21 May 2020
AIM: UNG.L

Universe Group plc
(“Universe”, the “Group” or the “Company”)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Universe Group plc (AIM: UNG.L), a leading developer and supplier of retail management solutions, payment and loyalty systems, is pleased to announce its audited results for the year ended 31 December 2019.

Highlights

- Results in line with Trading Update given on 28 April 2020
- Total revenues up 12.8% to £22.44 million (2018: £19.89 million)
- Gross profit margin at 51.8% (2018: 48.2%)
- Adjusted EBITDA up 46.5% to £3.89 million (2018: £2.65 million) on IFRS16 basis
- Non-cash, exceptional R&D charge of £2.75 million (2018: Nil) resulting from product roadmap re-alignment following acquisition of Celtech in April 2019
- Adjusted profit before tax (before exceptionals) up 72.3% at £1.53 million (2018: £0.89 million)
- Statutory diluted losses per share 0.58p (2018: earnings per share 0.33p)
- Net bank cash at year end up 53.1% to £2.94 million (31 December 2018: £1.92 million)
- Won two multi-million-pound contracts from major existing clients and in trials with two substantial new customers
- Acquired Dublin based Celtech, a class-leading developer of cloud-based retail and wholesale management solutions, for £5.23 million in April 2019
- Well positioned to negotiate current market conditions given existing cash resources, smooth migration of business operations, all customers are retailers of daily essentials and good visibility on Q1 revenues, recurring income and material order book

Andrew Blazye, Non-Executive Chairman of Universe, commented:

“At the start of 2019 we had three primary aims. We wanted to ensure we had the best possible product offering in the market, to win new business and to deliver a year of solid growth. We achieved all of these objectives.

“Following its acquisition, we have now completed the integration of the Celtech business. This puts us in a very strong position within the retail management solution space for some time into the future. In addition, the trust of our customers has rewarded us with a number of large, strategic contract wins, some of which were commenced in 2019 and others planned for 2020 and beyond.

"Notwithstanding the considerable challenges posed by COVID-19, we are heartened to know that, as we move through 2020, we start with sound financial resources and that our customers are all retailers of essential supplies. We already have a revenue pipeline for this year that indicates completed revenues of £5.2 million in Q1, with further revenues of £16.8 million visible through existing recurring and repeatable revenue contracts and the order book.

"We are alive to the risks and uncertainties in the market, but we have built a robust business over the past few years and look forward with cautious optimism."

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CHAIRMAN'S STATEMENT
Introduction

I am pleased to announce our results for the year ended 31 December 2019.

At the start of 2019 we had three primary aims. We wanted to ensure we had the best possible product offering in the market, to win new business and to deliver a year of solid growth. We achieved all of these objectives and subsequently total revenues for the Group for the year grew both organically and through acquisition by a total of 12.8%.

On 3 April 2019, we acquired Camden Technology Investments Limited and its subsidiaries, trading as Celtech ("Celtech"). Celtech is a class-leading developer of cloud-based retail and wholesale management solutions ("RMS") and now allows the Group to offer the very latest in such technologies to existing and new customers. This capability extends the Group's product offering into the wholesaling sector and new markets, such as Ireland. In summary, Celtech enables significantly increased access to new customers, market segments and geographies.

Universe acquired Celtech for a cash consideration of £4.11 million and the issue of 22,842,785 new shares in Universe at the prevailing mid-market price of 4.90 pence per share, representing 8.95% of the issued share capital of the Company, as enlarged by the issue of those shares. The acquisition was funded out of existing cash resources, based on a new, 4-year £3.50 million term loan and a new, 3-year, £1.50 million revolving credit facility with HSBC. Our results for the period include the post-acquisition trading activity of Celtech. At year end, £1.50 million of bank facilities remained undrawn and available to the Group.

Group revenues grew 12.8% to £22.44 million (2018: £19.89 million). This included £1.30 million of post-acquisition revenues from Celtech, meaning organic revenues grew 6.3% in the year. The change in revenue mix in the organic business, along with the contribution in revenues from Celtech, resulted in our gross margin increasing to 51.8% (2018: 48.2%).

