



Annual Report and Accounts
for the year ended 31 December 2013

Stock code: UNG



About Universe Group

Universe Group is incorporated in the UK and operates through HTEC, a specialist in payment, loyalty and forecourt technology.

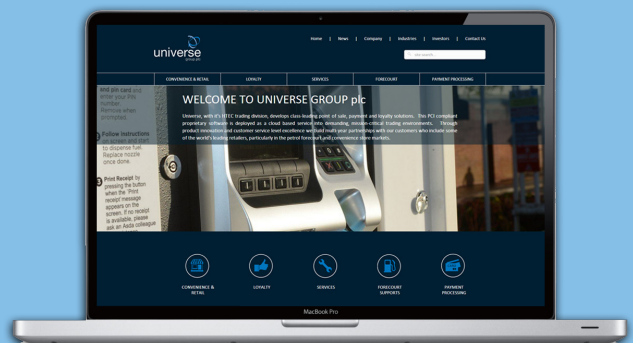
“Double-digit growth in sales, operating profit and profit before tax arose from a pleasing combination of organic growth, acquisitions and a high level of project work.

Our customers are investing in their businesses and continuing to develop the programmes that we manage for them. The confidence that they have shown in HTEC, in turn gives us confidence in the further profitable growth of the Group.”

Yet again, our thanks are due to our staff for their determination, loyalty and innovation.”

Robert Goddard
Chairman

 **Advancing**
Payment and Loyalty Technologies



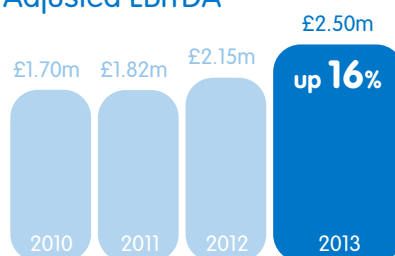
www.universeplc.com

Highlights

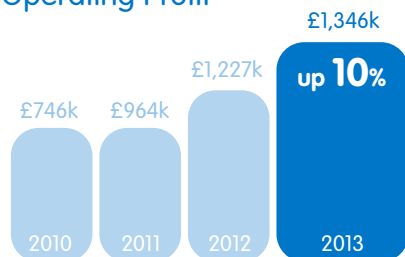
Revenue



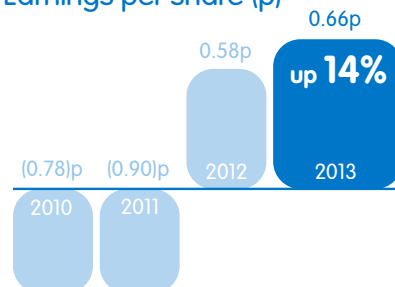
Adjusted EBITDA



Operating Profit



Earnings per share (p)



- Strong growth in revenue and profits
- Two strategic acquisitions in the year successfully completed
- Sales up 34% to £15.87m (2012: £11.85m)
- Underlying sales up 19% before benefit of acquisitions
- Operating profit up 10% to £1.35m (2012: £1.23m)
- PBT on continuing operations up 19% to £1.20m (2012: £1.01m)
- Adjusted EBITDA up 16% to £2.50m (2012: £2.15m)
- Statutory retained profit of £1.33m (2012: £0.82m)
- Basic EPS up 14% to 0.66p (2012: 0.58p)
- Cash invested in new products and acquisitions £1.82 million (2012: £0.92 million)

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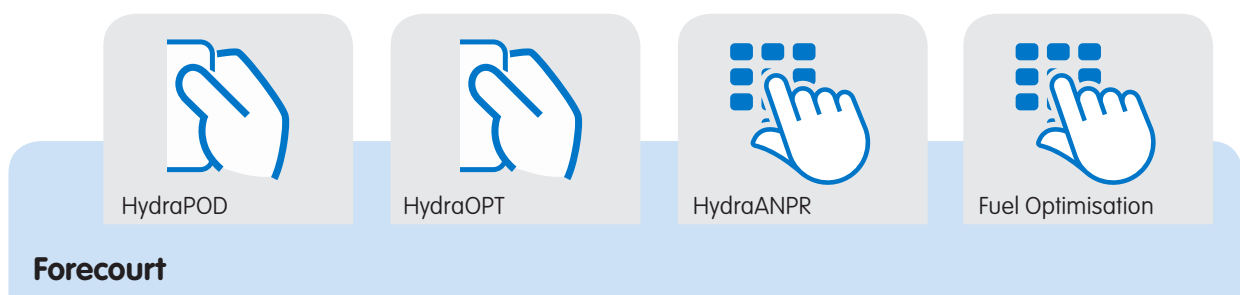
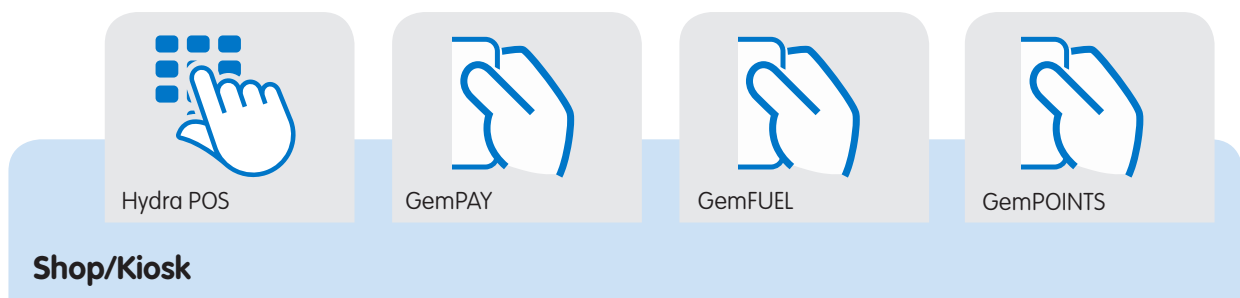
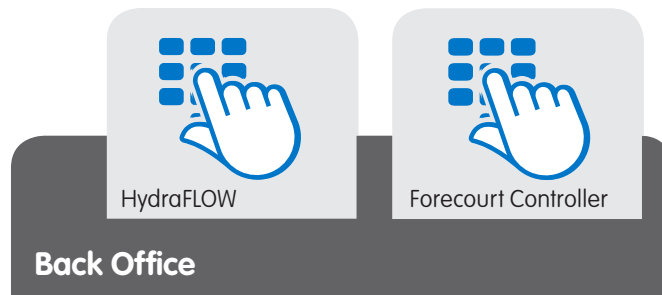
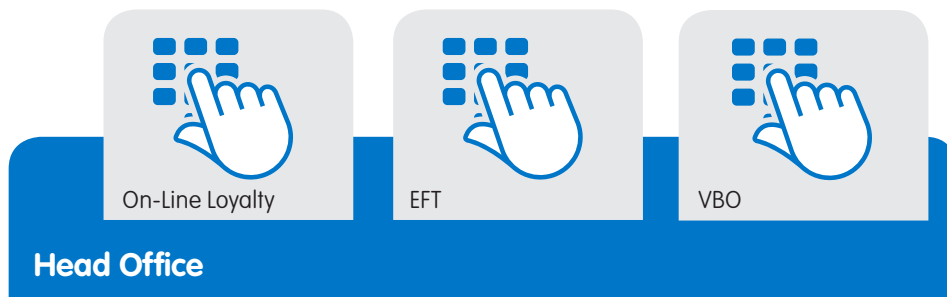
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Universe at a Glance





HTEC in brief

- Europe's leader in payment, loyalty and forecourt technology
- £8 billion payment transactions per annum processed on HTEC equipment
- 50% of the main UK supermarkets use HTEC products and services
- 3,500 UK petrol stations use HTEC solutions
- Bespoke, innovative, solutions to meet your needs
- In-house Design, Development and Manufacture
- Service and Support

Tailored solutions

Many of the projects we undertake have international scope. Our client base includes a significant number of blue-chip companies and in recent years we have consolidated our relationships with many major international oil companies and leading UK supermarkets.

The scalable solutions we provide are always tailored to meet the needs of our customers and are integrated seamlessly with corporate IT.



HTEC's products

- On-Line Loyalty** – Enterprise level loyalty system.
- VBO** – Web based head office and back office system.
- EFT** – Electronic Funds Transfer payment services.
- HydraFLOW** – Back office and head office system.
- Forecourt Controller** – Resilient forecourt site control.
- GemPAY** – High performance EFT and fuel card terminal.
- GemFUEL** – Payment Terminal for bunkered fuel operators.
- GemPOINTS** – Scalable, secure loyalty solution.
- HydraPOS** – Touch screen point of sale system.
- Hydra ANPR** – Intelligent ANPR solutions to minimise drive offs.
- HydraPOD** – Free standing, secure outdoor payment terminal.
- HydraOPT** – Secure, unattended payment terminal.
- Fuel Optimisation** – Real time task monitoring and delivery scheduling information.
- Service** – Responsive technical help desk and nationwide field service operation.

Chairman's Statement

Introduction

I am pleased to present the results for 2013, a year that has seen significant developments within the Group, including two acquisitions, a new Chief Executive Officer and another strong trading performance.

Highlights

A double digit growth in sales, operating profit and profit before tax has been the result of a combination of organic growth, acquisitions and a high level of project work. Our customers are investing in their businesses and are continuing to develop the programmes we manage for them.

The acquisitions of Indigo Retail Holdings Limited ('Indigo') and the trade of Retail Service Team Limited ('RST') provided access for the Group to new products and markets, and expanded its customer base; something that has been an aspiration for some years. The Indigo acquisition broadened our capabilities in our existing markets and extended our reach into both existing markets and the expanding convenience store market, where we were less well established. The RST acquisition expanded our footprint into general retail and provides opportunities for improving margins in the servicing part of our business.

The appointment of Jeremy Lewis as our new Chief Executive marks a significant milestone in the Group's development, as we move from rebuilding and enhancing capability, to a phase of exploiting the strong foundations now in place. Innovation will continue, as we build on our product portfolio and integrate new technologies.

2013 was intended to be a transformational year involving the acquisition and development of new products. This proved to be the case. A particular success was the market acceptance of our GemPAY payment terminal and this has secured long-term service revenues on forecourts that we have served for many years.

Staff

The dedication and skill of our staff has been central to the successes in 2013. They have continued to deliver high quality products and customer service. The acquisitions have brought new colleagues into the Group, all of whom have contributed significantly. We would like to extend our thanks to all staff for their hard work and efforts during the year. It is recognised and much appreciated.

Outlook

During the year, the Group has invested substantially in new products and upgrading existing ones. At the same time it has delivered high volumes of project work to its existing customers. The large scale deployment of GemPAY was a significant success and further adoption is expected in 2014. Our challenge will be to keep delivering on the current projects and at the same time introduce our expanded offering to our newly-expanded customer base.

The acquisitions of Indigo and RST have brought new skills, products and opportunities to the Group. Integration of Indigo is complete and the process of integrating RST is underway. We will continue to review opportunities for further acquisitions.

