saw a delay in the rollout of a payments project for a substantial grocery customer, which is now in pilot, and the slowdown of some early-stage engagement in our latest generation of retail management solutions.

However, we believe this slowdown will reverse as the UK recovers from the pandemic restrictions and convenience retailers regain their management bandwidth to install more advanced, insightful software that our latest offerings provide.

Through high customer service levels and new multi-year contract wins, current management has successfully navigated a very difficult year and so has laid the foundations for a promising future. We look forward to a fuller update on strategy and outlook, led by our new CEO and CFO, at the forthcoming AGM.

ANDREW BLAZYE
Executive Chairman
29 April 2021


LE GRAND COMPTOIR

Strategic Report

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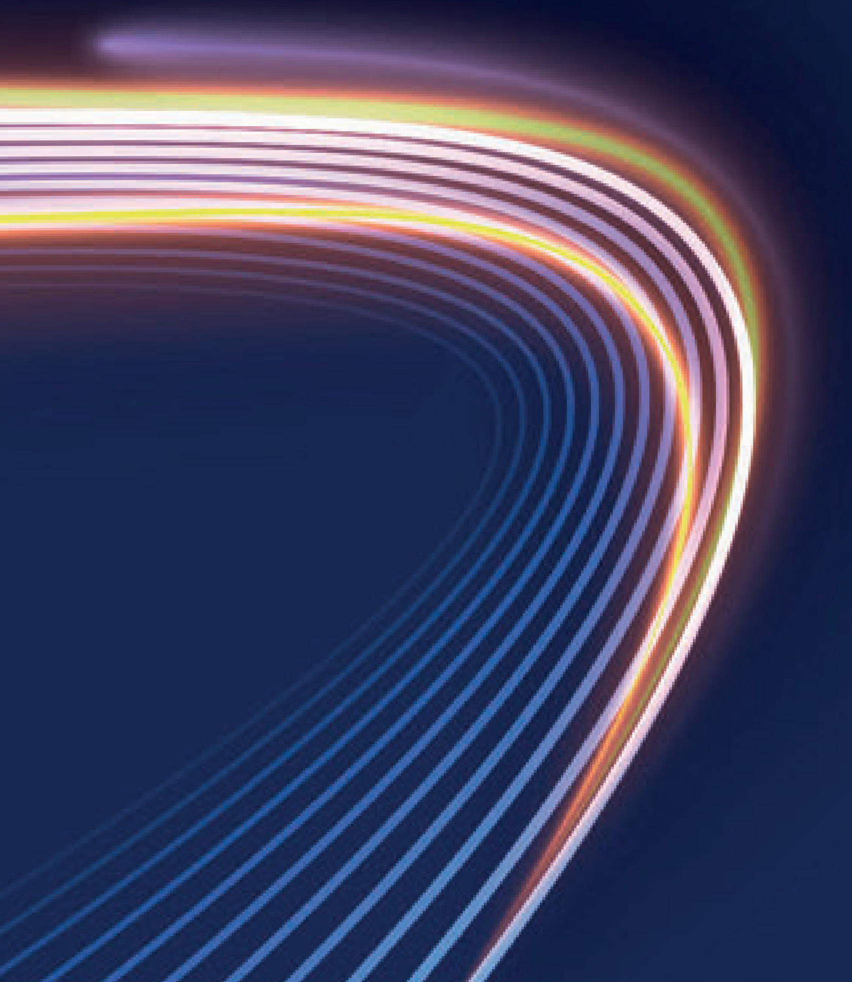

Current Trading

The Directors present their Strategic Report for the year ended 31 December 2020.

COVID-19

It is nothing new to say that the COVID-19 pandemic is having a devastating effect on lives and livelihoods, on society at large and the wider economy. As soon as the first lockdown happened, we prioritised the health and wellbeing of our staff to ensure we could operate safely as a business and serve our customers as their own businesses came under pressure.

Through each of the successive lockdowns and the various tiers operated around the four nations of the United Kingdom, we continued to focus our role as a designated Essential Service Provider, balancing safety and security with our commitment to customer service.

During the year, we operated our service desk with most staff working from home, taking calls, managing inquiry tickets and supporting our customers' businesses. A small central team remained office based in order to maintain the parts process and supply to the fleet of field engineers.

Our customers operate convenience and forecourt retail sites, which have seen the volume of business vary markedly in the ebb and flow of the year. Our support for them has been our focus for all their hard work, we thank our entire staff, who have had to adapt almost every aspect of their own lives in response to this challenge.

Our customers that already use our latest retail management solution have been able to exploit its full potential to help them make pragmatic, data-driven, decisions in demand planning, replenishment ordering, and customer buying pattern analysis.

At the same time, the desire to reduce human contact, has accelerated the move from cash to contactless payment, increased use of outdoor payment devices and higher demand for self-checkouts. These are all solutions provided by the Group.

Current Trading

We have had a solid start to the new year with much focus on delivering into pilot a new outdoor payment solution for a substantial grocery client. Earlier this month, we renewed a five-year deal to provide loyalty systems for a major oil company to service their Europe-wide estate. We have also been further developing our latest generation of retail management solutions and expect to be trialling with at least one new client by mid-year.

Operational Review

Principal Activity

Product focus on real-time Retail Management Solutions ("RMS")

The Group specialises in comprehensive, real-time, mission-critical solutions including RMS, card payment terminals and services, customer engagement, forecourt site controllers, outdoor payment terminals, automatic-number-plate-recognition and handheld devices.

The Group's unique cloud-based, single database, architecture allows a head office user to see transactions on any site as they happen, in real-time. This also ensures integrity of master data and allows full control over all aspects of retail operations.

Key target markets are convenience and forecourt retailers

The Group targets businesses in retail, predominantly convenience stores, wholesalers and fuel forecourts. The Group designs, develops and supports RMS, payment and loyalty systems for the UK and Ireland petrol forecourt and convenience markets. These can be provided as a comprehensive, fully managed offering or as discrete products, according to customer needs.

The Group's activities generate four distinct revenue streams from:

- **Data services:** Our payments switch and associated services, which accept, process, store and transmit credit card information are accredited at the highest level of the PCI standards.
- **Software licences and hardware:** This income stream comes from the sale of products, such as RMS. Our existing customer base brings new revenues but also typically adds additional recurring revenues from support contracts. In addition to securing new customers, there are regular opportunities to refresh the products on existing customer estates.
- **Consultancy and software maintenance:** Our software development teams provide product development, consultancy services and product support to customers, with the teams focused respectively on products and hosted solutions. Our data centres also maintain and support hosted solutions for our cloud-based products covering management information, loyalty and as an agent for payment processing. They deliver high uptime and excellent transaction processing speeds for our customer base.
- **Service and installations:** The sale of our software and hardware products typically leads to an additional recurring revenue stream through the provision of support services and customer installations. We provide industry-leading customer service levels, with 24-hour helpdesk support, a nationwide field service and a specialised repair and refurbishment team, all of which help to promote close, long-term customer relationships.

Across each of these revenue streams, innovation and high levels of customer care are central to the Group's success.

Organisational Overview

The Group's business is directed by the Board and managed by the Executive Directors, led by the Chief Executive, Jeremy Lewis. A Senior Management Team, comprising the Chief Executive Officer, the Chief Financial Officer, Chief Product Officer, Chief Revenue Officer, Chief Commercial Officer, Chief Technology Officer and Chief Delivery Officer, is responsible for sales, operations, human resources, development and data centres. The Board comprised of three Non-Executive Directors during 2020.

Strategy and business plan

We intend to increase shareholder value by being the leading solutions partner to retailers in our chosen verticals, supplying customers with our market-leading, innovative systems for RMS, payment and loyalty operations. These systems are real-time, mission-critical and data rich, and our customers rely on us to keep them trading at all times. Accordingly, professional and timely support from our data centre teams, field engineering force and helpdesk professionals continue to remain a core part of what we do.

Opportunities to acquire new businesses are reviewed on a regular basis, where they assist in extending penetration within addressable markets, add complementary technology or broaden geographic reach. During 2020, the Board did not consider it appropriate to make any strategic acquisitions.

Business and Product Development

Retail management solutions

The Group's *ab-initio* platform is a class-leading, cloud-based RMS that gives large, multi-site operators a uniquely powerful modular suite operating in real time and allowing them to control all aspects of their business with full reporting, insights and analytics. As such, it meets the needs of the Group's larger customers and broadens the customer base in the UK and Ireland with additional high-profile retailers such as Bestway and several Co-ops.

In addition to this, the Group continued its development of its own next generation back-office solution for single sites, Callisto, as a complementary product.

Payments

The Group provides payment processing services via its Gemini Payment Services ("GPS") platform, delivered as a highly resilient, scalable platform, backed by HTEC's 24/7 service capability. Our GPS offering has been enhanced for the forecourt market by HTEC to create our own unique IP. We now process over £111 million of transactions each week, with transaction volumes around 150 million per year.

The Group also offers integrated payment solutions for pay-at-pump, instore payment terminals and direct point of sale integration as well as forecourt specific capabilities for unattended sites and next-gen mobile payment. The Group offers these payment services while maintaining the highest level of payment accreditations, being PCI-DSS Level 1 and has been certified since 2008.

Customer engagement

The Group provides and host the points engine and associated services that underpins one of the world's largest oil company's consumer loyalty schemes across five European countries processing around 50 million transactions per year. In addition, the retail management solution we acquired through Celtech, ab-initio, includes a sophisticated retail loyalty module addressing both the convenience and fuel markets and today powers the loyalty operations of certain Co-ops.

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Group's employees and other stakeholders, including customers, suppliers and investors, the impact of its activities on the community, the environment and the Group's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Group for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- Relations with key stakeholders such as employees, shareholders and suppliers are considered in more detail in the Corporate Governance Statement on pages 15 to 21.
- The Directors are aware of their responsibilities to promote the success of the Group in accordance with section 172 of the Companies Act 2006. As required, the Company Secretary provides support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)–(f).
- The Board regularly reviews the Group's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.
- The Board has a strong relationship with its workforce, employee briefings or "Town Halls" are held and attended by the executive directors along with members of the executive team. Questions are invited either publicly or in private. Outside of this, if employee's have any other questions or concerns, they wish to raise they contact the Group's HR manager who reports directly to the Chief Financial Officer and if appropriate these matters will be raised with the Directors.
- We aim to work responsibly with our stakeholders, including customers and suppliers. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies.

Significant events/ decisions	Key s172 matter(s) affected	Actions and impact
The Board prepared action plans to address the Covid pandemic	Shareholders, customers and employees	• Action plans were created at the end of March 2020 to provide employees the ability to work from home and for the business to continue to provide essential services to our customers. • The business was re-organised to ensure a fully operational service desk working from home to service our customers, whilst a core team was present in the office on a rotational basis • Communications strategies were developed for employees, customers, investors and other stakeholders

Summary

This year has been an exceptionally challenging one, profoundly affected as it was by the global pandemic. Despite this, the Group reacted swiftly and soon found a new way of working to accommodate both customers and staff. The resultant market uncertainty did slow down some customer decision making and so led to some project delays.

However, a major payment project won in the year is now underway in pilot and moreover, the Group recently signed a 5-year contract renewal for its loyalty services. Furthermore, new payment customers were signed and launched in the year.

The financial results achieved indicate a successful negotiation of a difficult year and the above-mentioned contract signings bode well for the future prosperity of the Group.

Approval

The Strategic Report was approved by the Board on 28 April 2021 and signed on its behalf by:

JEREMY LEWIS
Chief Executive Officer
29 April 2021

Financial Review

Summary Consolidated Statement of Comprehensive Income	Note	2020 £'000	2019 £'000 Restated*	% inc/(dec)
Revenue	3,4	**19,750**	22,441	(12.0)
Cost of sales		**(11,156)**	(10,824)	
Gross profit		**8,594**	11,617	
Adjusted administrative expenses		**(8,682)**	(9,830)	
Adjusted operating profit		**(88)**	1,787	(104.9)
Adjusted administrative items:				
Acquisition costs expensed		**(30)**	(159)	
Impairment of development costs following acquisition of Celtech		**–**	(2,751)	
Amortisation of acquired intangibles		**(290)**	(242)	
Share-based payments		**–**	40	
		(320)	(3,112)	
Administrative expenses		**(9,002)**	(12,942)	
Operating loss	3	**(408)**	(1,325)	
Finance income	6	**10**	19	
Finance expense	6	**(302)**	(279)	
Loss before taxation	7	**(700)**	(1,585)	
Taxation	8	**85**	558	
(Loss)/profit and total comprehensive income for the year		**(615)**	(1,027)	
Gross profit margin		**43.5%**	51.8%	
Adjusted EBITDA	3	**1,938**	3,886	(50.1)

Earnings per share		Pence	Pence Restated*
Basic EPS	9	**(0.24)**	(0.41)
Diluted EPS	9	**(0.24)**	(0.40)

Balance sheet extracts	Note	2020 £'000	2019 £'000 Restated*
Non-current assets		**26,284**	25,670
Current assets		**11,768**	13,240
Current liabilities		**(10.460)**	(11,108)
Non-current liabilities		**(4,045)**	(3,649)
Net assets		**23,547**	24,153
Working capital		**2,371**	(1,338)

Net cash		2020 £'000	2019 £'000
Cash and cash equivalents	17	**1,829**	**6,407**
Debt	20	**(6,515)**	**(6,041)**
Net (debt) / cash		**(4,686)**	366

* Further details of the prior year restatement are provided in Note 2.

Profit and Loss

Group revenues declined by 12.0% to £19.75 million (2019: £22.44 million). By segment, software licences and hardware business increased 5.1% to £3.01 million (2019: £2.86 million) due to additional work undertaken on independent customers with data services continuing its steady performance, up 0.5% to £6.37 million (2019: £6.34 million). These increases partially offset the decrease in consultancy and licence maintenance revenues by 39.8% to £3.29 million (2019: £5.46 million) and service and installations by 8.9% to £7.08m (2019: 7.78m); consultancy revenues decreased as a result of delays in renewing a major contract, which has been renewed in 2021, and our service and installations segment was most hard hit by delays due to the pandemic.

The change in revenue mix in the business resulted in a gross margin decrease to 43.5% (2019: 51.8%), a decrease driven from a reduction in consultancy and software licence maintenance revenue, partially offset by small increases in software licence and hardware revenues.

Administrative expenses, before adjusting for acquisition costs, intangible asset amortisation, share based payments and the charge for Celtech development costs, decreased by 11.7% to £8.68 million (2019: £9.83 million), largely driven by cost control measures introduced during the pandemic, including furlough claim relief amounting to £0.41 million (2019: NIL).

Adjusted earnings before interest, taxes, depreciation, amortisation, administration expenses resulting from acquisition costs and share-based payments 'Adjusted EBITDA' (see note 2) was down 50.1% to £1.94 million (2019: £3.89 million).

Operating loss before tax reduced by 69.2% to £0.41 million (2019: loss of £1.33 million) primarily as a result of the charge for impairment of development costs of £2.75 million incurred in the prior year. After net finance charges of £0.29 million (2019: £0.26 million), the company reported a loss before tax of £0.70 million (2019: loss of £1.59 million).

The tax credit for the period was £0.1 million (2019 restated: £0.56 million credit), with the decrease attributable to deferred tax credits arising from the acquisition of Celtech in the prior year. No corporation tax is payable for the 2020 trading performance.

Diluted losses per share were 0.24 pence (2019 restated: loss per share 0.40 pence).

Financial Review

CONTINUED

Balance Sheet

Non-current assets saw a small increase to £26.28 million (2019: 25.67m) due to an increase in capitalised development to £3.54 million (2019: £2.65 million) cost partially offset by the charge for impairment of development costs of £2.75 million in 2019.

Current assets were down £1.47 million to £11.77 million (2019: £13.24 million) largely due to a reduction in cash of £4.58 million to £1.83 million (2019: £6.41 million) which partially funded an increase in inventory balances of £3.69 million to £4.82 million (2019: £1.13 million) offset by cash inflows from a reduction in trade and other receivables of £0.56 million to £4.69 million (2019: £5.25 million). Debtor days were down from 45 days to 37 days and the Group is comfortable it has provided adequately for any expected credit losses. The reduction in trade debtors is largely due to a concerted effort to improve collections during the second half of the year.