Adjusted earnings before interest, taxes, depreciation, amortisation, administration expenses resulting from acquisition costs and share-based payments 'Adjusted EBITDA' (see note 2) was up 46.5% to £3.89 million (2018: £2.65 million). Excluding the impact of IFRS 16, Adjusted EBITDA was up 12.5% to £2.98 million (2018: £2.65 million).

Our *ab-initio* platform now forms the centre piece of our RMS offering and allows the Group to focus R&D investment on a single new technology product from this point onwards. Previously capitalised amounts of £2.75 million spent on other products have now been written off as a non-cash, exceptional R&D charge in the year. After these adjustments, the company reported a loss before tax of £1.59 million (2018: profit £0.84 million). Statutory diluted losses per share were 0.58 pence (2018: earnings per share 0.33 pence).

Cash and cash equivalents less borrowings, excluding the impact of IFRS 16 (to allow a meaningful "like for like" comparison), remained strong, ending the year at £2.94 million (2018: £1.92 million).

Overview

It has been an exciting year for the Group, as we have materially enhanced the potency and extended the range of our products, won several multi-million-pound contracts from existing clients and attracted major new customers. The acquisition of Celtech and its RMS platform *ab-initio*, significantly accelerates the Group's RMS roadmap, gives us a best-in-class product and a hugely improved customer opportunity in the wider wholesaler marketplace. Since the acquisition in April, we have been demonstrating *ab-initio* to existing and new customers of the Group, with very favourable reactions. Celtech employs 22 people in Dublin who, along with our development team in the UK, have spent the post-acquisition period building additional fuel capabilities into the platform in order to sell further into the forecourt marketplace.

It was encouraging to see the Group winning a significant multi-million-pound deal to replace the outdoor payment terminals for a long-standing food retail customer, a project that started late in 2019 and is due for completion no later than early 2021. Further, we completed the first year of another multi-million-pound project with another large food retailer to assist with their ongoing compliance with payment regulation, under a contract that lasts for the next 3 years. Both projects highlight the importance of the Group's understanding of these high-profile customers' operations and the confidence they have in the Group.

After having won business from Euro Garages (one of the world's largest operators of forecourts), as a new payment service customer at the start of the year, our payment business made further good progress with several new customers trialling our payment processing product. We expect to convert at least one of these into a material contract by Q3 of this year. The Group also won further contracts upgrading our instore payment terminals to the latest generation Gempay 3 devices.

Looking at our customer engagement business, our loyalty platform now supports customers in six European countries. We expect further roll outs of this offering into new territories from 2021 onwards. In addition to this, *ab-initio* comes with its own in-built loyalty capability, which is already used by several of our recently acquired Co-operative food retail customers.

Staff

Through the year, the Group employed an average of 241 people (2018: 242) in the UK, and a further 22 people in Ireland through the acquisition of Celtech. The Group is proud of its workforce and the contribution they have made to the business through the year and would like to thank them for their hard work and dedication, particularly given the challenges presented by the current COVID-19 virus pandemic.

COVID-19 update

Like all businesses, we are closely monitoring the situation regarding COVID-19. Our deepest sympathy is with the people who have been directly affected by the pandemic virus and our priority remains the health, safety and well-being of our staff and customers.

We are continually assessing the impact of COVID-19 on trading in the current year in terms of both profits and cash. Having benefitted from a good performance in 2019, we started the year with £6.4 million of gross cash, alongside undrawn bank facilities of a further £1.5 million. This was followed by solid Q1 2020 trading which was in line with budget.

As we have entered a more restrictive stage of the COVID-19 pandemic, we continue to focus our resources on ensuring that we help keep the country running. It is important to note that all our customers are retailers of vital supplies, being food, drink and/or fuel. We have no exposure to retailers of any other goods. We are proud of the way our people have transitioned to many, very different, working environments and we issue regular updates both externally to customers and internally to employees, setting out the actions we are taking in relation to the crisis.

It is encouraging that the Group has a revenue pipeline for this year that indicates already completed revenues of £5.2 million in Q1, with further revenues of £16.8 million visible through existing recurring and repeatable revenue contracts and the order book. In the current context, the Group are mindful that the final value, terms and timing of delivery of the order book, remain subject to ongoing discussions.