The high level of project work in 2013 may not be repeated in 2014. However, with a full year of trading from the acquisitions, we still expect to see growth in turnover and further strengthening of the business.

Significant change is still underway in the petrol and convenience store markets. This presents both an opportunity and a challenge, but with our range of customers, market-leading products and stronger teams, we believe we are well placed to benefit from the changes.

Robert Goddard

Chairman

4 April 2014



Our Business

Our Governance

Our Financials

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2013.

Principal activity

The Group provides point of sale, payment and loyalty solutions primarily into the UK petrol forecourt market and with an increasing presence in convenience store and general retail. The Group's model is to implement fully-managed payment or loyalty solutions, together with highly responsive ongoing support.

Organisational overview

The Group's business is directed by the Board and managed by the Executive Directors, led by the Chief Executive. There is a small senior management team comprising the Chief Executive, Chief Financial Officer and senior executives covering Sales and Marketing, Operations, Projects and Development.

The main operating entity is HTEC Limited and during the year two acquisitions were added to the Group. Indigo was acquired in May 2013 and shortly after fully integrated into operations. In November a new operating subsidiary, HTEC Retail Services Limited ('HRS'), was created and absorbed the trade of RST. HRS and its employees will be a key part of the Group's project and service delivery operations.

Financial results

Profit and loss

Sales from the underlying HTEC business for the year to 31 December 2013 increased by 19% to £14.08m (2012: £11.85m). The two acquisitions added a further £1.79m to that and helped push the Group's sales for the second half to £9.28m, 41% ahead of the first half. The main reasons for the increase is the continuing high levels of project work from existing customers, and the successful deployment of our GemPAY payment terminal. In all over 800 terminals were deployed in 2013 and we have confirmed orders for a further 1,000 in 2014.

Mix of business and pressure on service margins contributed to a decline in the gross profit margin, down to 35% from 37% in the prior year. Gross profit was up 26% to £5.48m (2012: £4.37m). Administrative expenses increased to £4.14m (2012: £3.14m) as planned investments in sales and marketing were made and enhanced by the sales teams from the acquisitions.

Operating profit for the year increased to £1.35m, up 10% on the prior year (2012: £1.23m). After reduced finance costs of £0.15m, which were 32% down on the prior year (2012: £0.22m), profit before tax on continuing operations showed a 19% increase year-on-year to £1.20m (2012: £1.01m).

The Group continues to benefit from tax losses brought forward and this helped profit after tax to rise to £1.33m (2012: £1.01m) due to the recognition of a £0.18m deferred tax asset.

Basic earnings per share improved to 0.66 pence from 0.58 pence in 2012.

Cash flow and financing

Adjusted EBITDA rose by 16% to £2.50m (2012: £2.15m). This supported net cash inflow from operating activities of £2.07m (2012: £2.08m).

The principal use of cash in 2013 was investment, both in existing products and in acquisitions. We spent £0.69m on acquisitions, with the balance of the Indigo purchase funded through deferred and contingent consideration payable over the next three years. The acquisitions increased the balance of goodwill and related intangible assets by £3.30m, on which annual amortisation of £0.23m will be charged, and contributed to the increase in our capitalised development costs, which rose by £0.63m.

In addition we invested a further £0.73m into our product portfolio, including further enhancements to our new outdoor payment terminal and EFT platforms, both of which are on pilot with one of our major customers. We refreshed the loyalty platform for another of our major customers, as they introduced this programme into more territories. This necessitated the upgrade of the associated computer hardware, contributing to the £0.54m increase in hardware fixed assets. The investment in fixed assets was funded by a mixture of cash and new finance leases.

Cash outflow for the year was £0.16m, leaving a year-end balance of £0.98m.

Strategy and business plan

Universe is an innovative technology company delivering proprietary cloud based software into some of the world's leading companies. The technology is deployed in mission-critical applications in retail environments and so two of our main corporate principles are product innovation and excellent customer service.

We continue to invest in our existing products and services to ensure that they are best-in-class and constantly evolve to meet the stringent demands of the international payment markets; as well as our customers' own high expectations. At the same time, we remain alert to new payment and loyalty offerings such as improved data analytics, mobile payments/loyalty and e-receipts. Product development programs for these projects are in place.

All of our customers rely on us to keep them trading and so we are always conscious of the extreme importance of meeting their needs in an effective, efficient and timely manner. Our data centre teams, field force and helpdesk professionals remain at the heart of our offering as we look to build multi-year partnerships with our customers.

The above approach has driven growth in 2013 and will continue to underpin expected growth this year and beyond. Core drivers of this are the selling of the updated product and service sets into the existing customer base and expanding with those customers as they increase their estates. In addition, we look to take market share as well as reaching new vertical markets, particularly in the convenience store environment where the acquisition of Indigo and RST have provided additional market reach and strength.

In the year we examined a number of business opportunities overseas and we will continue to keep these under review. Given our size, any overseas expansion is likely to be with existing customers or with collaboration partners or both. From time to time we become aware of further acquisition opportunities. We look at these critically and pursue only those where the technology, pricing and time-to-market make them compelling.

Business and product development

Since 2012 we have been working towards our target of a fully refreshed product set. To a large extent that work is complete and it has been pleasing to see that all our major product developments have growing acceptance among our customers.

GemPAY has found wide acceptance, and an enhanced version, GemPAY2, has already been launched to further expand the reach of this technology. The new outdoor payment terminal is gaining acceptance and significant orders for it are expected this year. The new EFT platform is now on pilot with a major supermarket customer and is in the process of further enhancement to meet the requirements of other markets. There are a number of opportunities for this to be deployed during 2014. In addition, we now have plans to pilot our new data analytics and e-receipts products this year.

Strategic Report continued

Principal risks and uncertainties facing the Group

The principal risks facing the Group relate to:

- Concentration of customers such that three customers accounted for 63% of turnover in 2013 (2012: 71%). Such a level of concentration exposes the Group to risks associated with loss of business. Accordingly, the Group secures long term contracts wherever possible and strives to provide high service levels and innovative product development. We also invest in business development initiatives in order to broaden the customer base. In particular the two acquisitions in 2013 have contributed to this.
- Technological risks inherent in the Group's products. All are vulnerable to continued demands from customers for improvements in functionality. Competition from other suppliers also presents the risk of being technologically superseded. The Group continues to invest heavily in Research and Development in order to improve its products and increase their value to customers.
- The costs associated with maintaining a wide range of bank and other approvals. These are essential for the Group to operate as a payment system provider. These regimes are onerous and require continuous product upgrading, which the Group is committed to. However, the approvals regime is a barrier to new entrants.
- Changes within the UK petrol forecourt market. This is because it is the source of much of the Group's revenue. As major oil companies withdraw from retailing operations, significant ownership changes are occurring. This provides both an opportunity and a threat. The Group's response is to continue to develop market-leading products and ensure they can be integrated as widely as possible with other technologies used in petrol retailing.

Key performance indicators (KPIs)

The main KPIs that management monitor within the Group are:

- Sales order inflow to ensure that annual sales budgets are on schedule. The Group starts each year with a significant proportion of its budgeted turnover already booked due to existing contracts. New sales are required to meet budget, and so order booking targets are set. Order booking targets are set for each sales person at the beginning of the year and discussed on a weekly basis by the Executive team. The order booking target for 2013 was £4.7 million, and this target was achieved in July 2013.
- Operating profit from management accounts, which are prepared each month in order to monitor that forecast profitability is achieved. Management accounts are discussed at the Executive team meetings, and monthly Board meetings. The Group operating profit margin percentage was budgeted at 8% for 2013. The Group achieved this measure in 8 out of 12 months, and for the year overall. Operating profit for management accounts purposes is calculated on the same basis as presented in this report.
- Performance against contracted service level agreements ('SLAs'). SLAs are monitored on a weekly basis and discussed with customers at quarterly review meetings. SLA performance of 99% was achieved in 2013 against SLA targets of 95%.

Summary

The rebuilding of the Group over the past few years has seen a refreshed product set and that has provided greater access to our chosen markets. The significant improvement in financial performance is testament to this. The recent acquisitions and new products are now giving us access to new customers, market verticals and geographies. We have a leading market position and best-in-class products so are well positioned to take advantage of further opportunities, whilst being ever mindful of the need to innovate and consistently meet customers' demand for high service levels.

Signed on behalf of the Board of Directors

Jeremy Lewis, Chief Executive Officer

4 April 2014

Director's Report

The directors present their report and the audited accounts for the year ended 31 December 2013.

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 has good visibility of recurring revenues, which make up a significant proportion of annual revenues. However the Group does still have some exposure to current economic conditions which have the potential to impact annual revenues. The Directors have therefore prepared downside sensitised forecasts for the current and following years.

The Group's main sources of finance are finance leases and institutional loans. The year end amounts outstanding on each are discussed within note 18.

The downside sensitised forecasts have been reviewed by the Directors to ensure that the profit and cash generation derived from these forecasts are sufficient to ensure that the 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.

As a result of this review, the Directors are of the opinion that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the financial statements.

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 22.

Environment

The Group's policy with regard to the environment is to ensure that the Group's operational subsidiaries understand and effectively manage the actual and potential environmental impact of their activities. Operations are conducted such that they comply with all the legal requirements relating to the environments in which they operate. During the period covered by this report no Group company has incurred any fines or penalties or been investigated for any breach of environmental regulations.

It is Group policy to continually carry out research and development on new products and processes to minimise the impact of its operations on the environment.

Employees

The quality and commitment of the Group's employees has played a major role in the success of HTEC over the years. This has been demonstrated in many ways, including improvements in customer satisfaction, the development of new product lines and the flexibility employees have shown in adapting to changing business requirements and new ways of working. Employee turnover remains below the 15% target set by the Executive Directors.

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 £2,490,000 (2012: £1,822,000) was charged to the Statement of Comprehensive Income. In addition, development costs of £731,000 (2012: £756,000) were capitalised. Research and development in the year concentrated on the continuing development of a new Outside Payment Terminal and an improved Electronic Funds Transfer software platform.

Dividends

The directors do not propose the payment of a dividend (2012: £Nil).

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 24. 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.

Director's Report continued

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 24 June 2014, together with explanatory notes, appear in the separate Notice of Annual General Meeting sent to all shareholders.

Substantial shareholdings

As at 24 March 2014 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 |
|----------------------------|------------------------------|---|
| Downing LLP | 36,175,593 | 17.02 |
| Amati Global Investors | 25,892,056 | 12.18 |
| Ennismore Fund Management | 24,870,751 | 11.70 |
| Henderson Global Investors | 13,214,470 | 6.22 |
| B K Tank | 11,280,000 | 5.33 |
| Barclays Wealth | 9,171,205 | 4.31 |
| J R Scholes | 8,652,829 | 4.07 |

Directors

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

R Goddard (Chairman)
S McLeod (resigned 30 September 2013)
J M J Lewis (appointed 23 September 2013)
M Coster
R J Smeeton

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

| | 2013 No. | 2012 No. |
|-------------|-------------|-------------|
| R Goddard | 1,184,000 | 1,184,000 |
| J M J Lewis | — | — |
| M Coster | 936,500 | 936,500 |
| R J Smeeton | 386,240 | 386,240 |

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 director's share options are provided in the Director's remuneration report on page 17.