Our trading update of 21 December 2020 explained that key to the second half results for 2020 was the roll-out of a material project for an existing customer where work is ongoing. Revenues from this project are now expected to be recognised in the first half of 2021 but the investment made in the project was recognised in the current financial year. In addition, inventory was purchased in preparation for this contract and resulted in higher year-end inventory balances.

Net Debt increased by £5.05 million to £4.69m (2019: £0.37 million net cash). The increase in net debt was primarily due to funding the increase in inventory balances to £4.82 million (2019: £1.13 million) in preparation for contact fulfilment for a major grocery customer referred to above. Bank borrowings at December 2020 amounted to £3.36 million (2019: £2.86 million) with bank covenants waived during the year.

Current liabilities decreased £0.65 million to £10.46 million (2019: £11.11 million) largely due to agreeing an HSBC bank trade facility of £1.31 million (2019: Nil) to fund the increase in inventory balances shown in current assets above plus a further increase in HSBC term loan £1.09 million (2019: £0.81 million). These were offset by the following changes in current liabilities.

- An decrease in trade creditors of £0.59 million to £1.25 million (2019: £1.85 million).
- A decrease in other taxation of £0.52 million to £0.84 million (2019: £1.36 million).
- A reduction in deferred revenue of £0.89 million to £2.45 million (2019: £3.34 million).
- £1.32 million reduction in lease borrowings to £0.99 million (2019: £2.30 million) following repayment of lease liabilities.

Non-current liabilities consisting of the HSBC term loan taken to partially fund the acquisition of Camden Technology in 2019 and lease liabilities arising under IFRS16 were stable at £4.05 million (2019: £4.09 million). This comprised of an increase in Lease liabilities to £2.17 million (2019: 0.88 million) as a result of a rent review for one of the Group's premises and a corresponding decrease in term loan balance to £1.02 million (2019: 2.05 million).

Cash Flow and Financing

The key drivers behind consolidated cash flows from operations decreasing from inflows of £7.57 million during the year ending 2019 to outflows of £1.22 million for the year ending December 2020 were primarily due to:

- An increase in inventory balances of £3.69 million (2019: decrease of £0.08 million);
- Decreased amounts payable of £0.7 million (2019: increase of £2.34 million); and,
- A decrease in loss before tax, adjusted for non-cash items, of £0.89 million (2019: increase of £1.07 million).

In addition to cash outflows from operating activities, £2.11 million (2019: 5.06 million) of outflows were attribute to Investing activities as follows:

- Settlement of final costs relating to the acquisition of Celtech of £0.27 million (2019: £2.86 million);
- Investment in product development of £1.60 million (2019: £1.92 million). A significant proportion of this was spent on adding fuel functionality to our acquired retail management solution, ab-initio, as well as connectivity to our payment and loyalty solutions; and,
- Purchase of fixed assets, £0.24 million (2019: £0.29 million). This is primarily computer equipment required to run the operations.

Cash flows from financing activities included:

- £1.61 million (2019: £3.26 million) cash inflow from the drawdown of a four-year term loan from HSBC Bank plc;
- Repayment of scheduled loans to HSBC of £1.18m (2019: £0.44 million); and,
- Repayment of lease liabilities of £1.69 million (2019: £1.75 million).

Cash on the balance sheet at the year-end amounted to £1.83 million (2019: £6.41 million). After deducting debt of £6.52 million (2018: £6.04 million), net debt (cash and cash equivalents less borrowings) at the year-end amounted to £4.69 million (2019: net cash of £0.37 million).

Key Performance Indicators

A

Sales Order Inflow to Delivery

Definition

Order book targets are set for each salesperson at the beginning of the year and discussed on a weekly basis by the Executive team. Sales order inflow to delivery is defined as new business deals won and delivered in the period.

2020 Performance

The sales order inflow to delivery target for 2020 was £6.7 million. Based on new business and strong order flow from existing customers, the Group achieved 98.7% of the target (£6.61 million).

B

Adjusted EBITDA Margin

Definition

Adjusted EBITDA margin is defined as earnings before interest, taxes, depreciation, amortisation, administration expenses resulting from acquisition costs and share-based as a percentage of revenue. Each business area is monitored each month and management accounts are discussed at both Executive team meetings and Board meetings.

2020 Performance

Adjusted EBITDA margin for 2020 was 9.8% (2019: 17.3%). This EBITDA margin was impacted by both the delay in the major project and effects of Covid in relation to our customer loyalty programmes.

C

Performance Against Contracted Service Level Agreements (‘SLAs‘)

Definition

SLA performance is monitored on a weekly basis and discussed with customers at quarterly review meetings.

2020 Performance

An SLA performance of 92.7% (2019: 94%) was achieved in 2020 against targets of 95%, despite the significant increase in call volumes between lock down periods.

Risk and Uncertainties

	Risk and Possible Impact	Risk Mitigation Activities
1	**Concentration of customers**	
	Three customers accounted for 57% of sales in 2020 (2019: 65%). Given this concentration, the loss of a major customer would result in a material reduction in turnover.	We act to mitigate the risk by securing long-term contracts with customers wherever possible. We also seek to provide high service levels and innovate new products. In addition, we are focused on business 'initiates' designed to broaden the customer base.
2	**Competition**	
	The market demands continual improvements in functionality, and competition from other suppliers exists.	To offset these risks, the Group continues to invest significantly in improving the quality and functionality of its products. The objective is to increase the value of the Group's offering to customers and to ensure that we continue to provide market-leading products and services.
3	**Maintaining the bank and other approvals to allow the group to operate as a payment service provider**	
	Attaining these approvals requires considerable committed resource and continuous product renewal.	The Group achieves the highest standard of PCI compliance by its annual certification process and continued monitoring of platform performance and changes in regulations and standards.
4	**Dependence on technology**	
	We are heavily dependent on technology for the smooth running of our business. A cybersecurity incident could lead to a loss of data integrity within our systems or loss of financial assets through fraud. A cyber-attack or serious failure in our systems could result in us being unable to deliver service to our customers. As a result, we could suffer reputational loss, financial loss and penalties.	The Group operates robust and well-protected data centres with multiple data links to protect against the risk of failure. The Group also maintains near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at the primary site. The use of antivirus and malware software, firewalls, email scanning and internet monitoring are also an integral part of our security plan.

Risk and Possible Impact	Risk Mitigation Activities

5 Market changes

Significant ownership changes could occur within the Group's target markets of petrol forecourt and convenience stores. Major oil companies have withdrawn from retailing operations and both market sectors are seeing a degree of consolidation activity. This provides both an opportunity and a threat.

The Group's response is to continue to develop market-leading products and to ensure they can be integrated as widely as possible within the other technologies used in petrol retailing and the convenience store sectors.

6 COVID-19 and business continuity risk

Since the outbreak of COVID-19, the global economy continues to be in a period of significant turbulence.

To manage this exceptional situation, the Group moved quickly to put in place robust measures to reduce exposure to financial risk while continuing to support customers and secure revenue in the changed market.

Business continuity strategy

1. Immediate audit of risk and reduction in non-core spending
   - Review of market conditions and existing customers' reaction.
   - Test of all systems to enable secure remote working for the entire workforce.
   - Supply chain review to identify/reduce exposure to risk.
   - All non-essential spending on hold.
2. **Reassure clients we can continue to support them and continue to deliver solutions**
   - Identification of client's immediate needs in the current environment and how best to deliver the required product/service solutions.

Our Governance

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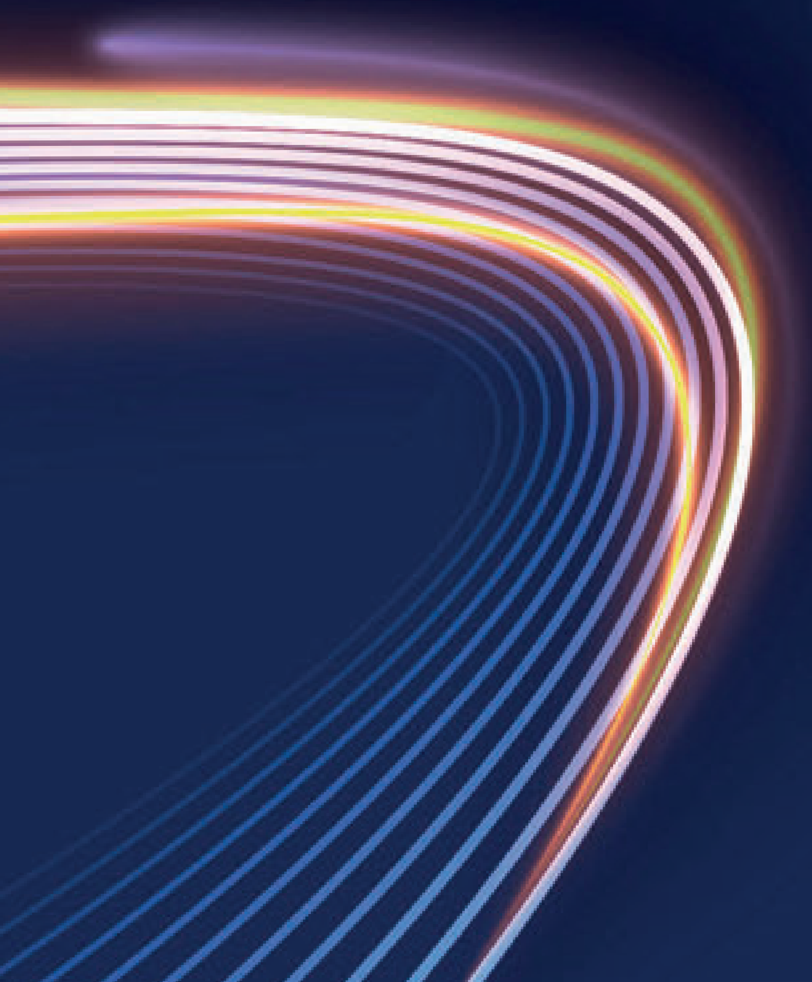

Board of Directors

Andrew Blazye
Executive Chairman (62)

Appointment date:

September 2017.

Experience:

Director of Dunhumby Ltd (a Tesco subsidiary), Global General Manager of payments at Royal Dutch Shell and a Non-Executive Director of businesses in the loyalty and petrol forecourt service sectors.

Committees:

Chair of the Audit Committee, member of the Remuneration Committee.

External appointments:

Executive Chairman of Aryza Group (formerly Vision Blue Solutions).

Non-Executive Chairman of ClearCourse.

Skills brought to the Board:

Loyalty marketing, petrol retailing and payment systems.

Number of Board meetings attended in 2020:

13 out of 13.

Sector experience:

Loyalty, petrol, retail and payment.

Jeremy Lewis ACA
Chief Executive Officer (58)

Appointment date:

September 2013.

Experience:

Chief Executive Officer of Catalis SE, Director of M&A at Flemings Investment Bank. Chief Executive Officer (to February 2005) and Chairman of the Advisory Board, Terraplay Systems AB. Chief Financial Officer of Eidos.

External appointments:

None.

Skills brought to the Board:

Innovation, M&A expertise, finance, technology and digital media.

Number of Board meetings attended in 2020:

13 out of 13.

Sector experience:

Software.

Daryl Paton ACA
Chief Financial Officer (56)

Appointment date:

July 2017.

Termination date:

November 2020.

Experience:

Chief Financial Officer of Access Intelligence plc and of CMO Global Limited.

Committees:

Company Secretary.

External appointments:

None.

Skills brought to the Board:

M&A expertise, finance and operational experience.

Number of Board meetings attended in 2020:

12 out of 13.

Sector experience:

Software.

Ivan Brooks
Non-Executive Director (56)

Appointment date:

April 2019.

Experience:

Chief Information Officer for McDonald's UK and for Countrywide Plc.

Committees:

Member of the Remuneration Committee. Member of the Audit Committee.

External appointments:

Independent executive IT consultant.

Skills brought to the Board:

Over 30 years' experience in information technology leadership and consulting.

Number of Board meetings attended in 2020:

13 out of 13.

Sector experience:

Retail systems, payments, property and financial services.

Malcolm Coster
Non-Executive Director (76)

Appointment date:

August 2007.

Experience:

Group Systems Coordinator BP Plc, Executive member of the Board and Managing Partner of Management Consulting at Coopers & Lybrand (now PwC), President of Europe, Middle East and Africa for UNISYS Corporation, Director BTG Plc, Director Torotrak plc.

Committees:

Chair of the Remuneration Committee. Member of the Audit Committee.

External appointments:

Independent Management Consultant.

Skills brought to the Board:

30 years' experience as Chairman/Director of public and private technology, systems and services.

Number of Board meetings attended in 2020:

13 out of 13.

Sector experience:

Petrol, Technology, Systems and Services, Manufacturing, Venture Capital.

Corporate Governance Report

The Board believes strongly in the value and importance of good corporate governance and in our accountability to all of Universe Group's stakeholders, including shareholders, staff, clients and suppliers. In the statement below, we explain our approach to governance, and how the Board and its committees operate

The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's ('QCA') Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA Code.

Board Composition and Compliance

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors, of which at least two should be independent. The Universe Group Plc Board consists of two Executive Directors and three Non-Executive Directors, including Andrew Blazye as Non-Executive Chairman. Malcolm Coster, as well as Non-Executive Director, assumes the role of Chair of the Remuneration Committee and is a member of the Audit Committee.

Board Evaluation

We have supported the QCA Code's principle to regularly review the effectiveness of the Board's performance as a unit, as well as that of its committees and individual Directors. We will be considering the use of external facilitators in future Board evaluations.

Shareholder Engagement

We have made significant efforts to ensure effective engagement with both institutional and private shareholders, in addition to the usual roadshows following the release of full year and interim results, each of which was expanded to include a greater number of existing and potential new investors.

The Board has ultimate responsibility for reviewing and approving the Annual Report and Accounts and it has considered and endorsed the arrangements for their preparation, under the guidance of its Audit Committee. The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The following paragraphs set out Universe Group's compliance with the ten principles of the QCA Code.

Corporate Governance Report

CONTINUED

Principle 1

Establish a strategy and business model which promotes long-term value for shareholders

Our Purpose and Objective

The purpose of the Group is encapsulated in the expression of its mission, which is to be an innovative and profitable British fintech developer of point-of-sale, payment and loyalty systems.

The objective of the Group is to maximise revenue and profit growth by cementing its position as a market leader in its chosen verticals in the UK ahead of geographical and other vertical expansions.

Our Proposition

Our core proposition is a portfolio of market-leading software, hardware, and unrivalled industry insights. However, our ever-increasing value is in the development of that portfolio to deliver robust, reliable – and often real-time – business intelligence.

In addition to maximising the Group's current revenue streams, our long-term strategy focuses on achieving sustainable margin growth through the development of proprietary, innovative technology – and the pursuit of that proposition to enable decision-making with absolute confidence. Against a backdrop of commercial uncertainties, the Universe Group plc offers stability and opportunities for growth to clients and investors alike.

Via our operating subsidiary, Htec Ltd, and with a particular focus on the UK and Ireland, we service the needs of fuel forecourts and the convenience store marketplace by providing electronic point-of-sale, payment, media, loyalty solutions and support.

What Makes Us Different?

Our reputation gives clients the confidence to explore more innovative payment solutions. Our experience of retail lets us solve real-world problems for clients and their staff. We have close ties with market leaders – such as NCR, Toshiba and Ingenico – which means flexibility for retailers. Our strategy lets us seek out and embrace start-up culture, pursuing the popularity of mobile technology to secure value and differentiation for our product set. We believe no other provider in our market has the same levels of insight and point-of-sale systems experience.