Nevertheless, because of the current market disruptions, the Group is prudently assuming that some non-critical work planned for customers in this financial year will be delayed by them until the crisis passes, quite possibly for a period lasting into next year. As noted above, it is difficult to estimate these possible delays until there is greater clarity regarding the duration of public lockdowns. New sales to new retail customers are also unlikely until the situation improves, but equally, material customer losses are not expected. In that light, cash conservation measures to protect the business, including the furloughing of some staff, have been put in place.

We are working closely with the Petrol Retailers Association, the Association of Convenience Stores and the UK Government through the Department for Business, Energy and Industrial Strategy. In mid-March we were designated an “essential service provider” by the Government. Accordingly, we have aligned our focus with the changing needs of our customers and the overall national infrastructure, given our responsibility to assist in keeping the highest priority retail sites functioning.

Regarding support in the marketplace, we have been successful in maintaining material service levels for customers. In doing this, we have managed to reduce personal contact with the general public, in order to protect our customers’ staff, consumers in store and our field engineers. These measures are enabling our field engineers to attend any sites that may have significant operational issues, on an ongoing basis. As part of this, the engineers have temporarily postponed the processing of ad hoc hardware and software upgrades, as well as new installations that are not deemed to be critical in nature, although some of our scheduled major upgrades will still go ahead. All postponed work will be rescheduled when restrictions lift sufficiently.

Our software development teams in Southampton and Dublin, our distributed sales and marketing teams and all our support staff continue to work well from home despite some of the pressures that can bring. Operationally, whilst no one wishes this situation to continue any longer than necessary, we have adapted well to the new way of working so far. We are proud of the way our people have transitioned to many very different working environments.

Summary and outlook

At the start of 2019 we had three primary aims. We wanted to ensure we had the best possible product offering in the market, to win new business and to deliver a year of solid growth. We achieved all these objectives.

Following its acquisition, we have now completed the integration of the Celtech business. This puts us in a very strong position within the retail management solution space for some time into the future. In addition, the trust of our customers has rewarded us with a number of large, strategic contract wins, some of which were commenced in 2019 and others planned for 2020 and beyond.

Notwithstanding the considerable challenges posed by COVID-19 as referred to above, we are heartened to know that, as we move through 2020, we start with sound financial resources and that our customers are all retailers of essential supplies. We already have a revenue pipeline for this year that indicates completed revenues of £5.2 million in Q1, with further revenues of £16.8 million visible through existing recurring and repeatable revenue contracts and the order book.

We are alive to the risks and uncertainties in the market, but we have built a robust business over the past few years and look forward with cautious optimism.

Andrew Blazye
Non-Executive Chairman
20 May 2020

Extracts from the Strategic Report

Principal activity

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

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

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

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

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

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

Strategy and business plan

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

Opportunities to acquire new businesses are reviewed on a regular basis, where they assist in extending penetration within addressable markets, add complementary technology or broaden geographic reach. During 2019, the Board considered several significant opportunities in detail and as a result, acquired Celtech.

Business and product development

Retail management solutions
In accordance with our 'build, buy or collaborate' product strategy, in 2019 the Group acquired Celtech, for £5.23 million. Celtech develops and sells its RMS called *ab-initio*, to wholesale and retail customers in the UK and Ireland. Approximately 20,000 users log into *ab-initio* every day to manage their retail and wholesale businesses.

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

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

Payments
The Group provides payment processing services via its Gemini Payment Services ("GPS") platform, delivered as a highly resilient, scalable platform, backed by Htec's 24/7 service capability. Our GPS offering has been enhanced for the forecourt market by Htec to create our own unique IP. We now process over £131 million of transactions each week, with transaction volumes around 200 million per year.

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

Customer engagement
The Group provides and host the points engine and associated services that underpins one of the world's largest oil company's consumer loyalty schemes across six European countries processing around 120 million transactions per year. In addition, the retail management solution we acquired through Celtech, *ab-initio*, includes a sophisticated retail loyalty module addressing both the convenience and fuel markets and today powers the loyalty operations of certain Co-ops.

Financial review

Profit and loss
Group revenues grew 12.8% to £22.44 million (2018: £19.89 million). This included £1.30 million of post-acquisition revenues from Celtech meaning organic revenues grew 6.3% in the year. Breaking revenues out into the relevant categories, the revenue growth was supported by a strong performance in data services, up 43.7% organically to £5.92 million (2018: £4.12 million) and including Celtech, up 54.0% to £6.34 million. The organic growth came largely off the back of the payment compliance project we completed in the year. In addition to this, consultancy and licence maintenance revenues were up 16.4% organically to £4.60 million (2018: £3.95 million) and including Celtech, up 38.3% to £5.46 million. The organic growth came largely from an increase in project work for a number of oil companies.