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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 auditors

At the date of making this report each of the company's directors, as set out on page 13, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are 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 auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

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

Auditors

BDO LLP served as auditors during the year and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors was approved by the Board on 4 April 2014 and signed on its behalf by:

R J Smeeton
Director

Officers and Professional Advisers

Non-Executive Chairman

Robert Goddard

Robert Goddard, a chartered engineer, was on the executive board of Burmah Castrol plc and previously managed its worldwide fuels business and a substantial portion of its chemicals business. He joined Amberley Group PLC in November 2000 where he was Chief Executive, responsible for turning round and selling on its four speciality chemical subsidiaries, thereby enhancing the share price substantially before leaving in 2003. More recently he has had a variety of advisory and turn around assignments. He is currently non-executive chairman of AIM quoted Hardide plc. Robert joined Universe in May 2011.

Non-Executive Director

Malcolm Coster

Malcolm Coster joined the Universe Group Board in August 2007 and is an experienced businessman who has held senior international positions in the Management Consultancy and Information Technology industries. Malcolm is an experienced Chairman, Board Member and Non-Executive Director of several well-known public companies.

Executive Directors

Jeremy Lewis — Chief Executive Officer

Jeremy Lewis joined Universe in September 2013 as Chief Executive Officer. 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.

Bob Smeeton — Finance Director

Bob Smeeton joined Universe in June 2008 as the Finance Director of HTEC Limited, the Company's principal operating subsidiary. Bob, who qualified as a chartered accountant whilst at Price Waterhouse, was previously at OpSec Security Group PLC, an AIM quoted company, latterly as its European Finance Director. He was appointed Group Finance Director on 1 January 2009.

Directors

R Goddard (Chairman)
J M J Lewis
M Coster
R J Smeeton

Secretary

R J Smeeton

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Registrars

Capita Registrars
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Registered Number

02639726

Auditors

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Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

Corporate Governance Report

The Board is accountable to the Company's shareholders for good governance. The following statement describes the key corporate governance policies that have been adopted by the Company. The Company is not required to follow, and does not claim compliance with, the UK Corporate Governance Code.

The Board

As at the date of signing of these accounts, the Board has two executive directors and two non-executive directors; including the chairman.

Role of the board

During the year, Board meetings were held each month except August and each director serving at the time attended each Board meeting; with the exception of Mr Coster who, for personal reasons was unable to do so on one occasion.

At the monthly Board meetings, the CEO reports on the overall financial performance for the previous month, business development, technical, commercial and health & safety matters. The Finance Director reports in detail on the financial performance and any secretarial matters. Other business is conducted after these regular reports. Minutes of board committee meetings held since the previous formal board meeting are received and decisions made by those committees are ratified.

Whilst the bulk of the formulation of budgets and strategy is undertaken by the executive directors, this is done against a framework set by the whole of the board, challenged by the board and finally approved by it.

There is a formal schedule of matters reserved for the Board. This includes the setting of high level targets, approval of budgets, capital expenditure and major contracts. Authority levels for expenditure are delegated to individual executives or the Executive Management Committee according to a schedule agreed by the Board.

There are two board committees. These are the Audit Committee and the combined Remuneration and Nomination Committee.

Non-executive directors

The company and its Board are not large enough to warrant a formal senior non-executive position. Instead, the other non-executive is actively consulted by the Chairman and they provide feedback to one another on the various matters initiated by them.

Service agreements for non-executive directors are agreed by the board. They are available for inspection at the company's registered office and at the location of the AGM for a period before the meeting begins.

The Board as a whole

Collectively and individually, the directors monitor the performance of the Board and its members on a range of measures. These include attendance, familiarity with the Board packs, the quality of those Board packs, an understanding of the matters under discussion, the ability to contribute to Board discussion and the quality of the challenge made to executive proposals and performance and the thoroughness of reporting and recommendations made by the board committees.

Because of its small size and the cost of the process, a formal evaluation of Board performance by an outside agency is not believed to be appropriate. The Remuneration and Nomination Committee has not recommended that such a process is implemented.

All directors have access to independent professional advice at company expense if it is felt by them in their own judgement that it is needed to enable them to discharge their duties and that the cost of such advice is reasonable in the circumstances.

Membership of Board sub-committees

Malcolm Coster and Robert Goddard are the members of both the board committees. Where matters before a committee concerns one or other of these members, the member in question withdraws and is replaced by the two executive directors.

The main purposes and terms of reference of each board committee are summarized below.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee meets as required but at least once per year. The duties of the Remuneration and Nomination Committee are to:

1. Determine and agree with the Board the framework or broad policy for the remuneration of the Group's chief executive, chairman, the executive directors, the Company secretary and such other members of the executive management as it is designated to consider.
2. Approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes and determine the individual schemes and payments that apply to the executive directors.

3. Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used.
4. Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
5. Within the terms of the agreed policy and in consultation with the chief executive and finance director, as appropriate, determine the total individual remuneration package of each of the senior executives who report to the chief executive and finance director, including bonuses, incentive payments and share options, other share awards or other benefits.
6. Oversee any major changes in employee benefits structures throughout the Company or Group.
4. Consider and make recommendations in relation to the appointment, re-appointment and removal of the Group's external auditor; oversee the relationship with the external auditor; meet regularly with the external auditor, including at least once a year without management being present; review and approve the annual audit plan; review the findings of the audit with the external auditor; and review the effectiveness of the audit.
5. Review the operation of the Group's policies for Anti-bribery and Whistleblowing and recommend to the Board any changes to the policies or their operation.

Internal Controls

The directors are responsible for the Group's system of internal control. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against misstatement or loss. The Directors have put in place an organisational structure and framework of controls that is periodically reviewed for its effectiveness. The key financial procedures within the Group's system of internal control are as follows:

- There is a comprehensive budgeting system with the annual budget being approved by the Board. Actual results and updated forecasts are prepared as needed and compared against budget;
- The annual capital investment budget is approved by the Board; together with significant individual items prior to commitment; and
- Significant treasury items are reserved for the Board.

Communication with shareholders

Presentations by the chairman and executive directors of interim and full-year results are offered to all major shareholders. During the course of the year, a general presentation of the company was made to a large group of private investors. Other smaller shareholders are welcome to make contact with the company and wherever possible their concerns or questions are responded to by a director, in person.

Major shareholders are also canvassed for their views on the remuneration of directors.

On behalf of the board

Robert Goddard

Chairman

4 April 2014

Audit Committee

The Audit Committee meets formally twice each year with the Group's auditor at appropriate times during the reporting and audit cycle, and otherwise as required. The duties of the Audit Committee are to:

1. Monitor the integrity of the financial statements, including the annual and interim reports; review the consistency of accounting policies; review whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments; review the methods used to account for significant or unusual transactions; review the clarity of disclosure in the Group's financial reports; and review all material information presented with the financial statements.
2. Review the effectiveness of the Group's internal controls and risk management systems, and to review and approve the statements included in the annual report concerning these.
3. Review the Group's arrangements for its employees to raise concerns about possible wrongdoing, and ensure these arrangements allow proportionate and independent investigation; and to review the Group's procedures for detecting and preventing bribery and fraud.

Directors' Remuneration Report

The Remuneration Committee

The Remuneration Committee consists of the Non-Executive Directors of the Company. 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;
- to ensure that all long term incentive schemes for the directors are approved by the shareholders.

Other than as disclosed at note 33 and 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 other companies and other group's rates of pay, when considering remuneration packages for executives. The committee may use outside professional advice if they consider it necessary. No such advice has been sought during the year or the preceding year although published Remuneration surveys from leading Remuneration consultancies were reviewed to help guide policy, and understand remuneration trends and shareholder views.

Benefits in kind include the provision of medical insurance premiums and a car or car allowance. Both 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.

Both of the executive directors participate in EMI option schemes and one of the executive directors, together with the non-executive directors participate in unapproved option schemes. These options will vest only upon the achievement of a set market prices for the shares of Universe Group plc, 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.

The Group also operates a Long Term Incentive Plan ("LTIP") for employees (including certain executive directors) selected by the Board (but taking account of the recommendations of the Remuneration Committee). The LTIP operates by issuing matching shares in respect of qualifying share purchases by certain directors and employees. No such shares were issued during 2013.

Director's Detailed Emoluments

| | Salary and fees £000 | Benefits £000 | Bonus £000 | Pension £000 | 2013 £000 | 2012 £000 |
|---|----------------------------|------------------|---------------|-----------------|--------------|--------------|
| Executives | | | | | | |
| S McLeod (resigned 30 September 2013) | 81 | 4 | 88 | — | 173 | 200 |
| J M J Lewis (appointed 23 September 2013) | 35 | 2 | 34 | 3 | 74 | — |
| R J Smeeton | 90 | 4 | 115 | 8 | 217 | 148 |
| Non-executives | | | | | | |
| R Goddard | 33 | — | — | — | 33 | 32 |
| M Coster | 25 | — | — | — | 25 | 25 |
| | 264 | 10 | 237 | 11 | 522 | 405 |

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 7.38p per 1p share (2012: 3.5p per 1p share) and the range of market prices during the year was between 3.5p and 8.0p

| | | At 1 January 2013 | Granted | Exercised | Cancelled | At 31 December 2013 | 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 |
| R Goddard | Unapproved | 1,500,000 | — | — | — | 1,500,000 | 1p | 5p |
| R Goddard | Unapproved | — | 1,750,000 | — | — | 1,750,000 | 4.25p | 6p |
| M Coster | Unapproved | 875,000 | — | — | — | 875,000 | 1p | 5p |
| R J Smeeton | EMI | 1,500,000 | — | — | — | 1,500,000 | 1p | 5p |
| R J Smeeton | EMI | — | 1,750,000 | — | — | 1,750,000 | 4.25p | 6p |
| | | 3,875,000 | 7,500,000 | — | — | 11,375,000 | | |

Directors' Remuneration Report continued

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 |
|-------------|-------------------|----------------|------------------|------------------|
| R Goddard | 1,500,000 | 1p | 18 December 2012 | 18 December 2012 |
| R Goddard | 1,750,000 | 4.25p | 26 July 2016 | 26 July 2013 |
| 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 |
| M Coster | 500,000 | 1p | 30 July 2013 | 18 December 2012 |
| M Coster | 125,000 | 1p | 30 July 2013 | 18 December 2012 |
| M Coster | 250,000 | 1p | 18 December 2012 | 18 December 2012 |
| R J Smeeton | 937,500 | 1p | 30 July 2013 | 18 December 2012 |
| R J Smeeton | 312,500 | 1p | 26 January 2015 | 18 December 2012 |
| R J Smeeton | 250,000 | 1p | 18 December 2012 | 18 December 2012 |
| R J Smeeton | 1,750,000 | 4.25p | 26 July 2016 | 26 July 2013 |

Interests in Shares

Interests in shares have been disclosed in the Directors' Report on page 10.