Our Unique Selling Points

We design, build, install and support electronic point-of-sale ('EPOS') systems that help millions of consumers pay for their goods at petrol stations and in convenience stores across the UK. Every year we process over 20 billion transactions. Our EPOS systems integrate seamlessly with indoor and outdoor payment points at each site. They also collect the data needed to deliver effective loyalty programmes, to manage stock efficiently, and to increase customer acquisition and retention rates in a highly competitive market. We improve purchase experiences by enabling smooth, rapid, reliable transactions. We represent efficiency and ease as a one-stop-shop for processing payments, managing stock and increasing loyalty. We deliver added value by enabling data analytics and insights that can augment basket size, attract greater footfall, improve stock insights and increase profitability.

Principle 2

Seek to understand and meet shareholder needs and expectations

Responsibility for investor relations rests with the CEO, supported by the CFO. During the period under review, the following activities were pursued to develop a good understanding of the needs and expectations of all constituents of the Group's shareholder base:

Date	Description	Participants
Apr 20	Full year results roadshow to institutional shareholders	JMJL, DP
Jun 20	AGM	JMJL, DP, AB, MC, IB
Sept 20	Preliminary results roadshow	JMJL, DP
Apr 21	Full year results roadshow to institutional shareholders	JMJL

Key:
JMJL: Jeremy Lewis
DP: Daryl Paton
AB: Andrew Blazye
MC: Malcolm Coster
IB: Ivan Brooks

The Group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the annual general meetings ('AGM'), and we encourage shareholders' participation in face-to-face meetings. A range of corporate information (including all Universe Group announcements) is also available to shareholders, investors and the public on our website.

Private Shareholders:

The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors whenever possible, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution, by way of a poll. For each resolution we announce the number of votes received for, against and withheld and subsequently publish them on our website.

Institutional Shareholders:

The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Our CEO and CFO make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. We communicate with institutional investors frequently through a combination of formal meetings, participation at investor conferences, roadshows and informal briefings with management. The majority of meetings with shareholders and potential investors are arranged by the broking team within the Group's nominated advisor. Following meetings, the broker provides anonymised feedback to the Board from all fund managers met, from which sentiments, expectations and intentions may be gleaned.

In addition, we review analysts' notes to achieve a wide understanding of investors' views. This information is considered by the Board and has contributed to the preparation of the Group's investor relations strategy.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Stakeholder	Reason for Engagement	How we Engage
Staff Our ability to fulfil and exceed a client's expectations and develop and enhance our products and services on which they depend relies on having talented and motivated staff.	Good two-way communication with staff is a key requirement for high levels of engagement, fostering a culture of innovation.	Regular all staff briefings and daily and weekly team meetings. Invitation to staff to ask questions of management that are answered in these briefings. Open invitation to all staff to have one-on-one meetings with any of the senior management team and Executive Directors. Annual employee reviews. These have all provided insights that have led to enhancement of management practices and staff incentives.
Clients Our success and competitive advantage is dependent upon fulfilling client requirements, particularly in relation to the quality of our product and our speed and ability to respond to installation and service desk requests.	Understanding current and emerging requirements of clients enables us to develop new and enhanced product and services, together with building a team of engineers and client support personnel capable of delivering, installing and servicing our clients.	Seek feedback on product and services through our account management and product management teams. Measure and manage performance against contracted service level agreements ('SLAs'). SLA performance is monitored on a weekly basis and discussed with customers at quarterly review meetings. Working closely with our clients, understanding their needs and measuring our delivery and service performance has led to the Group establishing relationships with large household brands and maintaining these relationships in many cases for significant periods of time.
Suppliers As a software and service provider to the fuel and convenience sectors, the Group relies on many suppliers to allow it to deliver its end-to-end service including a number of collaboration partners and hardware manufacturers.	We are one of many customers for our suppliers who also trade with our competitors so it's important we maintain a strong relationship with them through regular communication and trade on terms that allow us to become a valuable customer to them.	We have close relationships with our key suppliers, talking to them regularly, sharing our plans where relevant and involving them early in negotiations of key and significant opportunities with our clients to avoid late surprises and unrealistic expectations. We operate systems to ensure that supplier invoices are processed and paid promptly. These have led to a large network of long-term suppliers happy to do business with us and support us through busy times and tight deadlines.

Corporate Governance Report

CONTINUED

Stakeholder	Reason for Engagement	How we Engage
Shareholders As a public company we must provide transparent, easy-to-understand and balanced information to ensure support and confidence.	Meeting regulatory requirements and understanding shareholder sentiments on the business, its prospects and performance of management.	Regulatory news releases. Keeping the investor relations section of the website up-to-date. Participation at investor events. Publish interviews with investor publishers and broadcasters. Annual and half-year reports and presentations. AGM. Capital markets events. We believe we successfully engage with our shareholders.
Communities What we do impacts communities in the places where we operate and elsewhere.	It is important to be perceived as a reputable business that makes a positive contribution to local economies and is attractive as an employer and partner.	Multiple activities to support fundraising for local charities and good causes. Participation in apprenticeship and other schemes to support and provide opportunities to young people. These have led to an improved profile for the Group in the local areas of its major operations.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group holds a risk register for the Group that identifies key risks in the areas of corporate strategy, financial, clients, staff, environmental and the investment community. The register is reviewed periodically and is updated as and when necessary.

Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit. In addition to this, in the Strategic Report, the Group also reports on principal risks and uncertainties facing the Group.

On joining the Company, staff are instructed to, anonymously or otherwise, report any security risks or threat they perceive in the operations of the business. On receipt of any such notification, a security incident team is assembled to assess and take remedial action as appropriate in the circumstances. Staff are periodically reminded thereafter through a course of regular online training.

Principle 5

Maintain the Board as a well-functioning, balanced team led by the chair

The members of the Board have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.

The Board consists of five Directors, of which two are Executive and three are independent Non-Executives. The Board is supported by two committees: Audit and Remuneration. The Board does not consider that it is of a size at present to require a separate nominations committee, and all members of the Board are involved in the appointment of new Directors. The Board intends to appoint additional Non-Executive Directors as its business expands.

Non-Executive Directors are required to attend five Board and Board committee meetings per year (in Southampton and London) and to be available at other times as required for face-to-face and telephone meetings with the Executive team and investors.

The Board notes that a non-executive director has been in post for more than nine years but considers that they remain functionally independent, in that they remain fully committed to promoting the success of the Company for the benefit of shareholders as a whole. It is anticipated that enhancements to Board composition over the coming periods will result in greater QCA Code compliance in respect of director independence.

The Board acknowledges that share options have been granted in the past to Non-Executive Directors but that the practice has now ceased.

Meetings held during the year and the attendance of Directors is summarised below:

	Board meetings (inc. those held by conference call)		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors						
Jeremy Lewis	13	13	4*	4*	–	–
Daryl Paton	13	12	4*	4*	–	–
Non-Executive Directors						
Andrew Blazye	13	13	4	4	3	3
Malcolm Coster	13	13	4	4	3	3
Ivan Brooks	13	13	4	4	3	3

* Jeremy Lewis and Daryl Paton are not members of the Audit Committee but attend by invitation.

The Board has a schedule of regular business, financial and operational matters, and each Board committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chairman is responsible for ensuring that, to inform decision-making, Directors receive accurate, sufficient and timely information.

The Company Secretary compiles the Board and committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

Corporate Governance Report

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Principle 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

All five members of the Board bring relevant sector experience in finance, technology and payments, most have at least nine years of public markets experience, and three members are Chartered Accountants. All Directors are male. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Directors attend seminars and other regulatory and trade events to ensure that their knowledge remains current.

ANDREW BLAZYE,

Executive Chairman

Term of office: Appointed as Executive Chairman on 26 February 2021, previously non-executive Chairman from 26 September 2017; Chair of the Audit Committee and a member of the Remuneration Committee.

Andrew joined the Universe Group Board in May 2015 as a Non-Executive Director, replacing Robert Goddard as Chairman in September 2017. Andrew has considerable experience in many of the Group's activities including loyalty, petrol retailing and payment systems. He is currently Executive Chairman of Visionblue Solutions Ltd, a market leading provider of insolvency and loan management software products to the financial services sectors in UK, Ireland, Canada and New Zealand. He is also Non-Executive Chairman of ClearCourse, a high growth UK based software solutions business. Prior to this, he was a member of the Global Executive team at FleetCor Technologies Inc., a NYSE-listed provider of specialised payment products and services to businesses, a Director of Dunhumby Ltd (a Tesco subsidiary), Global General Manager of payments at Royal Dutch Shell and a Non-Executive Director of businesses in the loyalty and petrol forecourt service sectors. He is a Fellow of the Institute of Directors.

Time commitment: one to two days per month as a Non-Executive; up to 6 days a month from February 2021.

MALCOLM COSTER,

Non-Executive Director

Term of office: Joined as Non-Executive Director on 16 August 2007; Chair of the Remuneration Committee and a member of the Audit Committee.

Malcolm Coster has over 30 years' experience at board-level positions in technology services and manufacturing companies. Prior to these roles he was President of Europe, Middle East and Africa for UNISYS Corporation from 1994 to 1997, and an executive member of the Board and Managing Partner of Management Consulting at Coopers & Lybrand from 1986 to 1994. His earlier career was in senior international IT positions with the BP Group. Malcolm has a Special Honours degree in Mathematics from Kings College, London and is a qualified Chartered Engineer. Malcolm is an experienced chairman, board member and non-executive director of several well-known public companies.

Time commitment: one to two days per month.

IVAN BROOKS,

Non-Executive Director

Term of office: Joined as Non-Executive Director on 23 April 2019; member of the Remuneration Committee and a member of the Audit Committee.

Ivan Brooks brings over 30 years' experience in information technology ("IT") leadership and consulting for retail and consumer-facing businesses. Ivan previously served as Chief Information Officer for McDonald's UK and Countrywide, where he led the adoption and roll-out of new technologies and drove business efficiency initiatives. Most recently Ivan has been advising a range of UK businesses as an independent executive IT consultant, helping clients. In his current role Ivan helps executive management teams, IT specialists and CIOs to set and execute their technology address a range of IT topics, ranging from IT strategy to internal systems reviews and business transformation projects strategy.

Time commitment: one to two days per month.

JEREMY LEWIS,

Chief Executive Officer

Term of office: Appointed as CEO on 23 September 2013.

Jeremy has a BSc in engineering from Imperial College, London and from there joined KPMG where he qualified as a Chartered Accountant. He spent the next 11 years in investment banking with the focus on M&A and equity capital markets in both the US and Europe. Jeremy has extensive experience in technology-based companies active in areas such as mobile networks, digital media and software for such companies as Eidos, Terraplay Systems and Catalis.

Time commitment: full time.

DARYL PATON,

Chief Financial Officer

Term of office: Appointed as CFO and Company Secretary on 11 July 2017. Termination date November 2020.

Daryl left Universe at the end of November 2020, having joined from Access Intelligence plc where he was Chief Financial Officer since February 2016. Prior to Access he was at CMO Global Limited and has held the position of CFO with a number of fast-growing software and SaaS businesses in the Governance, Risk and Compliance, Media and Telecom sectors. These included public and privately held companies. In addition to his roles as Chief Financial Officer, he has held a range of operational positions and has a wealth of experience in M&A and other corporate finance activities.

Time commitment: full time.

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

A Board evaluation process led by the Chairman took place in August 2017. All then current Directors began by completing questionnaires about the effectiveness of the Board and a self-assessment of their own contributions which were returned to the Chairman. The Chairman then reviewed this information and used it as the basis for an individual discussion with each Director, followed by a collective discussion with the Board.

The review considers effectiveness in a number of areas including general supervision and oversight, business risks and trends, succession and related matters, communications, ethics and compliance, corporate governance and individual contribution.

A number of refinements in working practices were identified as a result of this exercise and have since been adopted.

We will be considering the use of external facilitators in future Board evaluations.

As the business expands, the Executive Directors will be challenged to identify potential internal candidates who could potentially occupy Board positions and set out development plans for these individuals.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

The Board believes success will be achieved by treating all our stakeholders fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. Compliance with this is considered an important part of the annual assessment of staff. Principles include:

Customers first – by putting ourselves in their shoes to understand their needs and striving to exceed their expectations.

Positivity – the Group encourages self-motivation, adaptability, agility and feeling empowered to make a difference by speaking out with ideas to make things better.

Team players – we operate and depend on each other as a team and not as a collection of individuals. We are passionate about communicating and learning from colleagues, customers and other stakeholders.

Be innovative – producing and delivering solutions designed to deliver on and exceed our clients' expectations whilst working smarter to reduce costs, increase efficiency and make lives easier.

Respect – be respectful, courteous, honest and straightforward in all our dealings. We honour diversity, individuality and personal differences. We are committed to conducting our business with the highest personal, professional and ethical standards.

The culture of the Group is characterised by these values which are communicated to staff through internal communications. A staff recognition programme operates where employees can nominate any of their colleagues for a contribution that is in keeping with the five core values. Nominees are recognised and rewarded at regular Company-wide staff briefings.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The **Board** provides strategic leadership for the Group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans. The Board defines a series of matters reserved for its decision and has approved terms of reference for its Audit and Remuneration Committees to which certain responsibilities are delegated. The chair of each committee reports to the Board on the activities of that committee.

The **Audit Committee** monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of the internal audit function and reviews external Auditor independence.

The **Remuneration Committee** sets and reviews the compensation of Executive Directors including the setting of targets and performance frameworks for cash- and share-based awards.

The **Executive Board**, consisting of the Executive Directors, operates as a management committee, chaired by the CEO, which reviews operational matters and performance of the business, and is responsible for significant management decisions while delegating other operational matters to individual managers within the business.

The **Chairman** has overall responsibility for corporate governance and in promoting high standards throughout the Group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual Directors, the Board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the Group and its shareholders.

Corporate Governance Report

CONTINUED

The **Chief Executive Officer** provides coherent leadership and management of the Group, leads the development of objectives, strategies and performance standards as agreed by the Board, monitors, reviews and manages key risks and strategies with the Board, ensures that the assets of the Group are maintained and safeguarded, leads on investor relations activities to ensure communications and the Group's standing with shareholders and financial institutions is maintained, and ensures that the Board is aware of the views and opinions of employees on relevant matters.

The **Executive Directors** are responsible for implementing and delivering the strategy and operational decisions agreed by the Board, making operational and financial decisions required in the day-to-day operation of the Group, providing Executive leadership to managers, championing the Group's core values and promoting talent management.

The **Independent Non-Executive Directors** contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Executive Directors and ensure that the Group is operating within the governance and risk framework approved by the Board. A Non-Executive Board member has taken on Executive duties on a temporary basis during 2021.

The **Company Secretary** is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk.

The matters reserved for the Board are:

- Setting long-term objectives and commercial strategy.
- Approving annual operating and capital expenditure budgets.
- Changing the share capital or corporate structure of the Group.
- Approving half-year and full-year results and reports.
- Approving dividend policy and the declaration of dividends.
- Approving major investments, disposals, capital projects or contracts.
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars.

Approving Changes to the Board Structure

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the Group evolves.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

In addition to the investor relations activities described above, the following Audit and Remuneration Committee reports are provided.

Audit Committee Report

During the period, the Audit Committee has continued to focus on the effectiveness of the controls throughout the Group. The Audit Committee consists of Andrew Blazye, Chair, Malcolm Coster and Ivan Brooks. The Committee met three times in the period, and the external Auditor and Chief Financial Officer were invited to attend these meetings. Consideration was given to the Auditor's pre- and post-audit reports and these provide opportunities to review the accounting policies, internal control and the financial information contained in both the annual and interim reports.

The terms of reference for the Audit Committee can be found on page 20.

Remuneration Committee Report

The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to make recommendations to the Board on the remuneration of Executive Directors. In addition, the Committee oversees the creation and implementation of all-employee share plans. The Remuneration Committee consists of Malcolm Coster, Chair, Andrew Blazye and Ivan Brooks. The Committee met three times.

In setting remuneration packages, the Committee ensured that individual compensation levels, and total Board compensation, were comparable with those of other AIM-listed companies.

The terms of reference for the Remuneration Committee can be found on page 22.

Directors' Share Dealings in the Period

Directors share holdings and share dealings in the period are included in the Directors' Report on page 25.