The growth in these two areas offset drops in our software licences and hardware business down 21.5% to £2.86 million (2018: £3.64 million) and services and installations down 5.0% to £7.78 million (2018: £8.18 million) due to the lack of any significant asset refreshes and corresponding installation revenues such as the Gempay 3 rollout largely completed in 2018.

The change in revenue mix in the organic business along with the contribution in revenues from Celtech resulted in gross margin increasing to 51.8% (2018: 48.2%) with a significant reduction in the third-party hardware cost of sale to £2.12 million (2018: £2.60 million).

Adjusted administrative expenses, which excludes the cost of the acquisition of Celtech, £0.16 million, the impairment of organic capitalised development costs as a result of the acquisition of Celtech, £2.75 million, the amortisation of acquired intangibles, £0.24 million and the impact of share based payments, were £9.83 million, of this £1.38 million were associated with the acquired business, Celtech. Underlying organic administrative expenses were therefore down 2.1% to £8.45 million (2018: £8.63 million). Statutory reported administrative expenses, before adjustments, were £12.93 million (2018: £8.68 million).

Adjusted earnings before interest, taxes, depreciation, amortisation, administration expenses resulting from acquisition costs and share-based payments 'Adjusted EBITDA' (see note 3) was up 46.5% to £3.89 million (2018: £2.65 million). Excluding the impact of IFRS 16, Adjusted EBITDA was up 12.5% to £2.98 million (2018: £2.65 million).

Profit before tax, before the exceptional write downs associated with the acquisition of Celtech referenced above totalling £3.11 million, finished up 72.3% on the prior year at £1.53 million (2018: £0.89 million). After the £3.11 million of adjustments, the company reported a loss before tax of £1.59 million (2018: profit before tax £0.84 million).

The tax credit for the period was £0.12 million (2018: £0.03 million charge) resulting from a £0.22 million research and development tax credit relating to a prior period being offset by a £0.10 million charge linked to a movement in the deferred tax balance. No corporation tax is payable for the 2019 trading performance.

Statutory diluted losses per share were 0.58 pence (2018: earnings per share 0.33 pence).

Balance sheet

Net cash, excluding the impact of IFRS 16, remained strong, ending the year at £2.94 million (2018: £1.92 million). This was after the purchase of Celtech for a net cash consideration of £2.86 million, borrowings outstanding associated with the acquisition of £2.86 million and a £3.94 million reduction in working capital to a £1.34 million liability (2018: £2.60 million asset).

Non-current assets were up £5.65 million to £25.67m (2018: £20.02 million) largely due to:

- Goodwill and intangible assets associated with the acquisition of Celtech £4.51 million.
- A reduction in capitalised development of £1.43 million now at £2.65 million (2018: £4.08 million) being the net of amounts capitalised in the year of £1.92 million (2018: £1.61 million), an impairment of our capitalised EPOS development costs following the acquisition of Celtech of £2.75 million and amounts amortised in the year of £0.63 million (2018: £0.98 million).
- The impact of IFRS 16 which amounted to £3.38 million (2018: Nil).

Current assets were up £2.86 million to £13.24 million (2018: £10.38 million) largely due to:

- An increase in cash of £3.69 million to £6.41 million (2018: £2.72 million).
- A reduction in trade and other receivables of £1.04 million to £5.25 million (2018: £6.29 million). Debtor days were down from 79 days to 45 days and the

Group is comfortable it has provided adequately for any potential bad debt. The reduction in trade debtors is largely due to better collections at the year end.

Current liabilities were up £5.63 million to £11.11 million (2018: 5.48 million) largely due to:

- An increase in trade creditors of £1.30 million to £1.85 million (2018: £0.55 million). Sales in the last quarter of the year had a higher hardware cost of sale which was not paid until the beginning of 2020.
- An increase in other taxation of £0.29 million to £1.36 million (2018: £1.07 million) which is primarily due to higher sales in the year that attract VAT which was not due until early 2020.
- An increase in deferred revenue of £1.30 million to £3.34 million (2018: £2.04 million).
- £0.81 million of borrowings due within one year on the bank loan taken to fund the acquisition of Celtech (2018: Nil).
- £1.72 million increase in lease borrowings to £2.30 million (2018: £0.58 million) following the introduction of IFRS16.