On behalf of the Board

Malcolm Coster

Chairman of the Remuneration Committee
4 April 2014

Independent Auditor's Report

We have audited the financial statements of Universe Group Plc for the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company balance sheets, the consolidated and company cash flow statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Paul Anthony (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom
4 April 2014

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

| | Note | Total 2013 £'000 | Total 2012 £'000 |
|---|-------|------------------------|------------------------|
| Continuing operations | | | |
| Revenue | 2,3,4 | 15,874 | 11,851 |
| Cost of sales | | (10,391) | (7,484) |
| Gross profit | | 5,483 | 4,367 |
| Administrative expenses | | (4,137) | (3,140) |
| Operating profit | 2 | 1,346 | 1,227 |
| Finance costs | 5 | (146) | (215) |
| Profit before taxation | | 1,200 | 1,012 |
| Taxation | 7 | 131 | — |
| Profit for the period from continuing operations | | 1,331 | 1,012 |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | 34 | — | (192) |
| Profit and total comprehensive income for the year | | 1,331 | 820 |
| | | Pence | Pence |
| Earnings per share | | | |
| Basic EPS | 8 | | |
| — continuing operations | | 0.66 | 0.71 |
| — discontinued operations | | — | (0.13) |
| Basic EPS | | 0.66 | 0.58 |
| Diluted EPS | | 0.62 | 0.58 |

The notes on pages 25 to 55 form part of these financial statements.

Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2013

| | Share capital £'000 | Capital redemption reserve £'000 | Share premium £'000 | Merger reserve on acquisition £'000 | Translation reserve £'000 | Profit and loss account deficit £'000 | Total equity £'000 |
|--|---------------------------|---|---------------------------|--|---------------------------------|--|--------------------------|
| Consolidated | | | | | | | |
| At 1 January 2012 | 5,735 | — | 10,753 | 2,269 | (225) | (6,905) | 11,627 |
| Profit and total comprehensive income for the year | — | — | — | — | — | 820 | 820 |
| Share reorganisation | (4,588) | 4,588 | — | — | — | — | — |
| Issue of share capital | 728 | — | 947 | — | — | — | 1,675 |
| Expenses of share issue | — | — | (149) | — | — | — | (149) |
| Share based payments | — | — | — | — | — | 105 | 105 |
| At 31 December 2012 | 1,875 | 4,588 | 11,551 | 2,269 | (225) | (5,980) | 14,078 |
| At 1 January 2013 | 1,875 | 4,588 | 11,551 | 2,269 | (225) | (5,980) | 14,078 |
| Profit and total comprehensive income for the year | — | — | — | — | — | 1,331 | 1,331 |
| Issue of share capital | 240 | — | 840 | — | — | — | 1,080 |
| Expenses of share issue | — | — | (10) | — | — | — | (10) |
| Share based payments | — | — | — | — | — | 45 | 45 |
| At 31 December 2013 | 2,115 | 4,588 | 12,381 | 2,269 | (225) | (4,604) | 16,524 |

The notes on pages 25 to 55 form part of these financial statements.

Consolidated and Company Statement of Changes in Equity continued for the year ended 31 December 2013

| Company | Share capital £'000 | Capital redemption reserve £'000 | Share premium £'000 | Merger reserve on acquisition £'000 | Profit and loss account deficit £'000 | Total equity £'000 |
|---|------------------------|-------------------------------------|------------------------|--|--|-----------------------|
| At 1 January 2012 | 5,735 | — | 10,753 | 476 | (6,211) | 10,753 |
| Profit and total comprehensive expense for the year | — | — | — | — | (235) | (235) |
| Share reorganisation | (4,588) | 4,588 | — | — | — | — |
| Issue of share capital | 728 | — | 947 | — | — | 1,675 |
| Expenses of share issue | — | — | (149) | — | — | (149) |
| Share based payments | — | — | — | — | 105 | 105 |
| At 31 December 2012 | 1,875 | 4,588 | 11,551 | 476 | (6,341) | 12,149 |
| At 1 January 2013 | 1,875 | 4,588 | 11,551 | 476 | (6,341) | 12,149 |
| Profit and total comprehensive expense for the year | — | — | — | — | (214) | (214) |
| Issue of share capital | 240 | — | 840 | — | — | 1,080 |
| Expenses of share issue | — | — | (10) | — | — | (10) |
| Share based payments | — | — | — | — | 45 | 45 |
| At 31 December 2013 | 2,115 | 4,588 | 12,381 | 476 | (6,510) | 13,050 |

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

The capital redemption reserve arose during the previous year 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 deficit represents the accumulated net gains and losses recognised in the Comprehensive Statement of Income.

The notes on pages 25 to 55 form part of these financial statements.

Consolidated and Company Balance Sheet

at 31 December 2013

Company number 02639726

| | Note | Consolidated | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Non-current assets | | | | | |
| Goodwill and other intangibles | 9 | 14,219 | 10,916 | — | — |
| Development costs | 10 | 1,837 | 1,209 | 313 | 283 |
| Property, plant and equipment | 11 | 2,348 | 1,805 | — | — |
| Deferred tax | 23 | 83 | — | — | — |
| Investments | 12 | — | — | 17,995 | 15,117 |
| | | 18,487 | 13,930 | 18,308 | 15,400 |
| Current assets | | | | | |
| Inventories | 13 | 1,125 | 544 | — | — |
| Trade and other receivables | 14 | 4,223 | 2,839 | 3 | 39 |
| Cash and cash equivalents | 15 | 978 | 1,134 | 19 | 524 |
| | | 6,326 | 4,517 | 22 | 563 |
| Total assets | | 24,813 | 18,447 | 18,330 | 15,963 |
| Current liabilities | | | | | |
| Trade and other payables | 16 | (5,115) | (2,878) | (204) | (260) |
| Current tax liabilities | 17 | (182) | (338) | — | — |
| Borrowings | 18 | (397) | (318) | — | — |
| Deferred consideration | 19 | (414) | — | (414) | — |
| Contingent consideration | 20 | (66) | — | (66) | — |
| Amounts owed to subsidiary undertakings | 21 | — | — | (3,477) | (3,354) |
| | | (6,174) | (3,534) | (4,161) | (3,614) |
| Non-current liabilities | | | | | |
| Borrowings | 18 | (1,196) | (835) | (200) | (200) |
| Deferred consideration | 19 | (603) | — | (603) | — |
| Contingent consideration | 20 | (316) | — | (316) | — |
| | | (2,115) | (835) | (1,119) | (200) |
| Total liabilities | | (8,289) | (4,369) | (5,280) | (3,814) |
| Net assets | | 16,524 | 14,078 | 13,050 | 12,149 |
| Equity | | | | | |
| Share capital | | 2,115 | 1,875 | 2,115 | 1,875 |
| Capital redemption reserve | | 4,588 | 4,588 | 4,588 | 4,588 |
| Share premium | | 12,381 | 11,551 | 12,381 | 11,551 |
| Merger reserve | | 2,269 | 2,269 | 476 | 476 |
| Translation reserve | | (225) | (225) | — | — |
| Profit and loss account deficit | | (4,604) | (5,980) | (6,510) | (6,341) |
| Total equity attributable to equity shareholders | | 16,524 | 14,078 | 13,050 | 12,149 |

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2014.

R J Smeeton

Director

The notes on pages 25 to 55 form part of these financial statements.

Consolidated and Company Cash Flow Statement for the year ended 31 December 2013

| | Note | Consolidated | | Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Net cash flows from operating activities | 35 | | | | |
| Profit/(loss) before taxation | | 1,200 | 820 | (205) | (235) |
| Depreciation and amortisation | | 1,110 | 891 | 35 | — |
| Share option charge | | 45 | 105 | 45 | 105 |
| Loss on disposal of fixed assets | | — | 43 | — | — |
| Interest payable | | 146 | 241 | 67 | 89 |
| | | 2,501 | 2,100 | (58) | (41) |
| (Increase)/decrease in inventories | | (514) | 288 | — | — |
| (Increase)/decrease in receivables | | (1,244) | (335) | 36 | (23) |
| Increase in payables | | 1,720 | 266 | 67 | 316 |
| Interest paid | | (100) | (241) | (16) | (89) |
| Tax paid | | (293) | — | (19) | — |
| Net cash inflow from operating activities | | 2,070 | 2,078 | 10 | 163 |
| Cash flows from investing activities: | | | | | |
| Acquisition of subsidiary undertakings | | (694) | — | (450) | — |
| Purchase of property, plant and equipment | | (399) | (216) | — | — |
| Expenditure on product development | | (731) | (756) | (65) | (283) |
| Proceeds from sale of property, plant and equipment | | — | 52 | — | — |
| Net cash outflow from investing activities | | (1,824) | (920) | (515) | (283) |
| Cash flow from financing activities: | | | | | |
| Proceeds from issue of shares | | — | 1,526 | — | 1,526 |
| Repayments of obligations under finance leases | | (402) | (539) | — | — |
| Repayment of borrowings | | — | (1,621) | — | (1,083) |
| New loans raised | | — | 200 | — | 200 |
| Net cash (outflow)/inflow from financing activities | | (402) | (434) | — | 643 |
| (Decrease)/increase in cash and cash equivalents | | (156) | 724 | (505) | 523 |
| Cash and cash equivalents at beginning of year | | 1,134 | 410 | 524 | 1 |
| Cash and cash equivalents at end of year | | 978 | 1,134 | 19 | 524 |

The notes on pages 25 to 55 form part of these financial statements.

Notes forming part of the financial statements

for the year ended 31 December 2013

1 Significant accounting policies

General information

Universe Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 13. The nature of the Group's operations and its principal activities are set out on page 6.

The following new accounting standards have been adopted and are effective for the current year.

- IFRS 1 (revised) — Repeat Application, Borrowing costs
- IFRS 7 (revised) — Enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRS 9 — Classification and measurement of financial assets
- IFRS 10 — Consolidated Financial Statements
- IFRS 10 (revised) — Transitional guidance
- IFRS 11 — Joint Arrangements
- IFRS 11 (revised) — Transitional guidance
- IFRS 12 — Disclosure of Interests in Other Entities
- IFRS 12 (revised) — Transitional guidance
- IFRS 13 — Fair Value Measurement
- IAS 1 (revised) — Revised the method other comprehensive income is presented
- IAS 19 (revised) — Post Employment Benefits and Termination Benefits projects
- IAS 28 — Investments in Associates
- IAS 32 (revised) — Tax effect of equity distributions
- IAS 34 (revised) — Interim reporting of segment assets

The adoption of these pronouncements has not impacted the classification or measurement of the Group's assets and liabilities, nor has it resulted in any additional disclosure.