On behalf of the Board

ANDREW BLAZYE
Executive Chairman
29 April 2021

Directors' Remuneration Report

The Remuneration Committee consists of Malcolm Coster, Andrew Blazye and Ivan Brooks.

The role of the Committee is to determine, on behalf of the Board, the Company's policy on Executive Directors' and other senior employees' remuneration, within set written terms of reference approved by the Board. The remuneration of the Non-Executive Directors is approved by the Board of Directors. As Chairman of the Committee, I have been asked by the Board to report to you on all remuneration matters on its behalf.

Remuneration Policy

The remuneration policy of the Group is:

- to provide a suitable remuneration package to attract, motivate and retain Executive Directors who will run the Group successfully;
- to formulate a package that will include a significant proportion of performance-related pay and to align the Directors' personal interests to those of the shareholders; and
- to ensure that all long-term incentive schemes for the Directors are approved by the shareholders.

Other than as disclosed in note 30, as shareholders, none of the Committee has any personal financial interest, conflicts of interest arising from cross-Directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about their own remuneration. The Remuneration Committee members are expected to draw on their experience to judge where to position the Group, relative to rates of pay at other companies and other groups, when considering remuneration packages for Executives.

Benefits in kind include the provision of medical insurance premiums and a car or car allowance. All Executive Directors participate in the Group's pension plan. The pension contributions represent the Group's contribution to defined contribution pension plans. Bonuses and benefits in kind are not pensionable.

All of the Executive Directors have service contracts, which provide for notice periods of no more than one year. All the Non-Executive Directors have service contracts, which provide for notice periods of three months.

The Remuneration Committee recognises the importance of appropriate incentive arrangements in assisting with the recruitment and retention of senior Executives. The Remuneration Committee believes that share-based incentives align the interests of employees with those of shareholders but recognises that options to acquire shares at their market value on the date of grant are not always the most appropriate way to achieve this.

At the year end, only one of the Executive Directors participated in EMI option schemes and this Executive Director, together with one of the Non-Executive Directors, participate in unapproved option schemes. The share options outstanding at the year-end have all vested and will lapse if a) the Directors leave employment for any reason other than a 'Good Reason' as defined within the scheme rules and b) at the end of the tenth anniversary of the Date of Grant.

Directors' Detailed Emoluments

	Salary and fees £000	Benefits £000	Bonus £000	Pension £000	**2020 £000**	2019 £000
Executives						
J M J Lewis	227	13	–	20	**260**	289
D M Paton	182	6	–	16	**204**	217
Non-Executives						
A Blazye	75	–	–	–	**75**	84
M Coster	41	–	–	–	**41**	41
I Brooks	126	–	–	–	**126**	26
	651	19	–	36	**706**	658

Note: During 2020, to assist the Group with a major project, Ivan Brooks took an interim post in the business as Chief Operations Officer, for which his fees are reflected in the table above, in addition to his usual NED remuneration.

Directors' Remuneration Report

CONTINUED

Directors' Share Options

Details of share options held by Directors over the ordinary shares of the Company are set out below. The Remuneration Committee considers and recommends all new long-term incentive arrangements for the Executive Directors and other employees.

The market price of the Company's shares at the end of the financial year was 3.90p per 1p share (2019: 5.25p per 1p share) and the range of market prices during the year was between 2.55p and 6.80p.

	Scheme	At 1 January 2020	Granted	Exercised	Lapsed/ Cancelled	**At 31 December 2020**	Exercise price	Vesting price
J M J Lewis	EMI	3,440,000	–	–	–	**3,440,000**	4.5p	9.5p
J M J Lewis	Unapproved	560,000	–	–	–	**560,000**	4.5p	9.5p
J M J Lewis	Unapproved	1,644,500	–	–	–	**1,644,500**	5.5p	9.5p
M Coster	Unapproved	875,000	–	–	–	**–**	1p	5p
M Coster	Unapproved	100,000	–	–	–	**100,000**	5.5p	9.5p
		6,619,500	–	–	–	**6,619,500**		

Directors' share options are exercisable only upon the achievements of a target share price as set out above, and in certain cases have a minimum vesting period. Details are set out below:

Director	Number of options	Exercise price	Vesting date	Date of grant
J M J Lewis	3,440,000	4.5p	13 November 2016	13 November 2013
J M J Lewis	560,000	4.5p	13 November 2016	13 November 2013
J M J Lewis	1,644,500	5.5p	28 October 2017	28 October 2015
M Coster	100,000	5.5p	28 October 2017	28 October 2014

Interests In Shares

Interests in shares have been disclosed in the Directors' Report on page 25.

On behalf of the Board

MALCOLM COSTER
Chairman of the Remuneration Committee
29 April 2021

Directors' Report

The Directors present their report and the audited accounts for the year ended 31 December 2020.

Principal Activities and Future Developments

The principal activities of the Group and its likely future developments are covered in the Strategic Report on pages 6 to 8.

Going Concern

UK company law requires Directors to consider whether it is appropriate to prepare the financial statements on the basis the Company and Group are going concerns. Throughout the financial statements there are various disclosures relating to going concern. This Directors' Report summarises the key themes and references those areas where greater disclosure is given.

The Group's main sources of finance are a four-year term loan from HSBC, the working capital facility to fund hardware purchases and finance leases. The year-end amounts outstanding on each are discussed within note 20.

As a result of the continued market uncertainty due to the ongoing COVID-19 situation, the possible impact on available cash during the next 12 months' trading has been modelled under a range of assumptions and sensitivities, primarily informed by identified Key Risks and Uncertainties. As part of this, the directors have performed stress tests to confirm that the business will be able to operate for at least 12 months following the date of this report. This stress test involves the assessment of cash flows against available cash balances.

The downside sensitised forecast has been reviewed by the Directors to ensure that the profit and cash generation derived from these forecasts, coupled with existing bank facilities, are sufficient to meet the Group's requirements. This is discussed further within liquidity risk in note 22 and is the key factor in relation to going concern.

The Group has invested significantly in its inventory levels at year end to service a large contract for the sale of outdoor payment terminals, an order which also incorporates the Group's bespoke software solution. Full customer settlement is expected to take place during Q2 2021 subject to the normal pilot and roll-out arrangements which are currently in train. Both parties are aware that progress could be delayed by the resolution of operational factors identified during pilot and roll-out. To date, no significant operational factors have been identified. Mindful of the impact that any significant delays may have on ongoing working capital requirements, the directors are working with lenders to secure additional short-term funding if the need arises.

Although the directors expect that such funding would be provided if required – particularly as the Group is holding the outdoor payment terminals in inventory as security – the facilities are not yet in place, as they are not currently required. HSBC have continued to provide support to the business. HSBC have deferred the quarterly loan repayments for both December 2020 and March 2021 and waived the Debt Service Cover and Interest Cover covenants for December 2020 and all covenants at March 2021, along with providing continued access to the working capital facility. The Directors are confident that HSBC will further support the business at 30 June 2021, in relation to both the deferral of facility repayments falling due and covenant waivers if required should roll-out delays continue.

The results of the revised forecast confirm that the Group will be able to continue to operate for at least 12 months from the date of this report. The assessment is based on the Board's best estimate at the date of this report which may be subject to review as the situation evolves further. As at the date of this report, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. However, the Directors believe that the timing of the execution of the contract referred to above and the consequent need to secure additional facilities in the event of further delay is a material uncertainty related to going concern.

Assessment of the Impact of the United Kingdom's Withdrawal from the European Union ('Brexit') on the Group

The Group remained unaffected by the United Kingdom's exit from the European Union on 1 January 2021.

The majority of the Group's suppliers are based outside of the European Union. This means that the Group is already operating to World Trade Organisation (WTO) rules and importing outside of the boundaries of EU legislation. For third party products, the Group maintains an operating stock level of all products to cover the maintenance needs of all customers, the majority of which is sourced from either the United Kingdom or outside the European Union. With respect to people, the Group does not require cross-border movement of employees to deliver its service to customers.

In addition, Universe continuously reviews the need to hedge its currency exposure. Our normal inflows and outflows of both US dollars and Euros currently provide a natural hedge against currency risk exposure.

Financial Instruments

Information about the use of financial instruments by the Company and its subsidiaries, and the Group's financial risk management policies, is given in note 23.

Directors' Report

CONTINUED

Research and Development

The Company has a continuing commitment to a high level of research and development. During the year expenditure on research and development of £3.51 million (2019: £3.91 million) was charged to the Consolidated Statement of Comprehensive Income. The expenditure was primarily associated with developing payment technology. In addition, development costs of £1.59 million (2019: £1.92 million) were capitalised. A significant proportion of research and development in the year was spent on adding fuel functionality to our ab-initio solution as well as connectivity to our payment and loyalty solutions.

Post Balance Sheet Events

The COVID-19 situation which occurred after the year end is expected to have a significant impact on the Group in its ability to win and deliver new business and support existing customers. The impact has been referred to in detail in the Strategic Report, and the Going Concern statement above.

Dividends

The Directors do not propose the payment of a dividend (2019: £Nil).

Directors' Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors. These provisions remain in force at the date of this report.

Annual General Meeting

The resolutions to be processed at the Annual General Meeting to be held on 29 June 2020, together with explanatory notes, appear in the separate Notice of Annual General Meeting to be sent to all shareholders.

Substantial Shareholdings

As at 24 March 2021, the Company had been notified of the following substantial holdings in the ordinary share capital of the Company.

Shareholder	No. of ordinary shares	% of voting rights and issued share capital
Gresham House Asset Management	44,531,850	17.06%
Downing LLP	44,058,131	16.88%
Astralflair	22,842,785	8.75%
Ennismore Fund	19,281,995	7.39%
Amati Global Investors	11,956,199	4.58%
Interactive Investor Trading	12,329,821	4.72%
Amati Global Investors	11,956,199	4.58%
Hargreaves Lansdown plc	8,786,167	3.37%
Barclays Bank	8,117,713	3.11%
	183,860,860	70.44%

Directors

The Directors who served during the year and to the date of approval of the financial statements were as follows:

A R Blazye (Chairman)
J M J Lewis
M Coster
I Brooks

Those Directors serving at the end of the year, or at the date of this report, had an interest in the ordinary share capital of the Company at 31 December as follows:

	Ordinary shares of 1p each		
	2019 Number	Acquired in the period	**2020 Number**
J M J Lewis	532,387	–	**532,387**
A R Blazye	300,000	–	**300,000**
M Coster	1,347,093	1,097,018	**2,444,111**
I Brooks	50,000	150,000	**200,000**

The Directors had no other disclosable interests under the Companies Act 2006 in the shares of the Company or of any other Group company.

Details of the Directors' share options are provided in the Directors' Remuneration report on page 23.

Statement of Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of Information to Auditor

At the date of making this report, each of the Company's Directors, as set out on page 20, confirm the following:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

BDO LLP served as Auditor during the year and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The Directors' Report was approved by the Board signed on its behalf by:

J M J LEWIS
Director
29 April 2021

Independent Auditor's Report

TO THE MEMBERS OF UNIVERSE GROUP PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Universe Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates the Directors' considerations over going concern. The Group has a large contract which is expected to be settled in May 2021. Should the execution of this contract be delayed, the Group would need to seek additional short-term funding. As stated in note1, these events or conditions, along with other matters set out in the note, indicate that a material uncertainty exists that may cast significant doubt on the group and the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included evaluating the following:

- The Directors' method of forecasting including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other. This was achieved through comparison to historic results and evidence of known pipeline opportunities;
- The Directors' expectations in relation to the timing of the execution of the significant contract that has given rise to the material uncertainty. This included the inspection of latest correspondence relating to the execution of the work;
- The Group's financing facilities in place, their projected utilisation and the Directors' forecast covenant compliance. This involved checking the covenant compliance calculations to the terms of the agreements and underlying forecasts;
- The Directors' stress-testing of the forecasts to the extent of reasonable worst-case scenarios; and
- The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and the material uncertainty with reference to the specific circumstances of the Group.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Direct coverage by the Group engagement team	90% (2019: 92%) of Group revenue 92% (2019: 96%) of Group total assets		
Key audit matters		**2020**	2019
	Revenue recognition	✓	✓
	Development costs	✓	✓
	Going concern	✗	✓
	Impairment review	✓	✗
	Acquisition accounting	✗	✓
	Acquisition accounting is no longer considered to be a key audit matter as this was a one-off transaction in the prior year. Going concern is no longer considered to be a key audit matter as, aside from the material uncertainty as described in Note 1 to the financial statements, there is considered to be less judgement in the forecasts after trading in an environment impacted by COVID-19 for over a year.		
Materiality	Group financial statements as a whole £150,000 (2019: £100,000) based on 0.75% of revenues (2019: based on a combination of revenue, earnings before interest, tax, depreciation and amortisation ("EBITDA") and profit before tax).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The group audit team, based in the UK, performed full scope audits of the significant components in the UK – being the parent company and the main trading entity – which comprised 90% of Group revenues and 92% of Group assets.

A BDO member firm performed a full-scope audit on the significant component located in Ireland.

In respect of the two insignificant components, the group audit team, based in the UK carried out desktop procedures. Although not strictly necessary for group purposes, BDO Ireland, as component auditors, also carried out full scope audit on the insignificant components.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- The issuance of detailed instructions that included prescriptive procedures to be performed on the significant risks of material misstatement;
- Further involvement in directing the audit strategy through a review of the component auditor's work plans and meetings with the component auditor at the audit planning stage;
- Supervision of the audit process that included regular communication with the component auditor and a review of their audit files; and
- Attending an audit close meeting with the component auditor at the conclusion of the component audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

TO THE MEMBERS OF UNIVERSE GROUP PLC

Key audit matter	How the scope of our audit addressed the key audit matter	
Revenue recognition *The revenue accounting policy is included in Note 1 of the financial statements, while the analysis of revenues by stream is presented in Note 3.*	The Group earns revenue from the sale of software licences and hardware, services and installations, transaction processing and consulting and software licence maintenance. Management applies estimation in their application of revenue recognition criteria to contracts. This involves estimating the stage of completion of service and consultancy contracts. For hardware installations recognised at a point in time, there is considered to be a risk that revenues relating to installations around the year end may not be recognised in the appropriate accounting period. Installation drives the recognition of revenue and therefore profit and as a result was considered to be an area of focus for our audit.	We considered the revenue recognition principles applied to a sample of transactions across the revenue streams during the year and checked that the revenue recognition policies were in accordance with applicable accounting standards and industry practice for software solution providers. For a sample of hardware and software licence sales, we assessed whether revenues was recognised in the appropriate accounting period through inspection of dispatch and installation documentation. For service revenues, including installation fees, maintenance fees and data processing, this involved recalculating the revenue to be recognised with reference to the contractual terms to check that it has been appropriately recognised in the accounting period. **Key observations:** Based on the procedures performed, we consider that revenue has been appropriately recognised.
Development costs *The Group's accounting policy in relation to the capitalisation of development costs is included in the accounting policies at Note 2, while further detail as to the movement in such assets year on year is included in Note 10.*	Development costs are recognised as an intangible asset if specific criteria have been met. Upon completion of development, the costs are amortised to the Consolidated Statement of Comprehensive Income over a specified period depending on the product to which they pertain. There are a number of judgements involved in accounting for development expenditure, including whether the activities are appropriate for capitalisation in accordance with the criteria of the applicable accounting standard and the allocation of the development costs to a particular product. Due to the level of judgement, there was also considered to be an inherent risk of management bias therefore this was considered to be an area of focus for our audit.	We reviewed the Group's accounting policy to check that it was in accordance with applicable accounting standards. We agreed a sample of capitalised costs to underlying supporting documentation, including time records, checking that the criteria for capitalisation, as required by the applicable accounting standards, had been met, as well as assessing the allocation of costs between products. We inspected customer contracts and pipeline opportunities underlying management's assessment of the probability of future economic benefits. We critically assessed assumptions such as the level of overhead cost to be absorbed, for which we compared the on-costs captured in management's calculation to those that we would expect to be directly attributable to the employees carrying out the activities We specifically reviewed the nature of costs capitalised for a sample of the projects as enhancements to technology, checking that the enhancements did not supersede existing development costs by understanding the nature of the work and consequent commercial opportunities and determined whether such enhancements met the criteria for capitalisation under the applicable accounting standard. **Key observations:** Based on the audit work performed we consider that development costs have been capitalised appropriately and in accordance with the Group's accounting policy.
Impairment review *The Group's accounting policy in relation to the capitalisation of the impairment of non-financial assets is included in the accounting policies at Note 2, while detail in respect of the sensitivity to key assumptions is included at Note 10.*	Goodwill and capitalised development costs during development are tested for impairment at least annually through comparing the recoverable amount of the cash-generating unit, based on a value-in-use calculation, to the carrying value. Furthermore, once available for use, capitalised development costs are tested for impairment where an indicator of impairment arises. This risk is considered significant due to the level of judgement involved and the opportunity for management bias within the impairment model assumptions. There is also a significant risk that impairment indicators for particular intangible assets might not be identified.	We performed a review of the Group's goodwill and intangible assets and examined for indicators of impairment such as products with attributable capitalised development costs being obsolete or no longer sold. We also assessed the impairment reviews prepared by management, specifically reviewing the integrity of management's value-in-use model and, with the assistance of our valuation experts, we challenged the key inputs - being forecast growth rates, operating cash flows and the discount rate. Our audit procedures for the review of operating cash flows and forecast growth rates included, amongst others, comparing the forecast to recent financial performance and budgets approved by the Board. We used market data to independently calculate a discount rate for comparison and also performed our own sensitivity analysis upon the key valuation inputs. **Key observations:** Based on the procedures performed, we consider the judgements made by management in undertaking their impairment review to be reasonable