New standards and interpretations not applied

IASB and IFRIC have issued the following relevant standards and interpretations with an effective date after the date of these financial statements:

| Standard or interpretation | Title | Effective from |
|----------------------------|---|--------------------------------|
| IFRS 2 | Amendments for Annual Improvements to IFRSs 2010–2012 Cycle (definition of vesting condition) | 1 July 2014 |
| IFRS 3 | Amendments for Annual Improvements to IFRSs 2010–2012 Cycle (contingent consideration) | 1 July 2014 |
| IFRS 3 | Amendments for Annual Improvements to IFRSs 2011–2013 Cycle (scope exception for joint ventures) | 1 July 2014 |
| IFRS 9 | Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures | 1 January 2015 |
| IFRS 9 | Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) issues, implementing additional disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | Applies when IFRS 9 is applied |
| IFRS 10 | Amendments for Investment Entities | 1 January 2014 |
| IFRS 12 | Amendments for Investment Entities | 1 January 2014 |
| IFRS 13 | Amendments for Annual Improvements to IFRSs 2011–2013 Cycle (scope of portfolio exception in paragraph 52) | 1 July 2014 |

Notes forming part of the financial statements continued for the year ended 31 December 2013

1 Significant accounting policies continued

| Standard or interpretation | Title | Effective from |
|----------------------------|--|----------------|
| IFRS 14 | IFRS 14 Regulatory Deferral Accounts issued | 1 January 2016 |
| IAS 16 | Amendments for Annual Improvements to IFRSs 2010–2012 Cycle (proportionate restatement of accumulated depreciation under the revaluation method) | 1 July 2014 |
| IAS 24 | Amendments for Annual Improvements to IFRSs 2010–2012 Cycle (entities providing key management personnel services) | 1 July 2014 |
| IAS 27 | Amendments for Investment Entities | 1 January 2014 |
| IAS 36 | Amendments for Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| IAS 38 | Amendments for Annual Improvements to IFRSs 2010–2012 Cycle (proportionate restatement of accumulated depreciation under the revaluation method) | 1 July 2014 |
| IAS 40 | Amendments for Annual Improvements to IFRSs 2011–2013 Cycle (interrelationship between IFRS 3 and IAS 40) | 1 July 2014 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of accounting

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the EU and as applied in accordance with the Companies Act 2006.

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

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 in the company statement of changes in equity on page 22.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Directors have undertaken a detailed review of the financial position and financial forecasts of the Group as explained in the Directors Report on page 9 and on the basis of this review have continued to adopt the going concern basis in preparing the financial statements.

1 Significant accounting policies continued

Goodwill

For acquisitions since 1 January 2010 goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset and represents the excess of the fair value of the consideration transferred over the fair value of the identifiable net assets acquired. Identifiable net assets are those which are capable of being sold separately or which arise from legal rights regardless of whether those legal rights are separable. Contingent consideration is included in cost at its acquisition date fair value and re-measured subsequently through the income statement. Goodwill arising on acquisitions which took place before 1 January 2010 represents the excess of the fair value of the consideration given, plus associated costs, for a business, over the fair value of the net assets acquired after accounting for identifiable intangible assets. 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.

Investments

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

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.

Operating profit

Operating profit is stated after charging restructuring and other exceptional costs but before investment income and finance costs.

Exceptional items

Costs are treated as exceptional costs when they are of a non-recurring nature and/or are of an exceptional magnitude. Management monitor the performance of the business excluding these items.

Notes forming part of the financial statements continued for the year ended 31 December 2013

1 Significant accounting policies continued

Leasing

Where assets are acquired under finance leases (including hire purchase contracts), which confer rights and obligations similar to those attached to owned assets, the amount representing the lower of the fair value of the leased property and the present value of the minimum lease payments over the term of the lease is included in property, plant and equipment. Depreciation is provided in accordance with the accounting policy below. The capital element of future finance lease payments is included in creditors and the interest element is charged to the statement of comprehensive income and expense over the period of the lease in proportion to the capital element outstanding.

Expenditure on operating leases is charged to the statement of comprehensive income and expense on a straight line basis.

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 Group 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.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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.

1 Significant accounting policies *continued*

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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 maximum of 20 years |

Assets under finance 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 measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services in the normal course of business, net of discounts, VAT and other sales related taxes. The following criteria must be met before revenue is recognised:

- Sales of goods are recognised when goods are delivered and title has passed.
- Revenues from service contracts are recognised evenly over the contractual period.
- Software consultancy fees are recognised based on an assessment of project completion at the reporting date.
- Licence fees are recognised upon completion of the related installation.
- Licence maintenance fees are charged on an annual basis and are recognised evenly over the year of cover.
- Installation fees are recognised upon completion of the installation.

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 their fair value by reference to prevailing market prices for each element delivered.

Notes forming part of the financial statements continued for the year ended 31 December 2013

1 Significant accounting policies continued

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation 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.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Such expenditure is amortised through cost of sales on a straight line basis over the period during which the benefits of the project are expected to arise, typically three to five years. Expenditure on research activities is recognised as an expense within administration expenses in the period in which it is incurred.

Other intangible assets

Intangible assets separately purchased, such as software licenses, 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 | 3–5 years |
| Customer contracts | the unexpired period of the agreement |

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.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

1 Significant accounting policies continued

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.

Trade receivables

Trade receivables do not carry any interest and are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Share-based payments

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.

Fair value is 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.

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.

Impairment of goodwill and other related intangibles

The carrying value of goodwill and other related intangibles at the year end is £14.2 million (2012: £10.9 million). An annual impairment review is required under IAS 36 'Impairments of Assets' involving judgement 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 prepare 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 9.

Recoverability 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 the potential impairment of the intangible assets once capitalised. These judgements surround the estimation of future cash flows to support the carrying values of assets. The carrying value of capitalised development costs at the year end was £1,837,000 (2012: £1,209,000).

Notes forming part of the financial statements continued

for the year ended 31 December 2013

2 Operating profit and EBITDA before exceptional items and discontinued operations

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Revenue | 15,874 | 11,851 |
| Cost of sales | (10,391) | (7,484) |
| Gross profit | 5,483 | 4,367 |
| Administrative expenses | (4,137) | (3,140) |
| Operating profit | 1,346 | 1,227 |
| Add back: | | |
| Depreciation (from continuing operations) | 590 | 568 |
| Amortisation | 520 | 251 |
| Share based payments | 45 | 105 |
| Adjusted EBITDA | 2,501 | 2,151 |

3 Revenue analysis

| | Total 2013 £'000 | Continuing operations 2012 £'000 | Discontinued operations 2012 £'000 | Total 2012 £'000 |
|----------|------------------------|---|---|------------------------|
| Hardware | 3,692 | 2,212 | 1,432 | 3,644 |
| Services | 12,182 | 9,639 | — | 9,639 |
| | 15,874 | 11,851 | 1,432 | 13,283 |

Sales of goods are disclosed as Hardware sales. Sales of all other types including service contracts, software consultancy, license fees, license maintenance fees and installation fees are disclosed as Services sales.

The geographical region analysis of income by origin is as follows:

| | Total 2013 £'000 | Continuing operations 2012 £'000 | Discontinued operations 2012 £'000 | Total 2012 £'000 |
|----------------|------------------------|---|---|------------------------|
| United Kingdom | 12,234 | 8,997 | 1,432 | 10,429 |
| Europe | 3,640 | 2,854 | — | 2,854 |
| | 15,874 | 11,851 | 1,432 | 13,283 |

4 Operating and geographical segments

The Group has one business segment. All material operations and assets are in the UK. The trading segment is HTEC Solutions ('Solutions') and includes the new operating subsidiary, HTEC Retail Solutions Limited. Solutions provide hardware, software and service solutions into the UK petrol and retail markets.

| | Solutions 2013 £'000 | Corporate 2013 £'000 | Total 2013 £'000 |
|----------------------------|----------------------------|----------------------------|------------------------|
| Revenue — all external | 15,874 | — | 15,874 |
| Gross profit | 5,483 | — | 5,483 |
| Segment expenses | (3,571) | (566) | (4,137) |
| Segmental operating profit | 1,912 | (566) | 1,346 |
| Finance costs | | | (146) |
| Taxation | | | 131 |
| Profit for the year | | | 1,331 |

| | Solutions 2012 £'000 | Corporate 2012 £'000 | Total 2012 £'000 |
|--|----------------------------|----------------------------|------------------------|
| Revenue — all external | 11,851 | — | 11,851 |
| Gross profit | 4,367 | — | 4,367 |
| Segment expenses | (2,617) | (523) | (3,140) |
| Segmental operating profit | 1,750 | (523) | 1,227 |
| Finance costs | | | (215) |
| Taxation | | | — |
| Profit for the year before discontinued operations | | | 1,012 |

Information about major customers

Included in revenues are revenues of approximately £3.6 million (2012: £3.1 million), £3.5 million (2012: £2.7 million) and £2.8 million (2012: £2.6 million) which arose from sales to the Groups three largest customers.

5 Finance costs

| | Total 2013 £'000 | Continuing operations 2012 £'000 | Discontinued operations 2012 £'000 | Total 2012 £'000 |
|---|------------------------|---|---|------------------------|
| Interest receivable on bank deposits | 9 | — | — | — |
| Interest payable on bank loans and overdrafts | (35) | (86) | (10) | (96) |
| Interest payable on finance leases | (58) | (83) | (16) | (99) |
| Other interest | (62) | (46) | — | (46) |
| | (155) | (215) | (26) | (241) |
| Net finance costs | (146) | (215) | (26) | (241) |

Notes forming part of the financial statements continued

for the year ended 31 December 2013

6 Profit for the year

| | Total 2013 £'000 | Continuing operations 2012 £'000 | Discontinued operations 2012 £'000 | Total 2012 £'000 |
|---|---------------------------------|---|---|------------------------|
| Cost of inventory recognised as expenses | 2,496 | 1,373 | 823 | 2,196 |
| Staff costs (note 25) | 6,569 | 5,123 | 730 | 5,853 |
| Foreign exchange (gains)/losses | (33) | 35 | — | 35 |
| Depreciation and amortisation | | | | |
| — Development costs | 520 | 251 | — | 251 |
| — Tangible, owned | 333 | 235 | 62 | 297 |
| — Tangible, subject to finance lease | 257 | 333 | 10 | 343 |
| Loss on disposal of fixed assets | — | — | 43 | 43 |
| Research expenditure | 2,490 | 1,822 | — | 1,822 |
| Auditors' remuneration (see below) | 75 | 88 | — | 88 |
| Operating lease charges — plant and machinery | 377 | 256 | 9 | 265 |
| Operating lease charges — property | 401 | 394 | — | 394 |

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

| | 2013 £'000 | 2012 £'000 |
|---|-----------------------|---------------|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 11 | 11 |
| The audit of the Company's subsidiaries | 26 | 19 |
| Total audit fees | 37 | 30 |
| Other fees: | | |
| Audit — related assurance services | 1 | 7 |
| Tax compliance | 6 | 13 |
| Tax advisory | 31 | 38 |
| Total non-audit fees | 38 | 58 |
| | 75 | 88 |

7 Taxation

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Continuing operations | | |
| Current tax: | | |
| Current year | — | — |
| Adjustments to tax charge in respect of previous periods | 29 | — |
| | 29 | — |
| Deferred tax (note 23): | | |
| Current year credit | (172) | — |
| | (143) | — |
| Stamp duty | 9 | — |
| Overseas tax | 3 | — |
| Total tax (credit)/charge | (131) | — |

Reconciliation of tax charge

Corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year.

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Profit before tax | 1,200 | 820 |
| Tax charge at the UK corporation tax rate of 23.25% (2012: 24.5%) | 279 | 201 |
| Tax effect: | | |
| Amounts not deductible/taxable in determining taxable profit | (17) | 44 |
| Enhanced R & D tax relief | (253) | (131) |
| Capital allowances more than depreciation | — | 45 |
| Utilisation of previously unrecognised losses | (10) | (163) |
| Adjustments to tax charge in respect of previous periods | 29 | — |
| Effect of rate change on closing asset | 13 | 4 |
| Recognition of previously unrecognised deferred tax | (184) | — |
| Other tax charges | 12 | — |
| Tax (credit)/charge for the current period | (131) | — |

Notes forming part of the financial statements continued for the year ended 31 December 2013

8 Earnings per share

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

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Earnings: | | |
| Profit after tax — continuing operations | 1,331 | 1,012 |
| Loss after tax — discontinued operations | — | (192) |
| Profit after tax — all operations | 1,331 | 820 |

| | 2013 No. '000 | 2012 No. '000 |
|---|------------------|------------------|
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 201,536 | 141,965 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 214,084 | 141,965 |

4,000,000 (2012: 13,062,500) share options are in issue and could potentially dilute earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are not dilutive in the periods presented.

| | 2013 Pence | 2012 Pence |
|--|---------------|---------------|
| Basic earnings per share | | |
| Earnings per share — continuing operations | 0.66 | 0.71 |
| Loss per share — discontinued operations | — | (0.13) |
| Basic earnings per share | 0.66 | 0.58 |
| Diluted earnings per share | | |
| Earnings per share — continuing operations | 0.62 | 0.71 |
| Loss per share — discontinued operations | — | (0.13) |
| Diluted earnings per share | 0.62 | 0.58 |

9 Goodwill and other intangibles

| | HTEC and Indigo Goodwill £'000 | Customer Contracts £'000 | Customer Relationships £'000 | 2013 Total £'000 | 2012 Goodwill £'000 |
|------------------------|---|--------------------------------|------------------------------------|------------------------|---------------------------|
| Cost | | | | | |
| At 1 January | 10,916 | — | — | 10,916 | 10,916 |
| Acquisitions (note 32) | 2,340 | 334 | 730 | 3,404 | — |
| At 31 December | 13,256 | 334 | 730 | 14,320 | 10,916 |
| Amortisation | | | | | |
| At 1 January | — | — | — | — | — |
| Charge for the year | — | 55 | 46 | 101 | — |
| At 31 December | — | 55 | 46 | 101 | — |
| Net book value | | | | | |
| 31 December | 13,256 | 279 | 684 | 14,219 | 10,916 |

9 Goodwill and other intangibles *continued*

As stated in note 1 the goodwill and other intangibles have been tested for impairment in accordance with IAS 36 by discounting estimated future cash flows.

The recoverable amounts of each of the cash generating units ('CGU') are 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 estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The goodwill brought forward wholly relates to the Solutions business segment within the HTEC subsidiary. The addition to goodwill relates to the acquisition during the year of Indigo Retail Holdings Limited and its subsidiary company Indigo Retail Technology Limited ('Indigo'). Indigo has been fully integrated into the HTEC business and consequently the goodwill arising has been added to the opening balance of goodwill.

Other intangible assets in respect of Customer Contracts and Customer Relationships were recognised in respect of the Indigo acquisition and also the acquisition of the trade and assets of Retail Service Team Limited. Further detail is given in note 32.

The Group tests for impairment by preparing cash flow forecasts derived from the most recent financial budgets approved by the Board in the 2014 budget. The future cash flows are as approved by the Board based on recurring contracts and the sales pipeline and cover the next 5 financial years. Beyond that period operating cash flows are assumed to grow at 2% annually for the foreseeable future.

In assessing the value in use of the CGU, management have considered the potential impact of possible changes in the main assumptions used, and believe that there are no such changes that would cause the carrying value of the CGU to exceed its recoverable amount.

The risk adjusted pre-tax rate used to discount each of the CGU cash flow forecasts is 16.0% (2012: 21.8%).

10 Development costs

| | Capitalised development £'000 | Software licences £'000 | 2013 Total £'000 | Capitalised development £'000 | Software licences £'000 | 2012 Total £'000 |
|---------------------------|-------------------------------------|-------------------------------|------------------------|-------------------------------------|-------------------------------|------------------------|
| Consolidated | | | | | | |
| Cost | | | | | | |
| At 1 January | 7,024 | 283 | 7,307 | 6,551 | — | 6,551 |
| Additions | 581 | 150 | 731 | 473 | 283 | 756 |
| Acquisition (see note 32) | 316 | — | 316 | — | — | — |
| At 31 December | 7,921 | 433 | 8,354 | 7,024 | 283 | 7,307 |
| Amortisation | | | | | | |
| At 1 January | 6,098 | — | 6,098 | 5,847 | — | 5,847 |
| Charge for the year | 384 | 35 | 419 | 251 | — | 251 |
| At 31 December | 6,482 | 35 | 6,517 | 6,098 | — | 6,098 |
| Net book value | | | | | | |
| At 31 December | 1,439 | 398 | 1,837 | 926 | 283 | 1,209 |

Notes forming part of the financial statements continued

for the year ended 31 December 2013

10 Development costs continued

Development costs are tested for impairment annually as part of goodwill testing and are amortised over the period during which the benefits of the development projects are expected to arise. The significant capitalised development costs included above are:

| | Remaining amortisation period | Net book amount £'000 |
|---|-------------------------------------|-----------------------------|
| Indigo point of sale and related systems | 4 | 265 |
| Next generation on-line loyalty platform | 5 | 242 |
| New payment and loyalty terminal | 2 | 176 |
| New Outside Payment Terminal | 4 | 389 |
| New Electronics Fund Transfer platform and licenses | 4-9 | 710 |

Company — software licences

| | 2013 £'000 | 2012 £'000 |
|-----------------------|---------------|---------------|
| Cost | | |
| At 1 January | 283 | — |
| Additions | 65 | 283 |
| At 31 December | 348 | 283 |
| Amortisation | | |
| At 1 January | — | — |
| Charge for the year | 35 | — |
| At 31 December | 35 | — |
| Net book value | | |
| At 31 December | 313 | 283 |

11 Property, plant and equipment

| | Leasehold Improvements £'000 | Plant and equipment £'000 | Total £'000 |
|------------------------------------|------------------------------------|---------------------------------|----------------|
| Consolidated | | | |
| Year ended 31 December 2013 | | | |
| Cost | | | |
| At 1 January 2013 | 1,130 | 3,672 | 4,802 |
| Additions | — | 1,133 | 1,133 |
| At 31 December 2013 | 1,130 | 4,805 | 5,935 |
| Depreciation | | | |
| At 1 January 2013 | 618 | 2,379 | 2,997 |
| Charge for year | 62 | 528 | 590 |
| At 31 December 2013 | 680 | 2,907 | 3,587 |
| Net book value | | | |
| At 31 December 2013 | 450 | 1,898 | 2,348 |
| At 31 December 2012 | 512 | 1,293 | 1,805 |
| Year ended 31 December 2012 | | | |
| Cost | | | |
| At 1 January 2012 | 1,121 | 4,560 | 5,681 |
| Additions | 9 | 873 | 882 |
| Disposals | — | (1,761) | (1,761) |
| At 31 December 2012 | 1,130 | 3,672 | 4,802 |
| Depreciation | | | |
| At 1 January 2012 | 556 | 3,467 | 4,023 |
| Charge for year | 62 | 578 | 640 |
| Disposals | — | (1,666) | (1,666) |
| At 31 December 2012 | 618 | 2,379 | 2,997 |
| Net book value | | | |
| At 31 December 2012 | 512 | 1,293 | 1,805 |
| At 31 December 2011 | 565 | 1,093 | 1,658 |

The net book value of plant and equipment includes £1,220,000 (2012: £902,000) in respect of assets held under finance leases. The depreciation charged on these assets during the year was £257,000 (2012: £343,000).

Notes forming part of the financial statements continued

for the year ended 31 December 2013

12 Investments

| | 2013 £'000 | 2012 £'000 |
|--------------------------------------|---------------|---------------|
| Company | | |
| Investment in subsidiary undertaking | | |
| 1 January | 15,117 | 15,117 |
| Additions | 2,878 | — |
| 31 December | 17,995 | 15,117 |

For details of principal subsidiaries see note 31.

13 Inventories

| | 2013 £'000 | 2012 £'000 |
|---------------------|---------------|---------------|
| Consolidated | | |
| Raw materials | 890 | 299 |
| Work in progress | 235 | 245 |
| | 1,125 | 544 |

14 Trade and other receivables

| | 2013 £'000 | 2012 £'000 |
|--------------------------------|---------------|---------------|
| Consolidated | | |
| Trade receivables | 3,330 | 2,257 |
| Prepayments and accrued income | 893 | 582 |
| | 4,223 | 2,839 |
| Company | | |
| Other debtors | — | 36 |
| Prepayments and accrued income | 3 | 3 |
| | 3 | 39 |

The average credit period taken on sales of goods and services is 57 days (2012: 50 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, £940,000 (2012: £727,000) is due from the Group's largest customer.

14 Trade and other receivables *continued*

Included in the Group's trade receivable balance are debtors with a carrying value amount of £1,710,000 (2012: £1,004,000) 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 although 80% of the debt that is over 90 days late has a corresponding entry in the creditors ledger. These balances were matched off post year end. Ageing of past due but not impaired receivables is:

| | 2013 £'000 | 2012 £'000 |
|--------------|---------------|---------------|
| 30–60 days | 1,138 | 794 |
| 60–90 days | 212 | 202 |
| Over 90 days | 360 | 8 |
| | 1,710 | 1,004 |

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. Accordingly, the directors believe that no bad debt provision is required (2012: £Nil).

15 Cash and cash equivalents

| | Consolidated | | Company | |
|---------------------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Cash and cash equivalents | 978 | 1,134 | 19 | 524 |

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less. The carrying value of these assets is approximately equal to their fair value.

16 Trade and other payables

| | Consolidated | | Company | |
|-----------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Trade creditors | 560 | 489 | 7 | 144 |
| Other creditors | 39 | 39 | 39 | 39 |
| Accruals | 1,962 | 838 | 158 | 77 |
| Deferred income | 1,741 | 959 | — | — |
| Other taxation | 813 | 553 | — | — |
| | 5,115 | 2,878 | 204 | 260 |

The average credit period taken for trade purchases is 25 days (2012: 20 days).