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	**2019**	**2020**	**2019**
Materiality	£150,000	£100,000	£135,000	£80,000
Basis for determining materiality	0.75% of revenue	Based on revenue, EBITDA and profit before tax	90% of group materiality	80% of group materiality
Rationale for the benchmark applied	As a technology business with growth aspirations we consider revenue to a more appropriate key performance measure in driving the valuation of the Group and informing the economic decisions of the users of the financial statements.	Based on revenue, EBITDA and profit before tax, which were considered to be key performance measures for the Group and the members of the parent company in assessing financial performance.	Calculated as a percentage of group materiality for group reporting purposes	Calculated as a percentage of group materiality for group reporting purposes
Performance materiality	113,000	75,000	101,000	60,000
Basis for determining performance materiality	On the basis of our risk assessment, the lack of historic errors and management being amenable to making adjustments, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75%.	On the basis of our risk assessment, the lack of historic errors and management being amenable to making adjustments, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75%.	On the basis of our risk assessment, the lack of historic errors and management being amenable to making adjustments, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75%.	On the basis of our risk assessment, the lack of historic errors and management being amenable to making adjustments, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75%.

Component materiality

We set materiality for each component of the Group based on a percentage of between 20% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £30,000 to £135,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £6,000 (2019: £4,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report

CONTINUED

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities for the financial statements statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Procedures performed by the group audit team included:

- Obtaining an understanding of the legal and regulatory framework in which the entity operates through enquiries of management, review of board minutes and consideration of the industry in which the entity operates. Relevant laws and regulations include payment processing compliance and were communicated with the engagement team during the team briefing and communicated to the component auditor through instructions issued and our planning meeting;

- Evaluation of management incentives and opportunities for fraudulent manipulation of the financial statements including management override;
- This evaluation involved a particular focus on the judgements and estimates inherent in the key audit matters and exercising professional scepticism in considering the impact of those estimates and judgements on the reported results and key performance measures such as revenue and EBITDA;
- The evaluation also involved gaining an understanding of Management remuneration schemes and the extent to which remuneration is influenced by reported results;
- Discussions with Management and the Audit Committee regarding known or suspected instances of non-compliance with laws and regulations;
- Evaluation of controls designed to prevent and detect irregularities such as user access permissions to the finance system, expense approvals and review of journal entries;
- Review of board minutes for any evidence of fraud or non-compliance with laws and regulations; and
- Assessment of journal entries to accounts that are considered to carry a greater risk of fraud as part of our planned audit approach. Such journals were tested to supporting documentation to check that they had an appropriate business rationale.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ARBINDER CHATWAL
(Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor
Southampton
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).


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ASDA

Our Financials

Contents

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Total 2020 £'000	Total 2019 £'000 Restated*
Revenue	4,5	**19,750**	22,441
Cost of sales		**(11,156)**	(10,824)
Gross profit		**8,594**	11,617
Adjusted administrative expenses		**(8,682)**	(9,830)
Adjusted operating (loss)/profit		**(88)**	1,787
Adjusted administrative items:			
Acquisition costs expensed		**(30)**	(159)
Impairment of development costs following acquisition of Celtech		**–**	(2,751)
Amortisation of acquired intangibles		**(290)**	(242)
Share-based payments		**–**	40
		(320)	(3,112)
Total administrative expenses		**(9,002)**	(12,942)
Operating loss	3	**(408)**	(1,325)
Finance income	6	**10**	19
Finance expense	6	**(302)**	(279)
Loss before taxation	7	**(700)**	(1,585)
Taxation	8	**85**	558
Loss and total comprehensive loss for the year		**(615)**	(1,027)
Loss and total comprehensive loss for the year attributable to ordinary equity holders of the parent		**(615)**	(1,027)

Earnings per share attributable to the ordinary equity holders of the parent		**Pence**	Pence
Basic EPS	9	**(0.24)**	(0.41)
Diluted EPS	9	**(0.24)**	(0.40)

* Further details of the prior year restatement are provided in Note 2

Consolidated and Company Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve on acquisition £'000	Translation reserve £'000	Profit and loss account £'000	Total attributable to equity holders of parent £'000
At 1 January 2019	2,323	4,588	13,062	2,269	(225)	1,965	23,982
Loss and total comprehensive income for the year	–	–	–	–	–	(1,466)	(1,466)
Issue of share capital	279	–	959	–	–	–	1,238
Share-based payments	–	–	–	–	–	(40)	(40)
Prior year adjustment, net of tax*						439	439
At 31 December 2019	2,602	4,588	14,021	2,269	(225)	898	24,153
At 1 January 2020	**2,602**	**4,588**	**14,021**	**2,269**	**(225)**	**898**	**24,153**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(615)**	**(615)**
Issue of share capital	**9**	**–**	**–**	**–**	**–**	**–**	**9**
At 31 December 2020	**2,611**	**4,588**	**14,021**	**2,269**	**(225)**	**283**	**23,547**

Company	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Profit and loss account deficit £'000	Total equity £'000
At 1 January 2019	2,323	4,588	13,062	(6,408)	13,565
Loss and total comprehensive expense for the year	–	–	–	(540)	(540)
Issue of share capital	279	–	959	–	1,238
Share-based payments	–	–	–	(40)	(40)
At 31 December 2019	2,602	4,588	14,021	(6,988)	14,223
At 1 January 2020	**2,602**	**4,588**	**14,021**	**(6,988)**	**14,223**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(374)**	**(374)**
Issue of share capital	**9**	**–**	**–**	**–**	**9**
At 31 December 2020	**2,611**	**4,588**	**14,021**	**(7,362)**	**13,858**

The share capital represents the Ordinary shares of the Company issued at par which carry a right to participate in the distribution of dividends. Movements in share capital are disclosed at note 25.

The capital redemption reserve arose during previous years from the repurchase of shares out of a fresh issue of shares. The repurchase was for a nominal amount. The aggregate amount of the proceeds was less than the aggregate nominal value of the shares purchased, and therefore the value of the difference was transferred to the capital redemption reserve.

The share premium account represents the difference between the issue price and the nominal value of shares issued.

The merger reserve relates to the acquisition of HTEC Limited in previous years.

The translation reserve is used to record exchange differences arising from the translation of the financial statements of overseas operations.

The profit and loss account represents the accumulated net gains and losses recognised in the comprehensive statement of income.

* Further details of the prior year restatement are provided in Note 2

Consolidated and Company Balance Sheet

AT 31 DECEMBER 2020

		Consolidated		Company	
Company number 02639726	Note	**2020 £'000**	2019 £'000 Restated*	**2020 £'000**	2019 £'000
Non-current assets					
Goodwill and other intangibles	10	**18,097**	18,387	**–**	–
Development costs	11	**3,541**	2,645	**139**	183
Property, plant and equipment	12	**1,252**	1,255	**–**	–
Right-of-use assets	13	**3,394**	3,383	**–**	–
Investments	14	**–**	–	**23,226**	23,226
		26,284	25,670	**23,365**	23,409
Current assets					
Inventories	15	**4,816**	1,128	**–**	–
Trade and other receivables	16	**4,691**	5,253	**–**	7
Current tax asset	19	**432**	452	**–**	–
Cash and cash equivalents	17	**1,829**	6,407	**17**	75
		11,768	13,240	**17**	82
Total assets		**38,052**	38,910	**23,382**	23,491
Current liabilities					
Trade and other payables	18	**(7,136)**	(7,719)	**(97)**	(133)
Borrowings	20	**(3,324)**	(3,115)	**(1,032)**	(814)
Deferred consideration	21	**–**	(274)	**–**	(274)
Amounts owed to subsidiary undertakings	22	**–**	–	**(7,378)**	(5,998)
		(10,460)	(11,108)	**(8,507)**	(7,219)
Non-current liabilities					
Borrowings	20	**(3,191)**	(2,926)	**(1,017)**	(2,049)
Deferred tax	24	**(854)**	(723)	**–**	–
		(4,045)	(3,649)	**(1,017)**	(2,049)
Total liabilities		**(14,505)**	(14,757)	**(9,524)**	(9,268)
Net assets		**23,547**	24,153	**13,858**	14,223
Equity					
Share capital	25	**2,611**	2,602	**2,611**	2,602
Capital redemption reserve		**4,588**	4,588	**4,588**	4,588
Share premium		**14,021**	14,021	**14,021**	14,021
Merger reserve		**2,269**	2,269	**–**	–
Translation reserve		**(225)**	(225)	**–**	–
Retained earnings		**283**	898	**(7,362)**	(6,988)
Total equity attributable to equity shareholders		**23,547**	24,153	**13,858**	14,223

* Further details of the prior year restatement are provided in Note 2

The Company reported a loss for the financial year ended 31 December 2020 of £374,000 (2019: loss of £540,000)

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2021.

J LEWIS
Director

The notes on pages 37 to 63 form part of these financial statements.

Consolidated and Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Net cash flows from operating activities				
Loss before taxation	**(700)**	(1,585)	**(374)**	(541)
Depreciation and amortisation	**2,891**	2,341	**44**	44
Impairment of capitalised development costs following the acquisition of Celtech	**–**	2,751	**–**	
Share option charge	**–**	(40)	**–**	–
Finance income	**(10)**	(19)	**–**	(40)
Finance expense	**302**	279	**151**	–
	2,483	3,727	**(179)**	128
(Increase)/decrease in inventories	**(3,688)**	82	**–**	(409)
Decrease in receivables	**692**	1,290	**7**	–
(Decrease)/Increase in payables	**(713)**	2,337	**1,344**	–
Interest received	**10**	19	**–**	1,450
Interest paid	**(235)**	(233)	**(90)**	–
Tax received	**236**	351	**–**	(82)
Net cash (outflow)/inflow from operating activities	**(1,215)**	7,573	**1,082**	–
Cash flows from investing activities:				
Acquisition of subsidiary undertakings	**(274)**	(2,855)	**(274)**	(3,838)
Purchase of property, plant and equipment	**(239)**	(287)	**–**	–
Expenditure on capitalised product development	**(1,597)**	(1,922)	**–**	–
Net cash outflow from investing activities	**(2,110)**	(5,064)	**(274)**	(3,838)
Cash flow from financing activities:				
Proceeds from issue of shares	**9**	119	**9**	119
Repayments of lease liabilities	**(1,693)**	(1,755)	**–**	–
Repayment of loans	**(1,175)**	(438)	**(875)**	(438)
New loans raised	**1,606**	3,255	**–**	3,255
Net cash (outflow)/inflow from financing activities	**(1,253)**	1,181	**(866)**	2,936
(Decrease)/increase in cash and cash equivalents	**(4,578)**	3,690	**(58)**	57
Cash and cash equivalents at beginning of year	**6,407**	2,717	**75**	18
Cash and cash equivalents at end of year	**1,829**	6,407	**17**	75

The notes on pages 37 to 63 form part of these financial statements.

Notes Forming Part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

1 significant accounting policies

General information

Universe Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 65. The nature of the Group's operations and its principal activities are set out on page 6.

Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company has not been separately presented in the financial statements. The Parent Company's result for the year is disclosed on the Company Statement of Financial Position on page 37.

A summary of the more significant accounting policies, which have been applied consistently, is set out below.

Going concern

The Group's main sources of finance are a four-year term loan from HSBC, the working capital facility to fund hardware purchases and finance leases. The year-end amounts outstanding on each are discussed within note 20.

As a result of the continued market uncertainty due to the ongoing COVID-19 situation, the possible impact on available cash during the next 12 months' trading has been modelled under a range of assumptions and sensitivities, primarily informed by identified Key Risks and Uncertainties. As part of this, the directors have performed stress tests to confirm that the business will be able to operate for at least 12 months following the date of this report. This stress test involves the assessment of cash flows against available cash balances.

The downside sensitised forecast has been reviewed by the Directors to ensure that the profit and cash generation derived from these forecasts, coupled with existing bank facilities, are sufficient to meet the Group's requirements. This is discussed further within liquidity risk in note 23 and is the key factor in relation to going concern.

The Group has invested significantly in its inventory levels at year end to service a large contract for the sale of outdoor payment terminals, an order which also incorporates the Group's bespoke software solution. Full customer settlement is expected to take place during Q2 2021 subject to the normal pilot and roll-out arrangements which are currently in train. Both parties are aware that progress could be delayed by the resolution of operational factors identified during pilot and roll-out. To date, no significant operational factors have been identified. Mindful of the impact that any significant delays may have on ongoing working capital requirements, the directors are working with lenders to secure additional short-term funding if the need arises.

Although the directors expect that such funding would be provided if required – particularly as the Group is holding the outdoor payment terminals in inventory as security – the facilities are not yet in place, as they are not currently required. HSBC have continued to provide support to the business. HSBC have deferred the quarterly loan repayments for both December 2020 and March 2021 and waived the Debt Service Cover and Interest Cover covenants for December 2020 and all covenants at March 2021, along with providing continued access to the working capital facility. The Directors are confident that HSBC will further support the business at 30 June 2021, in relation to both the deferral of facility repayments falling due and covenant waivers if required should roll-out delays continue.

The results of the revised forecast confirm that the Group will be able to continue to operate for at least 12 months from the date of this report. The assessment is based on the Board's best estimate at the date of this report which may be subject to review as the situation evolves further. As at the date of this report, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. However, the Directors believe that the timing of the execution of the contract referred to above and the consequent need to secure additional facilities in the event of further delay is a material uncertainty related to going concern.

New standards, amendments and interpretations issued

The following new standards, amendments and interpretations have been adopted by the Company for the first time that have had a material impact on the financial year beginning on 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS standards
- Amendments to IAS 1 and IAS 8: Definition of Material

The adoption of these standards has had no material impact on the financial statements of the Company

New standards, amendments and interpretations issued but not effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company does not intend to adopt those standards until they become effective.

- Amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained until the date that control ceases.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

In respect of acquisitions prior to 1 January 2004, goodwill is included at the amount recorded previously under UK GAAP.

For the purpose of impairment testing goodwill is allocated to the cash-generating units of the business. Goodwill is tested for impairment annually or more frequently if impairment indicators are found. If the recoverable amount is found to be less than the carrying value, impairment is allocated first to goodwill and then pro rata to other assets in the cash-generating unit. Impairment provisions made against goodwill balances are never reversed.

Investments

Investments that are held by the Company are stated at the lower of cost and net realisable value.

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

1 significant accounting policies continued

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Lease liabilities are included in borrowings in the statement financial position and then separately disclosed in the borrowings note.

Leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets; and leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes: amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease; initial direct costs incurred; and the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the statement of comprehensive income and expense.