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

17 Current tax liabilities

| | Consolidated | | Company | |
|-----------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Corporation tax | 182 | 338 | — | — |

Notes forming part of the financial statements continued

for the year ended 31 December 2013

18 Borrowings

| | Consolidated | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Secured — at amortised cost | | | | |
| Current | | | | |
| Finance lease liabilities (i) | 397 | 318 | — | — |
| Non-current | | | | |
| Finance lease liabilities (i) | 996 | 635 | — | — |
| Other loans (ii) | 200 | 200 | 200 | 200 |
| | 1,593 | 1,153 | 200 | 200 |
| The borrowings are repayable as follows: | | | | |
| On demand or within one year | 397 | 318 | — | — |
| In the second to fifth years inclusive | 1,196 | 835 | 200 | 200 |
| | 1,593 | 1,153 | 200 | 200 |

- (i) Finance lease liabilities are secured by the assets leased. The average lease term is five years. For the year ended 31 December 2013, the average effective borrowing rate was 8.1% (2012: 7.6%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.
- (ii) The other loans consist of five term loan notes held by Downing LLP. The loans are secured on the assets of the Group. The loans bear interest at 9.5% and are repayable in November 2017.

All borrowings are denominated in sterling.

The directors consider that the carrying amount of the bank loans and finance lease obligations approximates to their fair value.

At 31 December 2013, the Group had available £1,000,000 (2012: £991,000) undrawn borrowing facilities in respect of which all conditions precedent had been met.

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

19 Deferred consideration

| | Consolidated | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Payable in less than one year | 414 | — | 414 | — |
| Payable in more than one year | 603 | — | 603 | — |
| | 1,017 | — | 1,017 | — |

The deferred consideration is payable to the former owners of Indigo Retail Holdings Limited in two tranches on the first and second anniversaries of the acquisition of Indigo by Universe Group plc on 31 May 2013.

£400,000 of each tranche may be settled by the issue by the Group of its own 1p ordinary shares at the share price then prevailing.

20 Contingent consideration

| | Consolidated | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Payable in less than one year | 66 | — | 66 | — |
| Payable in more than one year | 316 | — | 316 | — |
| | 382 | — | 382 | — |

The contingent consideration is payable to the former owners of Indigo Retail Holdings Limited in three annual tranches contingent upon the achievement of certain base levels of revenue, with consideration accruing at the rate of 11.5% of turnover above these base levels.

21 Other liabilities

| | Consolidated | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Amounts owed to group undertakings | — | — | 3,477 | 3,354 |

22 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 notes 18 and 19, cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed on page 23.

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:

| | 2013 £'000 | 2012 £'000 |
|---------------------------|---------------|---------------|
| Debt* | 2,610 | 1,153 |
| Cash and cash equivalents | (978) | (1,134) |
| Net debt | 1,632 | 19 |
| Equity† | 16,524 | 14,078 |
| Net debt to equity ratio | 9.9% | 0.1% |

* Debt is defined as medium and short-term borrowings, as detailed in notes 18 and 19.

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

Notes forming part of the financial statements continued

for the year ended 31 December 2013

22 Financial instruments continued

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 | |
|--------------------------|--------------|--------------|-----------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets: | | | | |
| At amortised cost: | | | | |
| Cash | 978 | 1,134 | 19 | 524 |
| Trade receivables | 3,330 | 2,257 | — | — |
| | 4,308 | 3,391 | 19 | 524 |

| | Consolidated | | Company | |
|-------------------------------|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial liabilities: | | | | |
| At amortised cost: | | | | |
| Trade payables | 560 | 489 | 7 | 144 |
| Other creditors | 39 | 39 | 39 | 39 |
| Accruals | 1,962 | 838 | 158 | 77 |
| Intercompany debt | — | — | 3,477 | 3,354 |
| Bank and other loans | 200 | 200 | 200 | 200 |
| Deferred consideration | 1,017 | — | 1,017 | — |
| Contingent consideration | 382 | — | 382 | — |
| Finance lease obligations | 1,393 | 953 | — | — |
| | 5,553 | 2,519 | 5,280 | 3,814 |

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.

Market 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 22% of turnover denominated in that currency. In order to mitigate the risk of the exchange rate depreciating the Group aims to enter into forward currency hedging contracts equivalent to 50% of expected revenues arising in the next 6 month period.

22 Financial instruments continued

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. In 2013 63% (2012: 71%) of the Group's turnover was with three counterparties leading to an inherent but reducing 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.

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the reporting date, if interest rates had been 1% higher/lower throughout the period and all other variables were held constant, the Group and Company's net profit and equity reserves for the year ended 31 December 2013 would decrease by £nil (2012: £7,000). This is mainly attributable to the Group and Company's limited exposure to variable interest rates at the beginning of the previous financial year. A 1% movement in basis points has been used as this provides a benchmark against which to measure any future interest rate movements.

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 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.

Notes forming part of the financial statements continued

for the year ended 31 December 2013

22 Financial instruments continued

| Group | 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 |
|------------------------------|---|-------------------------------|---------------------------|--------------------------------|--------------------------|-------------------------------|----------------|
| 2013 | | | | | | | |
| <i>Non-interest bearing:</i> | | | | | | | |
| Trade payables | — | 560 | — | — | — | — | 560 |
| Deferred consideration* | — | — | 404 | — | 600 | — | 1,004 |
| Contingent consideration | — | — | — | 78 | 457 | — | 535 |
| <i>Fixed interest rate:</i> | | | | | | | |
| Finance leases liabilities | 8.1 | 47 | 206 | 213 | 809 | 380 | 1,655 |
| Other loans | 9.5 | — | 9 | 10 | 57 | 219 | 295 |
| | | 607 | 619 | 301 | 1,923 | 599 | 4,049 |
| 2012 | | | | | | | |
| <i>Non-interest bearing:</i> | | | | | | | |
| Trade payables | — | 489 | — | — | — | — | 489 |
| <i>Fixed interest rate:</i> | | | | | | | |
| Finance leases liabilities | 8.1 | 64 | 134 | 165 | 470 | 287 | 1,120 |
| Other loans | 9.5 | — | 9 | 10 | 57 | 238 | 314 |
| | | 553 | 143 | 175 | 527 | 525 | 1,923 |

* At the Groups option £800,000 of the deferred consideration may be equity settled.

| 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 |
|------------------------------|---|-------------------------------|---------------------------|--------------------------------|--------------------------|-------------------------------|----------------|
| 2013 | | | | | | | |
| <i>Non-interest bearing:</i> | | | | | | | |
| Trade payables | — | 7 | — | — | — | — | 7 |
| Intercompany debt | — | — | — | — | — | 3,477 | 3,477 |
| Deferred consideration* | — | — | 404 | — | 600 | — | 1,004 |
| Contingent consideration | — | — | — | 78 | 457 | — | 535 |
| <i>Fixed interest rate:</i> | | | | | | | |
| Other loans | 9.5 | — | 9 | 10 | 57 | 219 | 295 |
| | | 7 | 413 | 88 | 1,114 | 3,696 | 5,318 |
| 2012 | | | | | | | |
| <i>Non-interest bearing:</i> | | | | | | | |
| Trade payables | — | 144 | — | — | — | — | 144 |
| Intercompany debt | — | — | — | — | — | 3,354 | 3,354 |
| <i>Fixed interest rate:</i> | | | | | | | |
| Other loans | 9.5 | — | 9 | 10 | 57 | 238 | 314 |
| | | 144 | 9 | 10 | 57 | 3,592 | 3,812 |

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

* At the Groups option £800,000 of the deferred consideration may be equity settled.

23 Deferred tax asset

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

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Net provision at 1 January | — | — |
| Arising from acquisition (see note 32) | (89) | — |
| Recognised in the statement of comprehensive income | 172 | — |
| At 31 December | 83 | — |

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 £'000 | Recognised in the year £'000 |
|--------------------------------|----------------------------|------------------------------------|
| Tax losses | 153 | 153 |
| Share options | 163 | 163 |
| Fixed asset timing differences | (233) | (144) |
| | 83 | 172 |

Deferred tax balances have been recognised as there is a reasonable probability the balance will be recovered. At the prior year end £124,000 of fixed asset temporary differences had not been recognised due to the existence of an unrecognised deferred tax asset.

At the balance sheet date, the Group has further unutilised tax losses of £1,446,000 (2012: £2,200,000) available for offset against future profits. A deferred tax asset has not been recognised in respect of these losses due to the uncertainty of its recoverability.

24 Called up share capital

| Group and Company | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| <i>Authorised, allotted, called up and fully paid:</i> | | |
| 211,530,626 ordinary shares of 1p each | | |
| (2012: 187,530,626 ordinary shares of 1p each) | 2,115 | 1,875 |

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

Capital issue

On 31 May 2013 24,000,000 ordinary shares were issued in respect of the acquisition of Indigo Retail Holdings Limited (note 32).

Share options

Share options awards are disclosed at note 30.

Long Term Investment Plan ('LTIP')

No shares were awarded as matching shares under the LTIP in 2013 (2012: None).

Notes forming part of the financial statements continued for the year ended 31 December 2013

25 Employee and directors

| | Consolidated | | Company | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Group | | | | |
| Wages and salaries | 5,841 | 5,226 | 131 | 133 |
| Social security costs | 574 | 495 | — | — |
| Pension costs | 154 | 132 | — | — |
| | 6,569 | 5,853 | 131 | 133 |

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

| | Consolidated | | Company | |
|--------------------------|--------------|-------------|-------------|-------------|
| | 2013 No. | 2012 No. | 2013 No. | 2012 No. |
| Production/services | 87 | 94 | — | — |
| Sales/marketing | 18 | 11 | — | — |
| Research and development | 48 | 46 | — | — |
| Administration | 21 | 19 | 1 | 1 |
| | 174 | 170 | 1 | 1 |

Emoluments paid to the highest paid director were as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Aggregate emoluments | 209 | 200 |
| Company pension contribution to money purchase pension scheme | 8 | — |
| | 217 | 200 |

There is 1 director (2012: 1) to whom retirement benefits accrued under money purchase schemes during the year.

Further details of the director's remuneration are included in the Directors' Remuneration Report on pages 16 to 18.

26 Pension commitments

The Group operates a defined contribution scheme. The assets of the scheme are held separately from these 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 £154,000 (2012: £132,000), together with the administration charge of the fund. In addition, the Group continues to contribute to personal pension plans for certain of its employees. As at 31 December 2013 contributions of £38,000 (2012: £24,000) due in respect of the current reporting period had not been paid over to the scheme.

27 Operating lease commitments

At 31 December 2013 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which payments extend over a number of years.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| Consolidated | 2013 | | | 2012 | | |
|-----------------------|-------------------|---------------------------------|----------------|-------------------|---------------------------------|----------------|
| | Property £'000 | Plant and Machinery £'000 | Total £'000 | Property £'000 | Plant and Machinery £'000 | Total £'000 |
| Within 1 year | 457 | 190 | 647 | 409 | 43 | 452 |
| Between 2 and 5 years | 1,636 | 136 | 1,772 | 1,636 | 264 | 1,900 |
| After 5 years | 716 | — | 716 | 1,125 | — | 1,125 |
| Total | 2,809 | 326 | 3,135 | 3,170 | 307 | 3,477 |

28 Contingent liabilities

The Group has given a duty deferment guarantee to HMRC of £5,000 (2012: £5,000).

29 Capital and other financial commitments

As at 31 December 2013 the Group had not entered into any contracts for future capital expenditure (2012: £Nil).