Pension costs

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged represent contributions payable by the Group to the fund together with the administration charge of the fund. In addition, the Group continues to contribute to personal pension plans for certain employees.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax less research and development tax credits.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Research and development tax credits are recognised on an accruals basis and recorded as a credit in the taxation line of the income statement.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity or comprehensive income, in which case the deferred tax is also dealt with in equity or comprehensive income as appropriate.

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

1 significant accounting policies continued

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

The cost of property, plant and equipment is their purchase price, together with any incidental costs of acquisition.

Depreciation is charged so as to write off the cost of property, plant and equipment less residual value, on a straight-line basis over the expected useful lives of the assets concerned.

The principal annual rates used for this purpose are:

Plant and equipment	14% – 33%
Leasehold improvements	Over the lease term subject to a maximum of 20 years

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

Revenue recognition

Revenue is recognised for goods and services provided in the normal course of business and is measured as the consideration allocated to each performance obligation when, and to the extent that, the associated performance obligations have been fulfilled. Revenue categories are analysed in note 4 to these financial statements and the components of each category are set out below together with their associated recognition criteria:

Revenue Category	Components	Recognition Criteria
Software licences and hardware	1) Software licences	1) Software licence fees are recognised at a point in time upon completion of the related hardware installation on the basis that the licences are on-premise perpetual licences and so represent a right to use the software as it exists at the point of installation.
	2) Hardware	2) Hardware sales are recognised when goods are delivered, title has passed and there is customer acceptance.
Services and installations	1) Service contracts for products located at customer sites	1) Service contract revenues are recognised evenly over the contractual period as the customer simultaneously receives and consumes the benefit from the Group's service delivery and that the Group has an enforceable right to payment.
	2) Installation fees	2) Installation fees relating to software purchases and hardware are recognised over time and to the extent of the completion of the installation.
Data services	1) Service contracts for products hosted remotely from customer sites	1) Service contract revenues are recognised over the contractual period and as the transactions are processed.
Consulting and software licence maintenance	1) Software consulting fees	1) Software consulting revenues are recognised over time on the percentage of completion method based on hours worked as the customer simultaneously receives and consumes the benefit from the Group's service delivery and that the Group has an enforceable right to payment.
	2) Licence maintenance fees	2) Licence maintenance fees are charged on an annual basis and recognised evenly over the year of cover in accordance with the satisfaction of the performance obligation to provide support.

Where sales of goods and services involve the provision of multiple elements such as licence fees, installation fees and maintenance fees the consideration allocated to each element is measured by reference to its standalone selling price.

Significant payment terms

Of the above revenue streams, service contracts, data services and licence maintenance fees are typically substantially invoiced annually in advance, creating deferred income balances reflected as contract liabilities in note 3. Other goods and services are typically invoiced at agreed intervals, which can create either contract assets or liabilities depending on how this compares to the extent that the associated performance obligations have been delivered.

Research and Development expenditure

Research and development expenditure relating to specific projects intended to improve or extend the Group's product range is capitalised as an intangible fixed asset where the following conditions are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- it is the intention of the Company to complete the intangible asset and use or sell it;
- the Company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the technical, financial and other resources needed to complete the development and to use or sell the intangible asset are available to the Company; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Such expenditure is amortised through administrative expenses (see note 6) on a straight-line basis over the period during which the benefits of the project are expected to arise, typically three to five years. The costs of ongoing support of the product once deployed are expensed within cost of sales in the period in which they are incurred. Expenditure on research activities is recognised as an expense within administrative expenses in the period in which it is incurred. Expenditure on development that is funded by customers is recognised as an expense within administrative expenses in the period in which it is incurred.

Other intangible assets

Intangible assets separately purchased, such as software licences, are capitalised at cost and amortised on a straight-line basis over their useful economic life. Intangible assets acquired through a business combination are measured at fair value and amortised over their useful economic lives.

The following periods are used when assessing useful economic lives for purposes of calculating amortisation charges:

Software licences	length of licence
Customer relationships	3–10 years
Customer contracts	the unexpired period of the agreement

Financial liabilities

The Group classifies its financial liabilities as financial liabilities held at amortised cost. Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and are measured at amortised cost. Finance charges, including direct issue costs, are accounted for on an accrual basis in the statement of comprehensive income, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

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

Financial assets

The Group classifies its financial assets as financial assets held at amortised cost.

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment using the simplified expected credit loss approach under IFRS 9 and as discussed further in note 23.

The Group's financial assets measured at amortised cost comprise trade and other receivables, accrued income and cash and cash equivalents in the consolidated statement of financial position. Other financial assets comprise short-term deposits not meeting the IAS 7 definition of a cash equivalent. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Notes Forming Part of the Financial Statements
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1 significant accounting policies continued

Share-based payment

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For share options issued prior to 2018, fair value has been measured by use of the Black–Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For share options issued in 2018, fair value has been measured by use of the binomial valuation model, to reflect the share price targets attached to those options.

There is no impact on the financial statements in relation to the lapse of share options, however, on the exercise of share options, a transfer is made from the share-based payment component of the profit and loss account to share premium for the difference between the exercise price and the market value of the shares issued.

Critical estimates and judgements

In the process of applying the Group's accounting policies, which are described above, management has made the following judgements and estimations about the future that have the most significant effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates

Impairment of goodwill and other related intangibles

The carrying value of goodwill and other related intangibles at the year-end is £18.1m (2019: £18.4m). An annual impairment review is performed involving estimation of the future cash flows for cash-generating units and the discount rates applied to future cash flows in order to calculate present value. Management prepares such cash flow forecasts derived from the most recent budgets approved by the Board. Sensitivity analysis is performed around these forecasts as disclosed in note 10.

Judgement

Recognition of capitalised development costs

The capitalisation of development expenditure is a requirement of IAS 38 'Intangible Assets'. All capitalised and ongoing projects are reviewed regularly to ensure they meet the criteria for capitalisation. The key judgements required by management are around whether the costs meet the criteria for capitalisation under IAS 38, including their being supported by projected future cash flows. Development costs amounting to £1.59 million were capitalise during the year (2019: £1.92 million). The carrying value of capitalised development costs at 31 December 2020 was £3,541,000 (2019: £2,645,000).

2 Prior year adjustment

As a result of a charge for impairment against development costs incurred for the year ending 31 December 2019, adjustments with regards accelerated capital allowances totalling £439,000 were not reflected correctly as a reduction in the overall tax charge for the group. The financial impact of the restatement is to increase shareholders' equity by £439,000 from £23,714,000, as previously stated, to £24,153,000 and to decrease the loss after taxation by £439,000 from £1,466,000, as previously stated, to £1,027,000. The restatement has had no impact on cash or cash equivalents.

3 Operating loss and adjusted EBITDA

	2020 £'000	2019 £'000
Operating loss	**(408)**	(1,325)
Adjusting items:		
Depreciation on owned assets	**386**	451
Depreciation on right-of-use assets	**949**	1,015
Amortisation of intangible assets	**691**	633
Amortisation of acquired intangible assets	**290**	242
Impairment of development costs following acquisition of Celtech	**–**	2,751
EBITDA	**1,908**	3,767
Share-based payments	**–**	(40)
Acquisition costs expensed	**30**	159
Adjusted EBITDA	**1,938**	3,886

4 Revenue from contracts with customers

Disaggregation of Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

The group operates and is managed as a single business through its trading company HTEC Limited. HTEC Limited provides some of the world's leading retailers with EPOS, payment and loyalty solutions.

Year to 31 December 2020	Software licences and hardware £'000	Service and installations £'000	Data services £'000	Consultancy and software licence maintenance £'000	Total £'000
Primary Geographic Markets					
United Kingdom	3,007	7,077	4,524	1,798	16,406
Belgium	–	–	1,848	1,490	3,338
Ireland	–	6	–	–	6
	3,007	7,083	6,372	3,288	19,750

Year to 31 December 2020	Software licences and hardware £'000	Service and installations £'000	Data services £'000	Consultancy and software licence maintenance £'000	Total £'000
Timing of transfer of goods and services					
On completion of installation and acceptance and when title has passed	2,946	–	–	–	2,946
Over the period of service completion	61	1,345	2,711	–	4,117
As transactions are processed	–	4	277	–	281
Evenly over the contracted period	–	5,734	3,384	1,650	10,768
Consultancy on percentage completion	–	–	–	1,638	1,638
	3,007	7,083	6,372	3,288	19,750

Year to 31 December 2019	Software licences and hardware £'000	Service and installations £'000	Data services £'000	Consultancy and software licence maintenance £'000	Total £'000
Primary Geographic Markets					
United Kingdom	2,862	7,772	4,579	2,344	17,557
Belgium	–	–	1,748	3,115	4,863
Ireland	–	6	15	–	21
	2,862	7,778	6,342	5,459	22,441

Year to 31 December 2019	Software licences and hardware £'000	Service and installations £'000	Data services £'000	Consultancy and software licence maintenance £'000	Total £'000
Timing of transfer of goods and services					
On completion of installation and acceptance and when title has passed	2,862	–	–	490	3,352
Over the period of service completion	–	1,523	2,728	–	4,251
As transactions are processed	–	45	275	–	320
Evenly over the contracted period	–	6,210	3,339	800	10,349
Consultancy on percentage completion	–	–	–	4,169	4,169
	2,862	7,778	6,342	5,459	22,441

Revenue from Belgium related primarily to a European wide loyalty scheme provided by the Group to a Belgium-based customer.

Contract Balances	**Contract Assets 2020 £'000**	Contract Assets 2019 £'000	**Contract Liabilities 2020 £'000**	Contract Liabilities 2019 £'000
At 1 January	**1,002**	443	**(3,342)**	(1,638)
On acquisition of Camden Technology Investments Limited	**–**	–	**–**	(623)
Transfers in the period from contract assets to trade receivables	**(1,002)**	(443)	**–**	–
Amounts included in contract liabilities that was recognised as revenue during the period	**–**	–	**3,342**	2,261
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**–**	1,002	**–**	–
Cash received in advance of performance and not recognised as revenue during the period	**242**	–	**(2,326)**	(3,342)
	242	1,002	**(2,326)**	(3,342)

Contract assets and contract liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the balance sheet. They arise when the group enters into a contracts that are delivered over a period of time and cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts.

Remaining performance Obligations

The Group's contracts are for the delivery of goods and services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies.

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Operating segments

The Group has one business segment. All material operations and assets are in the UK. The trading segment is htec Solutions ('Solutions'). Solutions provide hardware, software and service solutions into the UK petrol and convenience store markets.

2020	**Solutions £'000**	**Corporate £'000**	**Total £'000**
Revenue – all external	**19,750**	**–**	**19,750**
Gross profit	**8,594**	**–**	**8,594**
Segment expenses	**(8,598)**	**(404)**	**(9.002)**
Segmental operating loss	**(4)**	**(404)**	**(408)**
Net finance expense			**(292)**
Taxation			**85**
Loss for the year			**(615)**
Adjusted EBITDA			**1,938**

2019* Restated	Solutions £'000	Corporate £'000	Total £'000
Revenue – all external	22,441	–	22,441
Gross profit	11,617	–	11,617
Segment expenses	(8,903)	(4,039)	(12,942)
Segmental operating profit/(loss)	2,714	(4,039)	(1,325)
Net finance expense			(260)
Taxation			558
Profit for the year			(1,027)
Adjusted EBITDA			3,886

The Corporate division does not have any non-current assets allocated to it. The decrease in corporate segment expenses primarily relates to the charge for impairment of development costs incurred in 2019 (2020: Nil).

* Further details of the prior year restatement are provided in Note 2

Information about major customers:

Included in revenues are revenues of approximately £3.3m (2019: £4.9 million), £5.9m (2019: £6.2m) and £2.1m (2019: £3.4m) which arose from sales to the Groups three largest customers.

All three customers that have been included in this disclosure individually account for more than 10% of the group's revenues. There are no others that constitute greater than 10%.

6 Net finance expense

	2020 £'000	2019 £'000
Interest receivable on bank deposits	**10**	19
Finance income	**10**	19
Interest payable on bank loans and overdrafts	**(107)**	(10)
Interest payable on leases	**(106)**	(131)
Other interest	**(89)**	(138)
Finance expense	**(302)**	(279)
Net finance expense	**(292)**	(260)

Other interest includes £61,000 (2019: £47,000) of amortisation of the professional fees associated with securing the bank loan with HSBC Bank plc.

7 Loss before taxation

Loss before taxation is stated after charging:

	2020 £'000	2019 £'000
Cost of inventory recognised as expenses	**1,582**	2,120
Staff costs (note 26)	**11,232**	10,810
Foreign exchange losses/(gains)	**(104)**	34
Depreciation and amortisation		
Intangible assets	**290**	242
Development costs	**691**	633
Tangible, owned	**386**	451
Depreciation on right-of-use assets	**774**	1,015
Impairment of development costs following acquisition of Celtech	**–**	2,751
Research and development	**3,513**	3,906
Auditor's remuneration (see below)	**85**	50
Short life asset lease charges	**17**	45
Share-based payments	**–**	(40)
Acquisition costs expensed	**30**	159

The analysis of the Auditor's remuneration is as follows:

	2020 £'000	2019 £'000
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	**23**	11
The audit of the Company's subsidiaries	**54**	30
Total audit fees	**77**	41
Other fees:		
Tax compliance	**8**	9
Total non-audit fees	**8**	9
	85	50

Notes Forming Part of the Financial Statements
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FOR THE YEAR ENDED 31 DECEMBER 2020

8 Taxation

	2020 £'000	2019 £'000 Restated*
Current tax:		
Current year credit	**(216)**	–
Adjustments to tax charge in respect of previous periods credit	**–**	(216)
	(216)	(216)
Deferred tax (note 24):		
Current year charge	**131**	107
Adjustments to tax charge in respect of previous periods charge	**–**	(449)
	131	(342)
Total tax credit	**(85)**	(558)

* Further details of the prior year restatement are provided in Note 2

Reconciliation of tax charge

Corporation tax is calculated at 19.00% (2019: 19.00%) of the estimated assessable profit for the year.

	2020 £'000	2019 £'000 Restated*
Loss before tax	**(700)**	(1,585)
Tax charge at the UK corporation tax rate of 19.00% (2019: 19.00%)	**(133)**	(301)
Tax effect:		
Amounts not deductible/taxable in determining taxable profit	**26**	483
Adjustments in respect of previous periods - current tax	**–**	(216)
Adjustments in respect of previous periods - deferred tax	**–**	(449)
Movement on tax losses not recognised	**219**	133
Amounts relating to change in tax rates	**44**	(13)
Enhanced R&D tax relief	**(325)**	(208)
Temporary movement on acquired intangibles	**53**	39
Timing differences relating to share options, not recognised in the computation	**31**	(26)
Tax charge for the period	**(85)**	(558)

Changes in tax rates and factors affecting the future tax charge.

Deferred tax balances have been recognised at 19% (2019: 19%).

* Further details of the prior year restatement are provided in Note 2

9 Earnings per share

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

	2020 £'000	2019 £'000 Restated*
Earnings		
Loss after tax – used for basic and diluted earnings per share	**(615)**	(1,027)

* Further details of the prior year restatement are provided in Note 2

	2020 No '000	2019 No '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and operating earnings per share	**260,565**	251,080
Dilutive effect of share options	**542**	2,656
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**261,107**	253,736

The total number of share options granted at 31 December 2020 of 9,203,000 (2019: 10,203,000), would generate £444,290 (2019: £454,290) in cash if exercised.

At 31 December 2020, £9,203,000 share options (2019: 6,750,000) were priced above the mid-market closing price of 3.90p per share (2019: 5.25p per share) and Nil (2019: 3,453,000) were below. Of the share options outstanding at the end of the year, 9,203,000 (2019: 10,203,000) staff options were eligible for exercising at an average price of 4.83p (2019: 4.45p).

At the year-end nil (2019: Nil) share options were in issue that could have potentially diluted earnings per share. These were not included in the calculation of diluted earnings per share because they were not dilutive in the period.

	2020 pence	2019 pence Restated*
Basic loss per share	**(0.24)**	(0.41)
Diluted loss per share	**(0.24)**	(0.40)

* Further details of the prior year restatement are provided in Note 2

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Goodwill and other intangibles

2020	Goodwill £'000	Software £'000	Customer Contracts £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2020	**16,378**	**1,367**	**38**	**1,245**	**19,028**
At 31 December 2020	**16,378**	**1,367**	**38**	**1,245**	**19,028**
Amortisation					
At 1 January 2020	**–**	**146**	**15**	**480**	**641**
Charge for the year	**–**	**213**	**11**	**66**	**290**
At 31 December 2020	**–**	**359**	**26**	**546**	**931**
Net book amount					
At 31 December 2020	**16,378**	**1,008**	**12**	**699**	**18,097**

2019	Goodwill £'000	Software £'000	Customer Contracts £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2019	13,650	–	–	626	14,276
Acquisition	2,728	1,367	38	619	4,752
At 31 December 2019	16,378	1,367	38	1,245	19,028
Amortisation					
At 1 January 2019	–	–	–	399	399
Charge for the year	–	146	15	81	242
At 31 December 2019	–	146	15	480	641
Net book amount					
At 31 December 2019	16,378	1,221	23	765	18,387

The Group has only one cash-generating unit ('CGU'). The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group tests for impairment by preparing cash flow forecasts derived from the most recent financial forecasts for FY2021 to FY2025 along with an extrapolated projection for FY2026 approved by the Board. The future cash flows are as approved by the Board based on recurring contracts and the sales pipeline and cover the next five financial years. Beyond that period, operating cash flows are assumed to grow at 2% annually for the foreseeable future, which is assumed to be in line with the underlying growth rate of the economy. Based on these assumptions of a compound annual growth rate for revenue and adjusted EBITDA of 11% and 53% respectively, the headroom above carrying value of assets was £25.8m (2019: £12.7m). Compound annual growth rates for revenue and adjusted EBITDA of 5% and 18% respectively would reduce headroom to nil.

The risk adjusted pre-tax rate used to discount each of the CGU cash flow forecasts is 14.0% (2019: 14.0%).

11 Development costs

2020	Capitalised development £'000	Software licences £'000	Total £'000
Consolidated			
Cost			
At 1 January 2020	**15,553**	**528**	**16,081**
Additions	**1,587**	**–**	**1,587**
At 31 December 2020	**17,140**	**528**	**17,668**
Amortisation			
At 1 January 2020	**13,123**	**313**	**13,436**
Charge for the year	**647**	**44**	**691**
At 31 December 2020	**13,770**	**357**	**14,127**
Net book value			
At 31 December 2020	**3,370**	**171**	**3,541**

2019	Capitalised development £'000	Software licences £'000	Total £'000
Consolidated			
Cost			
At 1 January 2019	13,603	528	14,131
Additions	1,922	–	1,922
Acquisitions (see note 32)	28	–	28
At 31 December 2019	15,553	528	16,081
Amortisation			
At 1 January 2019	9,783	269	10,052
Charge for the year	589	44	633
Impairment	2,751	–	2,751
At 31 December 2019	13,123	313	13,436
Net book value			
At 31 December 2019	2,430	215	2,645

11 Development costs continued

The significant capitalised development costs included above are:

	Remaining amortisation period Years	Net book amount £'000
Outside Payment Terminal	4	**382**
Electronics Fund Transfer platform and licences	1	**22**
Head Office and Back Office Systems	2–5	**912**
Content Management System	3	**186**
ab-initio	5	**1,608**
Self checkout systems	2	**112**
ANPR	5	**112**
In-store payment devices	1–5	**38**

	Software licenses 2020 £'000	Software licenses 2019 £'000
Company		
Cost		
At 1 January	**460**	460
Additions	**–**	–
At 31 December	**460**	460
Amortisation		
At 1 January	**277**	233
Charge for the year	**44**	44
At 31 December	**321**	277
Net book value		
At 31 December	**139**	183

12 Property, Plant and Equipment

2020	Leasehold improvements £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Consolidated				
Cost				
At 1 January 2020	**1,287**	**6,025**	**–**	**7,312**
Additions	**–**	**477**	**–**	**477**
At 31 December 2020	**1,287**	**6,502**	**–**	**7,789**
Depreciation				
At 1 January 2020	**1,185**	**4,872**	**–**	**6,057**
Charge for year	**95**	**385**	**–**	**480**
At 31 December 2020	**1,280**	**5,257**	**–**	**6,537**
Net book value				
At 31 December 2020	**7**	**1,245**	**–**	**1,252**

2019	Leasehold improvements £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2019	1,287	6,829	443	8,559
Leased assets transferred to right-of-use assets	–	(1,588)	–	(1,588)
Additions	–	192	95	287
Transferred	–	538	(538)	–
Acquisitions (see note 32)	–	54	–	54
At 31 December 2019	1,287	6,025	–	7,312
Depreciation				
At 1 January 2019	1,090	5,402	–	6,492
Brought forward depreciation on leased assets transferred to right-of-use assets	–	(886)	–	(886)
Charge for year	95	336	20	451
At 31 December 2019	1,185	4,852	20	6,057
Net book value				
At 31 December 2019	102	1,173	(20)	1,255

Notes Forming Part of the Financial Statements
continued

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13 Right-of-use assets and leases

As permitted under the Standard, the Group has adopted the practical expedients of applying a single discount rate to its property leases and elected not to apply the requirements of IFRS 16 to leases for which the lease term ends within 12 months given their similar characteristics. The Group will recognise the lease payments associated with those leases as an expense on a straight-line basis.

2020	**Leasehold property £'000**	**Plant and equipment £'000**	**Total £'000**
Consolidated			
Cost			
At 1 January 2020	**2,575**	**2,709**	**5,284**
Additions	**375**	**682**	**1,057**
Disposals	**–**	**(642)**	**(642)**
Acquisitions (see note 32)	**–**	**–**	**–**
At 31 December 2020	**2,950**	**2,749**	**5,699**
Depreciation			
At 1 January 2020	**405**	**1,496**	**1,901**
Charge for year	**434**	**515**	**949**
Disposals	**–**	**(545)**	**(545)**
At 31 December 2020	**839**	**1,466**	**2,305**
Net book value			
At 31 December 2020	**2,111**	**1,283**	**3,394**

2019	Leasehold property £'000	Plant and equipment £'000	Total £'000
Consolidated			
Cost			
At 1 January 2019	–	–	–
Leased assets transferred from fixed assets	–	1,588	1,588
Additions on implementation of IFRS16	2,237	655	2,892
Additions in year	–	466	466
Acquisitions (see note 32)	338	–	338
At 31 December 2019	2,575	2,709	5,284
Depreciation			
At 1 January 2019	–	–	–
Brought forward depreciation on leased assets transferred from fixed assets	–	886	886
Charge for year	405	610	1,015
At 31 December 2019	405	1,496	1,901
Net book value			
At 31 December 2019	2,170	1,213	3,383

	Leasehold property £'000	Plant and equipment £'000	Total £'000
At 1 January 2020	2,136	1,042	3,178
New leases	379	1,186	1,565
Cash items:			
Lease payments	(560)	(1,133)	(1,693)
Non-cash items:			
Interest expense	62	48	110
At 31 December 2020	2,017	1,143	3,160

2019	Leasehold property £'000	Plant and equipment £'000	Total £'000
Additions on implementation of IFRS16	2,270	1,390	3,660
New leases	-	901	901
On acquisition	338	6	344
Cash items:			
Lease payments	(529)	(1,330)	(1,859)
Non-cash items:			
Interest expense	57	75	132
At 31 December 2019	2,136	1,042	3,178

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments, which fall due as follows:

2020	**Leasehold property £'000**	**Plant and machinery £'000**	**Total £'000**
Up to 3 months	**138**	**187**	**325**
Between 3 and 6 months	**414**	**314**	**728**
Between 1 and 2 years	**487**	**506**	**993**
Between 2 and 5 years	**1,100**	**167**	**1,267**
Total	**2,139**	**1,174**	**3,313**

The group made lease payments during the year of £1,133,200 (2019: £1,755,000).

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Investments

	2020 £'000	2019 £'000
Company		
Investment in subsidiary undertakings		
At 1 January	**23,226**	17,995
Additions	**–**	5,231
At 31 December	**23,226**	23,226

For details of principal subsidiaries see note 31.

15 Inventories

	2020 £'000	2019 £'000
Consolidated		
Component parts	**2,128**	850
Work in progress	**2,688**	278
	4,816	1,128

16 Trade and other receivables

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	**3,533**	3,191	**–**	–
Prepayments and accrued income	**1,158**	2,062	**–**	7
	4,691	5,253	**–**	7

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and accrued income. To measure expected credit losses on a collective basis, trade receivables and accrued income are grouped based on similar credit risk and aging.

The expected loss rates are assessed based on the Group's historical credit losses. The historical loss rates are then, where appropriate and material to do so, adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

As described in the accounting policies, due to the nature of the Group's customers and debtors, there is no material impact of this assessment and, consequently, no material provision in place.

The average credit period taken on sales of goods and services is 37 days (2019: 45 days). No interest is charged on the receivables. Before accepting any new customer, the Group uses an external credit scoring system to access the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, £577,000 (2019: £1,547,000) is due from the Group's largest customer.

Included in the Group's trade receivables balance are debtors with a carrying value amount of £1,286,000 (2019: £1,849,000) which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold collateral over these balances. Ageing of past due but not impaired receivables is:

	2020 £'000	2019 £'000
30–60 days	**432**	1,267
60–90 days	**158**	163
Over 90 days	**696**	419
	1,286	1,849

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Expected credit losses have decreased during the year by £23,000 to £129,000 (2019: £152,000).

17 Cash and cash equivalents

	Consolidated		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash	**1,829**	6,407	**17**	75

18 Trade and other payables

	Consolidated		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade creditors	**1,253**	1,847	**4**	9
Other creditors	**1,374**	123	**39**	39
Accruals	**1,224**	1,046	**71**	95
Deferred income	**2,449**	3,342	**–**	–
Other taxation	**836**	1,361	**(17)**	(10)
	7,136	7,719	**97**	133

The average credit period taken for trade purchases is 34 days (2019: 29 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

19 Current tax asset

		Consolidated		**Company**
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Corporation tax	**432**	452	**–**	–

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Borrowings

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Secured – at amortised cost				
Current				
Lease liabilities (i)	**986**	2,301	**–**	–
Bank loans (ii)	**2,338**	814	**1,032**	814
Non-current				
Lease liabilities (i)	**2,174**	877	**–**	–
Bank loans (ii)	**1,017**	2,049	**1,017**	2,049
	6,515	6,041	**2,049**	2,863
The borrowings are repayable as follows:				
On demand or within one year	**3,324**	3,115	**1,032**	814
In the second to fifth years inclusive	**3,191**	2,926	**1,017**	2,049
	6,515	6,041	**2,049**	2,863

(i) The average lease term is five years. For the year ended 31 December 2020, the average effective borrowing rate was 6.4% (2019: 4.98%). Interest rates are fixed at the contract date. All lease liabilities are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The average effective borrowing rate for leased liabilities was 2.96% (2019: 2.8%).

(ii) The other loans balance consists of a four year term loan with HSBC (£2,188k) and a short term trade loan with HSBC (£1,306k). The loans are secured on the assets of the Group. The loans bear interest at LIBOR plus 1.25%.

All borrowings are denominated in sterling.

The Directors consider that the carrying amount of the bank loans and lease liabilities approximates to their fair value.

The Group's banking arrangements are secured by a debenture over the assets of the Group.

21 Deferred consideration

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Payable in less than 1 year	**–**	274	**–**	274

22 Amounts owed to subsidiary undertaking

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Amounts owed to subsidiary undertakings	**–**	–	**7,378**	5,998

23 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed on page 30.

Gearing ratio

The Group regularly reviews the capital structure. As part of this review, it considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end is as follows:

	2020 £'000	2019 £'000
Debt*	**(6,515)**	(6,041)
Cash and cash equivalents	**1,829**	6,407
Net cash/(debt)	**(4,686)**	366
Equity**	**23,615**	23,749
Net debt to equity ratio	**19.8%**	N/A

* Debt is defined as medium and short term borrowings, as detailed in notes 20.

** Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

		Consolidated		**Company**
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Financial assets:				
At amortised cost:				
Cash	**1,829**	6,407	**17**	75
Trade receivables	**2,314**	3,191	**–**	–
	4,143	9,598	**17**	75

		Consolidated		**Company**
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Financial liabilities:				
At amortised cost:				
Trade payables	**1,253**	1,847	**4**	9
Other creditors	**1,146**	123	**39**	39
Accruals	**501**	1,046	**71**	95
Intercompany debt	**–**	–	**7,378**	5,998
Bank and other loans	**3,355**	2,863	**2,049**	2,863
Lease liabilities	**6,515**	6,041	**–**	–
	12,770	11,920	**9,541**	9,004

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Financial instruments continued

Financial risk management objectives

The Group's operations expose it to a variety of risks including the effect of changes in Euro exchange rates, credit risk and liquidity risk.

Foreign exchange risk

The activities of the Company and Group expose them to the financial risks of changes in exchange rates. The Group transacts business in Euros with approximately 17% (2019: 22%) of revenue denominated in that currency. In order to mitigate the risk of the exchange rate depreciating, the Group maintains a close watch on foreign exchange rates and considers entering into forward currency hedging contracts where it is considered appropriate, although no such contracts were in place at the year end or the prior year end. A 10% increase/decrease in the Euro exchange rate would have revalued the net assets at the balance sheet date by £176,000 (2019: £176,000) and impacted profit and loss by the same amount.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. In 2020, 57% (2019: 65%) of the Group's revenue was with three counterparties leading to an inherent concentration of credit risk. The Group carefully monitors the creditworthiness of these three counterparties. For new accounts, the Group's policy is to only deal with creditworthy counterparties, carrying out background checks before any new accounts are opened so as to mitigate the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management as and when necessary, but at a minimum annually.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Interest rate management

The Company and the Group are not currently exposed to interest rate risk as all Group borrowings are at fixed rates.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which reviews and manages the Group's short and medium term funding and liquidity requirements on a regular basis. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by regularly monitoring forecast and actual cash flows whilst attempting to match the maturity profiles of financial assets and liabilities.

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities.

Consolidated	Weighted average effective rate %	Less than 1 month £'000	1 to 6 months £'000	6 months to 1 year £'000	1 to 3 years £'000	More than 3 years £'000	Total £'000
2020							
Non-interest bearing:							
Trade payables	**0%**	**1,253**	**–**	**–**	**–**	**–**	**1,253**
Fixed interest rate:							
Lease liabilities	**3.49%**	**41**	**519**	**687**	**1,240**	**826**	**3,313**
Other loans	**2.56%**	**–**	**1,932**	**407**	**1,016**	**0**	**3,355**
		1,294	**2,451**	**1,094**	**2,256**	**826**	**7,921**
2019							
Non-interest bearing:							
Trade payables	0%	1,847	–	–	–	–	1,847
Fixed interest rate:							
Lease liabilities	3.21%	55	826	471	1,122	897	3,371
Other loans	3.04%	219	448	442	1,700	205	3,014
		2,121	1,274	913	2,822	1,102	8,232

The above lease payments are the minimum lease payment totals and include £153,000 of interest (2019: £194,000).

Company	Weighted average effective rate %	Less than 1 month £'000	1 to 6 months £'000	6 months to 1 year £'000	1 to 3 years £'000	More than 3 years £'000	Total £'000
2020							
Non-interest bearing:							
Trade payables	**0.0%**	**4**	**–**	**–**	**–**	**–**	**4**
Intercompany debt	**0.0%**	**7,378**	**–**	**–**	**–**	**–**	**7,378**
Fixed interest rate:							
Other loans	**2.72%**	**–**	**626**	**407**	**1,016**	**–**	**2,049**
		7,382	**626**	**407**	**1,016**	**–**	**9,431**
2019							
Non-interest bearing:							
Trade payables	0.0%	9	–	–	–	–	9
Intercompany debt	0.0%	5,998	–	–	–	–	5,998
Fixed interest rate:							
Other loans	3.04%	219	–	–	–	–	219
		6,226	–	–	–	–	9,021

The fair value of the Group's financial assets and liabilities is not materially different from the carrying values in the balance sheet.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 25. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 30 and no person has any special rights of control over the company's share capital and all issued shares are fully paid.