30 Share-based payments

At 31 December 2013 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 | 30 July 2010 | 1 | 1,812,500 | 30 July 2013 | 30 July 2020 |
| | 5 November 2010 | 1 | 750,000 | 5 November 2013 | 5 November 2020 |
| | 26 January 2012 | 1 | 1,250,000 | 26 January 2015 | 26 January 2022 |
| | 18 December 2012 | 1 | 500,000 | 18 December 2012 | 18 December 2022 |
| | 26 July 2013 | 4.25 | 1,750,000 | 26 July 2016 | 26 July 2023 |
| | 13 November 2013 | 4.5 | 3,440,000 | 13 November 2016 | 13 November 2023 |
| Unapproved scheme | 30 July 2010 | 1 | 1,875,000 | 30 July 2013 | 30 July 2020 |
| | 5 November 2010 | 1 | 500,000 | 5 November 2013 | 5 November 2020 |
| | 26 January 2012 | 1 | 4,200,000 | 26 January 2015 | 26 January 2022 |
| | 18 December 2012 | 1 | 2,050,000 | 18 December 2012 | 18 December 2022 |
| | 26 July 2013 | 4.25 | 1,750,000 | 26 July 2016 | 26 July 2023 |
| | 13 November 2013 | 4.5 | 560,000 | 13 November 2016 | 13 November 2023 |

Notes forming part of the financial statements continued for the year ended 31 December 2013

30 Share-based payments continued

Summary of share option schemes in operation during the year

The Directors' Remuneration Report on pages 16 to 18 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 total expense of £45,000 in 2013 (2012: £105,000).

Equity-settled share option schemes

The options are subject to performance conditions. For awards made prior to 31 December 2012 the performance condition was for the share price to increase to 5 pence. This condition has been satisfied for those options. 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 those options. For options issued on 13 November 2013 the performance condition was for the share price to increase to 9.5 pence. This condition has not yet been satisfied. Where options remain unexercised after a period of 10 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 is as follows:

| | 2013 Number of share options No. | 2013 Weighted average exercise price pence |
|--------------------------------------|---|--|
| Unapproved share options | | |
| Outstanding at beginning of period | 8,625,000 | 1.0 |
| Granted during the period | 2,310,000 | 4.3 |
| Outstanding at the end of the period | 10,935,000 | 1.7 |
| Exercisable at the end of the period | 8,625,000 | 1.0 |

All acquisitions under the plan are equity-settled.

| | 2013 Number of share options No. | 2013 Weighted average exercise price pence |
|--------------------------------------|---|--|
| EMI | | |
| Outstanding at beginning of period | 4,437,500 | 1.0 |
| Granted during the period | 5,190,000 | 4.4 |
| Forfeited during the period | (125,000) | 1.0 |
| Outstanding at the end of the period | 9,502,500 | 2.9 |
| Exercisable at the end of the period | 4,312,500 | 1.0 |

The options outstanding at 31 December 2013 had a weighted average exercise price of 2.2 pence (2012: 1 pence) and a weighted average remaining contractual life of 8.5 years (2012: 8.7 years).

30 Share-based payments *continued*

The fair value per award granted and the assumptions used in the calculations are as follows:

| Date of Grant | Type of award | Number of shares | Exercise price (p) | Share price at date of grant (p) | Fair value per option (p) | Award life (years) |
|------------------|---------------|------------------|--------------------|----------------------------------|---------------------------|--------------------|
| 30 July 2010 | EMI | 1,812,500 | 1 | 3 | 1 | 3 |
| 30 July 2010 | Unapproved | 1,875,000 | 1 | 3 | 1 | 3 |
| 5 November 2010 | EMI | 750,000 | 1 | 3 | 1 | 3 |
| 5 November 2010 | Unapproved | 500,000 | 1 | 3 | 1 | 3 |
| 26 January 2012 | EMI | 1,250,000 | 1 | 3 | 1 | 3 |
| 26 January 2012 | Unapproved | 4,200,000 | 1 | 3 | 1 | 1 |
| 18 December 2012 | EMI | 500,000 | 1 | 3 | 1 | — |
| 18 December 2012 | Unapproved | 2,050,000 | 1 | 3 | 1 | — |
| 26 July 2013 | EMI | 1,750,000 | 4.25 | 4.25 | 2 | 3 |
| 26 July 2013 | Unapproved | 1,750,000 | 4.25 | 4.25 | 2 | 3 |
| 13 November 2013 | EMI | 3,440,000 | 4.5 | 7.25 | 4 | 3 |
| 13 November 2013 | Unapproved | 560,000 | 4.5 | 7.25 | 4 | 3 |
| | | 20,437,500 | | | | |

The key assumptions used in calculating the share-based payments charge are as follows:

- Fair value of each option was based on the share price at the date of grant and adjusted for the risk relating to satisfaction of the performance condition.
- Satisfaction of the performance condition has been assessed across a range of possible outcomes and in order to determine the likelihood of the options vesting.
- The award life represents the minimum likely vesting period and consequently the highest per annum share based payment charge.

31 Principal subsidiaries

| Name | Place and date of incorporation | Issued and full paid share capital | Percentage held | Business |
|--|---------------------------------|------------------------------------|-----------------|--|
| HTEC Group Ltd | England and Wales | Ordinary £1 | 100% held | Holding Company |
| HTEC Ltd* | England and Wales | Ordinary 1p | 100% held | Manufacture and development of payment and information systems |
| High Technology Electronic Clearance SL* | Spain | Ordinary €6 | 100% held | Dormant |
| HTEC Ltd* | Portugal | Branch, no share capital | 100% held | Management of information systems |
| WSF Services Ltd | Scotland | Ordinary £1 | 100% held | Dormant |
| Prepaid Card Management Ltd* | England and Wales | A/B share £0.01 | 51% held | Dormant |
| Indigo Retail Holdings Ltd | England and Wales | Ordinary £1 A and B shares | 100% held | Holding Company |
| Indigo Retail Technology Ltd* | England and Wales | Ordinary £1 | 100% held | Dormant |
| HTEC Retail Services Limited* | England and Wales | Ordinary £1 | 100% held | Managed services to the retail industry |

* Investments held in a subsidiary company

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

Notes forming part of the financial statements continued

for the year ended 31 December 2013

32 Acquisitions during the year

Indigo Retail Holdings Limited

On 31 May 2013 the Group acquired 100% of the voting equity instruments of Indigo Retail Holdings Limited, a company whose principal activity is the development, supply and support of point of sale and related systems to the retail market. The principal reason for this acquisition was to expand the Group's reach into related markets.

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

| | Book value £'000 | Adjustment £'000 | Fair value £'000 |
|--|------------------------|---------------------|------------------------|
| Property, plant and equipment | 3 | — | 3 |
| Capitalised development | 553 | (237) | 316 |
| Non-contractual customer lists and relationships | — | 511 | 511 |
| Customer contracts | — | 334 | 334 |
| Inventories | 95 | (46) | 49 |
| Receivables | 353 | (191) | 162 |
| Cash | 20 | — | 20 |
| Payables | (779) | 11 | (768) |
| Deferred tax liability | (57) | (32) | (89) |
| Total net assets | 188 | 350 | 538 |

Fair value of consideration paid

| | |
|----------------------------------|-------|
| Cash | 450 |
| Shares issued | 1,080 |
| Deferred consideration | 1,182 |
| Contingent consideration | 356 |
| Net current liability adjustment | (190) |
| Total consideration | 2,878 |
| Goodwill (note 9) | 2,340 |

The goodwill arising on the Indigo acquisition is not deductible for tax purposes.

Acquisition costs of £42,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The deferred consideration is payable in two instalments:

- 31 May 2014 — £200,000 in cash less a deduction for excess net current liabilities acquired, plus £400,000 in either cash or shares, at the Group's discretion.
- 31 May 2015 — £200,000 in cash plus £400,000 in either cash or shares at the Group's discretion.

Contingent consideration is payable 60 days after the first, second and third anniversaries of the acquisition. The consideration is payable based on 11.5% of excess turnover on certain accounts, above the base level that must be achieved before any contingent consideration is paid.

Since the acquisition date, Indigo has contributed £1.2 million to group revenues. If the acquisition had occurred on 1 January 2013, group revenue would have been £0.7 million higher. As Indigo was fully integrated into HTEC shortly after acquisition it is not possible to disclose profit figures directly attributable to the acquisition.

32 Acquisitions during the year *continued*

RST

On 30 October 2013 the Group acquired the trade and assets of Retail Service Team Limited, a company whose principal activity was installation and maintenance services to the retail industry. The principal reason for this acquisition was to increase the Group's presence in general retail markets and to achieve service operation efficiencies.

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

| | Book value £'000 | Adjustment £'000 | Fair value £'000 |
|--|------------------------|---------------------|------------------------|
| Property, plant and equipment | 27 | — | 27 |
| Non-contractual customer lists and relationships | — | 219 | 219 |
| Inventories | 18 | — | 18 |
| Total net assets | 45 | 219 | 264 |

Fair value of consideration paid

| | |
|------------------------|-----|
| Cash | 75 |
| Liabilities taken over | 189 |
| Total consideration | 264 |

Acquisition costs of £36,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

Since the acquisition HRS has generated £536,000 of turnover and a £91,000 operating loss.

33 Related parties — company

| | Debits to intercompany indebtedness | |
|----------------------------|--|-------------|
| | 2013 No. | 2012 No. |
| Balances with HTEC Limited | | |
| Funding transactions | (526) | (444) |
| Management recharge | 403 | 403 |

Amounts owed to subsidiaries are disclosed in note 21.

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 16 to 18.

| | 2013 £'000 | 2012 £'000 |
|------------------------------|---------------|---------------|
| Short term employee benefits | 552 | 422 |
| Post employment benefits | 8 | 7 |
| Share based payments | 25 | 60 |
| | 585 | 489 |

Notes forming part of the financial statements continued for the year ended 31 December 2013

34 Discontinued activities

Disposal of Contract Electronic Manufacturing ('CEM') business

On 20 December 2012 the Group sold the trade and fixed assets of its CEM business for a total consideration of £65,000. The incoming funds (net of costs) of £52,000 were added to the Group's working capital.

The results of the CEM business unit included within the Consolidated Statement of Total Comprehensive Income were as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Revenue | — | 1,432 |
| Cost of sales and administrative expenses | — | (1,555) |
| Loss for the year | — | (123) |
| Finance charges | — | (26) |
| Loss on disposal | — | (43) |
| Loss from discontinued activities | — | (192) |

Analysed below are the net assets of CEM that were included in the business disposal on 20 December 2012.

| | £'000 |
|--------------------------------|-------|
| Property plant and equipment | 95 |
| Net assets at date of disposal | 95 |
| Associated costs of disposal | 13 |
| | 108 |
| Loss on disposal | (43) |
| | 65 |
| Satisfied by: | |
| Cash | 65 |
| Associated costs of disposal | (13) |
| Net proceeds from disposal | 52 |

[illegible]

Material non-cash transactions

55

Shareholder Notes





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