24 Deferred tax

The movement on the net provision for deferred taxation is as follows:

	2020 £'000	2019 £'000
Net liability at 1 January	**(723)**	(721)
Recognised in the statement of comprehensive income	**(131)**	342
Acquisition of intangibles in subsidiaries	**–**	(344)
Net liability at 31 December	**(854)**	(723)

* Further details of the prior year restatement are provided in Note 2

The carrying value of deferred tax balances at the balance sheet date and the amounts recognised in the statement of total comprehensive income during the year were as follows:

	Carrying value at 1 January 2020 £'000	Acquisition of intangibles in subsidiaries £'000	Recognised in the year £'000	Carrying value at 31 December 2020 £'000
Share options	(9)	–	9	**–**
Fixed asset timing differences	(809)		282	**(527)**
Acquisition of intangibles in subsidiary	(344)		17	**(327)**
	(1,162)	–	308	**(854)**

Deferred tax asset balances have been recognised in the prior year as there was a reasonable probability the balance would be recovered.

At the balance sheet date, the Group has further unutilised tax losses of £2,263,000 (2019: £2,094,000) available for offset against future profits in the UK plus a further £3,573,000 in Celtech in Ireland (2019: £2,906,000). A deferred tax asset has not been recognised in respect of these losses due to the uncertainty of its recoverability.

25 Called up share capital

	2020 £'000	2019 £'000
Group and Company		
Authorised, allotted, called up and fully paid:		
261,066,720 Ordinary shares of 1p each (2019: 260,191,720 ordinary shares of 1p each)	**2,611**	2,602

The Company has one class of ordinary shares which carry no right to fixed income.

Share options

Share option awards are disclosed in note 30. During the year, 875,000 (2019: 5,000,000) ordinary shares were issued in respect of share option exercises.

26 Employees and Directors

	Consolidated		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Wages and salaries	**9,775**	9,316	**565**	594
Social security costs	**1,046**	1,012	**52**	58
Pension costs	**344**	401	**36**	45
Other benefits	**67**	81	**19**	19
	11,232	10,810	**672**	716

The average number of people (including executive directors) employed during the year:

	Consolidated		Company	
	2020 No.	2019 No.	**2020 No.**	2019 No.
Production/services	**123**	144	**–**	–
Sales/marketing	**16**	15	**–**	–
Research and development	**73**	80	**–**	–
Administration	**21**	23	**2**	2
	233	262	**2**	2

Included in the numbers above are 20 (2019: 22) employees who joined the group following the acquisition of Camden Technology Investments Limited, see note 32.

Emoluments paid to the highest paid director were as follows:

	2020 No's	2019 No's
Aggregate emoluments	**240**	269
Company pension contribution to money purchase pension scheme	**20**	20
	260	289

There were two directors (2019: two) to whom retirement benefits accrued under money purchase schemes during the year.

Further details of the Directors' remuneration are included in the Directors' Remuneration Report on pages 22 to 23.

27 Pension commitments

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in funds under the control of investment managers. The pension costs charged represent contributions payable by the Group to the fund amounting to £374,000 (2019: £338,000), together with the administration charge of the fund. In addition, the Group continues to contribute to personal pension plans for certain of its employees. At 31 December 2020, contributions of £127,000 (2019: £175,000) due in respect of the current reporting period had not been paid over to the scheme.

28 Contingent liabilities

The Group has given a duty deferment guarantee to HMRC of £5,000 (2019: £5,000).

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

29 Capital and other financial commitments

At 31 December 2020, the Group had entered into no contracts for future capital expenditure (2019: Nil).

30 Share-based payments

At 31 December 2020, the outstanding share options, which include the share options granted to Directors, are as shown below:

	Date of grant	Exercise price (p)	Number of shares	Date from which exercisable	Expiry date
Approved EMI scheme	26–Jul–13	4.25	1,750,000	26–Jul–16	26–Jul–23
	13–Nov–13	4.5	3,440,000	13–Nov–16	13–Nov–23
	28–Oct–14	5.5	1,708,500	28–Oct–17	28–Oct–24
Unapproved scheme	13–Nov–13	4.5	560,000	13–Nov–16	13–Nov–23
	28–Oct–14	5.5	1,744,500	28–Oct–17	28–Oct–24
			9,203,000		

Summary of share option schemes in operation during the year

The Directors' Remuneration Report on pages 22 to 23 describes the plans to which IFRS 2 applies. In summary, the Group operated the following plans during the period:

- Enterprise Management Incentive ('EMI') Plan
- Discretionary Unapproved Share Option Plan

The Group recognised a charge of £Nil in 2020 (2019: credit £40,000).

Equity-settled share option schemes

The options are subject to performance conditions as set out below:

- For options issued on 26 July 2013, the performance condition was for the share price to increase to 6 pence. This condition has been satisfied.
- For options issued on and after 13 November 2013, the performance condition was for the share price to increase to 9.5 pence. This condition has been satisfied.

Where options remain unexercised after a period of ten years from the date of grant the options expire. Moreover, the options will lapse in the case of termination of employment, subject to the good leaver provisions or the Remuneration Committee exercising its discretion to permit options to be exercised.

The total number of shares under option at 31 December 2020 is as follows:

Unapproved share options	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	3,179,500	4.09
Exercised during the period	(875,000)	1.00
Outstanding at the end of the period	2,304,500	5.26
Exercisable at the end of the period	2,304,500	5.26

All acquisitions under the plan are equity-settled.

EMI share options	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	7,023,500	4.62
Lapsed during the period	(125,000)	1.00
Outstanding at the end of the period	6,898,500	4.68
Exercisable at the end of the period	6,898,500	4.68

The weighted average exercise price for all options outstanding at 31 December 2020 was 4.83 pence (2019: 4.45 pence) with a weighted average remaining contractual life of three years (2019: five years).

Notes Forming Part of the Financial Statements
continued

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Related undertakings

Name	Place and date of incorporation	Issued and full paid share	Percentage held	Business
HTEC Group Limited	England and Wales	Ordinary £1	100% held	Holding company
HTEC Limited*	England and Wales	Ordinary 1p	100% held	Trading **
WSF Services Limited	Scotland	Ordinary £1	100% held	Dormant
Prepaid Card Management Limited*	England and Wales	A/B share £0.01	51% held	Dormant
Indigo Retail Holdings Limited	England and Wales	Ordinary £1 A and B shares	100% held	Holding Company
Indigo Retail Technology Limited*	England and Wales	Ordinary £1	100% held	Dormant
HTEC Retail Services Limited*	England and Wales	Ordinary £1	100% held	Dormant
Spedinorcon Limited*	England and Wales	Ordinary £1	100% held	Dormant
Master Change Limited	England and Wales	Ordinary £1	100% held	Holding Company
Bellwood Limited*	England and Wales	Ordinary £1	100% held	Dormant
First Remit Limited	Ireland	Ordinary €1	100% held	Holding Company
First Remit (UK) Limited	England and Wales	Ordinary £1	100% held	Dormant
Masternet Associates Limited	England and Wales	Ordinary £1	100% held	Dormant
Inter Galactic II Limited	England and Wales	Ordinary £1	100% held	Dormant
Bizpoints Limited*	England and Wales	Ordinary £1	100% held	Dormant
Universe Trustees (No.2) Limited	England and Wales	Ordinary £1	100% held	Dormant
Retail Markets (Europe) Limited	England and Wales	Ordinary £1	100% held	Dormant
Camden Technology Investments Limited	Ireland	Ordinary €1	100% held	Holding Company
Celtech Software Group Limited *	Ireland	Ordinary €1	100% held	Holding Company
Celtech Software International Limited *	Ireland	Ordinary €1	100% held	Trading **
Celtech Software Services Limited *	Ireland	Ordinary €1	100% held	Trading **
Celtech Solutions Limited *	England and Wales	Ordinary £1	100% held	Trading **

* Investments held in a subsidiary company.
** Trade consists of the development, sale, installation and support of retail management solutions for the fuel and convenience marketplace.

The registered address for all “related undertakings”, except for those incorporated in Ireland, is Southampton International Park, George Curl Way, Southampton, SO18 2RX. The registered address for related undertakings based in Ireland is East Point, Dublin, D03 E0C0, Ireland.

All the above companies are included in the consolidated Group results.

32 Acquisitions during the prior year

Camden Technologies Limited

On 3 April 2019 the Group acquired 100% of the issued share capital of Camden Technology Investments Limited ("Camden Technology") and its subsidiaries, each trading as Celtech ("Celtech"), for a cash consideration of £4.11 million and the issue (out of existing AGM authorities) of 22,842,785 new shares in Universe representing 8.95% of the issued share capital of the Company as enlarged by the issue of these shares.

The cash element of the acquisition was funded out of existing cash resources and a new 4-year, £3.50 million term loan and a 3-year, £1.50 million revolving credit facility with HSBC.

The total consideration due, at the Company's closing share price on 3 April 2019, 4.90 pence per share was £5.23 million.

The remaining 5% of the shares in Camden Technology were subject to a put and call option exercisable after 1 year at a cost of €0.32 million (£0.27m), payable in cash. This deferred consideration was paid in 2020.

The issued shares were subject to a 12-month lock-in period.

Celtech's ab-initio software product is a class-leading, cloud-based RMS offering that gives large, multi-site operators a uniquely powerful modular suite operating in real-time and allowing them to control all aspects of their business with full reporting, insights and analytics. As such, it meets the needs of Universe's larger customers and broadens the Group's customer base with additional high-profile retailers.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:

	Book Value £'000	Adjustment £'000	Fair value £'000
Property, plant and equipment	54	–	54
Right-of-use assets	–	338	338
Capitalised development	28	–	28
Acquired software	–	1,367	1,367
Acquired non-contractual customer lists and relationships	–	619	619
Acquired Customer contracts	–	38	38
Receivables	249	–	249
Cash	983	–	983
Payables	(87)	–	(87)
Other creditors	(203)	–	(203)
Deferred revenue	(623)	–	(623)
Corporation tax	428	–	428
Leases	(6)	(338)	(344)
Deferred tax on differences between fair value and tax bases	–	(344)	(344)
Total net assets	823	1,680	2,503

Fair value of consideration paid:

Cash	3,838
Shares issued	1,119
Deferred consideration paid in 2020	274
Total consideration	5,231
Goodwill (note 10)	2,728

During 2019 after the acquisition date, Camden Technology contributed £1.3 million to group revenues. If the acquisition had occurred on 1 January 2019, group revenue would have been £1.7 million higher. As Camden Technology was fully integrated into HTEC shortly after acquisition it is not possible to disclose either revenue or profit figures ongoing.

33 Related parties - Company

Balances with HTEC Limited	Debits to intercompany indebtedness 2020 No.	2019 No.
Funding transactions	**727**	749
Management recharge	**653**	653

Amounts owed to subsidiaries are disclosed in note 22.

Remuneration of key personnel

Details of the remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information regarding the Directors' individual remuneration package is provided in the Directors' Remuneration Report on pages 22 to 23.

	2020 £'000	2019 £'000
Short term employee benefits and employees' NIC	**651**	613
Post employment benefits	**36**	48
Share-based payments	**–**	(31)
	687	630

34 Reconciliation of liabilities arising from financing activities

	1 January 2020	Repayment cash flows	New loan cash flows	New leases	On acquisition	Non–cash flows, amortisation of loan fees	Non–cash flows, split between long and short term	31 December 2020
Lease liabilities - short term	**2,301**	**(1,693)**	**–**	**–**		**110**	**268**	**986**
Lease liabilities - long term	**877**	**–**	**–**	**1,565**		**–**	**(268)**	**2,174**
Bank loans - short term	**814**	**(1,175)**	**1,606**	**–**	**–**	**61**	**1,032**	**2,338**
Bank loans - long term	**2,049**	**–**	**–**	**–**	**–**	**–**	**(1,032)**	**1,017**
Total liabilities from financing activities	**6,041**	**(2,868)**	**1,606**	**1,565**	**–**	**171**	**0**	**6,515**

	1 January 2019	Repayment cash flows	New loan cash flows	New leases	On acquisition	Non–cash flows, amortisation of loan fees	Non–cash flows, split between long and short term	31 December 2019
Lease liabilities - short term	579	(1,755)	–	–	110	–	3,367	2,301
Lease liabilities - long term	217	–	–	3,793	234	–	(3,367)	877
Bank loans - short term	–	(438)	1,206	–	–	46	–	814
Bank loans - long term	–	–	2,049	–	–	–	–	2,049
Total liabilities from financing activities	796	(2,193)	3,255	3,793	344	46	–	6,041

Five Year Summary

	2016 £'m	2017 £'m	2018 £'m	2019 £'m	**2020 £'m**
Income and expenditure:					
Revenue	19.7	19.6	19.9	22.4	**19.8**
Gross profit	9.5	9.3	9.6	11.6	**8.6**
Gross margin %	48.2%	47.4%	48.2%	51.8%	**43.5%**
Adjusted administrative expenses	(7.2)	(8.3)	(8.6)	(9.8)	**(8.7)**
Adjusted operating profit	2.3	1.0	1.0	1.8	**–**
Adjusted administrative items:			–	–	**–**
Acquisition costs expensed	–	–	–	(0.2)	**–**
Impairment of development costs following acquisition of Celtech	–	–	–	(2.8)	**–**
Amortisation of acquired intangibles	(0.2)	–	–	(0.2)	**(0.3)**
Share-based payments	(0.1)	(0.1)	–	–	**–**
	(0.3)	(0.1)	(0.1)	(3.1)	**(0.3)**
Total administrative expenses	(7.5)	(8.4)	(8.7)	(12.9)	**(9.0)**
Operating profit/(loss)	2.0	0.9	0.9	(1.3)	**(0.4)**
Net finance expense	(0.1)	–	(0.1)	(0.3)	**(0.3)**
Adjustment to estimates*	0.1	–	–	–	**–**
Profit/(loss) before tax	2.0	0.9	0.8	(1.6)	**(0.7)**
Tax	(0.2)	(0.1)	–	0.6	**0.1**
Retained profit/(loss)	1.8	0.8	0.8	(1.0)	**(0.6)**
Cashflows:					
Cash inflow from operating activities	2.4	1.6	2.4	7.6	**(1.2)**
Cash outflow from investing activities	(1.8)	(1.8)	(1.7)	(5.1)	**(2.1)**
Cash outflow from financing activities	(0.6)	(0.3)	(0.9)	1.2	**(1.3)**
Increase in cash in the year	–	(0.5)	(0.2)	3.7	**(4.6)**
Assets employed:					
Non-current assets	19.1	19.4	20.0	25.7	**26.3**
Net current assets	4.3	4.6	4.9	2.1	**1.2**
Non-current liabilities	(0.9)	(0.9)	(0.9)	(3.6)	**(4.0)**
	22.5	23.1	24.0	24.2	**23.5**
Financed by:					
Share capital and related reserves	20.0	20.0	20.0	21.2	**21.2**
Other reserves	2.0	2.0	2.0	2.0	**2.0**
Profit and loss account	0.5	1.1	2.0	0.9	**0.3**
	22.5	23.1	24.0	24.2	**23.5**
Earnings per share:	p	p	p	p	**p**
Basic earnings per share	0.79	0.27	0.35	(0.58)	**(0.24)**
Diluted earnings per share	0.76	0.26	0.33	(0.58)	**(0.24)**
	millions	millions	millions	millions	**millions**
Number of shares for basic EPS	231.3	231.9	232.3	251.1	**260.6**
Number of shares for diluted EPS	241.6	239.7	240.9	253.7	**261.1**

* Adjustments relate to contingent consideration estimates, recalculated annually.

R&D expense	2.7	2.6	3.5	3.5	**3.5**

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