Non-current liabilities were up £3.15 million to £4.09 million (2018: £0.94 million) largely due to:

- £2.05 million of borrowings due after one year on the bank loan taken to fund the acquisition of Celtech (2018: Nil).
- £0.66 million increase in lease borrowings to £0.88 million (2018: £0.22 million) following the introduction of IFRS16.

Cash flow and financing

The key drivers behind cash inflows from operations increasing 217.9% to £7.57 million (2018: £2.38 million) were as follows:

- Improvements:
    - £0.33 million (2018: £0.28 million) increase in EBITDA excluding the impact of IFRS16 to £2.98 million (2018: £2.65 million).
    - £3.94 million decrease (2018: £0.27 million increase) in the working capital requirements to a liability of £1.34 million (2018: £2.60 million asset). See explanations for current asset and current liability movements described in the balance sheet section above.
    - £0.35 million (2018: nil) of tax rebates including research and development credits received in both the UK and Ireland.

- Offset by:
    - £0.16 million increase in interest paid in the period to £0.23 million (2018: £0.07 million), primarily due to interest on the loan associated with the acquisition of Celtech.
    - £0.25 million of deal fees associated with the acquisition of Celtech.

The cash inflows from operating activities funded:

- The net cash outlay for the purchase of Celtech of £2.86 million.
- Investment in capitalised product development of £1.92 million (2018: £1.61 million). A significant proportion of this was spent on adding fuel functionality to our acquired retail management solution, *ab-initio*, as well as connectivity to our payment and loyalty solutions.

- Purchase of fixed assets, £0.29 million (2018: £0.07 million). This is primarily computer equipment required to run the operations.
- £1.76 million of lease capital repayments (2018: £0.80 million). The increase largely coming from the introduction of IFRS16.

Cash inflows from financing activities included:

- £0.12 million (2018: Nil) from the exercise of employee share options.
- £3.30 million (2018: Nil) from the drawdown of a four-year term loan from HSBC Bank plc.

Cash on the balance sheet at the year-end stood at £6.41 million (2018: £2.72 million). After deducting debt of £3.47 million (excluding the debt associated with IFRS 16) (2018: £0.80 million), net cash (cash and cash equivalents less borrowings) at the year-end was £2.94 million (2018: £1.92 million). Including the debt associated with IFRS16, net cash was £0.37 million (2018: £1.92 million).

Summary

The year has been a period of solid growth for the Group and included the strategic acquisition of Celtech which further strengthens and accelerates the offering to the target markets of convenience and forecourts. The Group's extensive and complementary product range and the support provided to our customers has been rewarded with a number of significant contracts in the year that will flow through 2020 and beyond.

We are now focussed on navigating the demands of COVID-19 this year which brings considerable uncertainties but are comforted that we entered the year on a sound financial basis and have a high level of annually recurring revenues and strong order book. We look forward to further growth once more normalised markets return.

Jeremy Lewis
Chief Executive Officer
20 May 2020

Consolidated Statement of Total Comprehensive Income
For the year ended 31 December 2019

	Note	**Total 2019 £'000**	Total 2018 £'000
Revenue	2	**22,441**	19,892
Cost of sales		**(10,824)**	(10,298)
Gross profit		**11,617**	9,594
Adjusted administrative expenses		**(9,830)**	(8,634)
Adjusted operating profit		**1,787**	960
Adjusted administrative items:			
Acquisition costs expensed		**(159)**	-
Impairment of development costs following acquisition of Celtech		**(2,751)**	-
Amortisation of acquired intangibles		**(242)**	(35)
Share-based payments		**40**	(15)
		(3,112)	(50)
Total administrative expenses		**(12,942)**	(8,684)
Statutory operating (loss)/profit		**(1,325)**	910
Finance income		**19**	14
Finance expense		**(279)**	(88)
(Loss)/profit before taxation		**(1,585)**	836
Taxation		**119**	(31)
(Loss)/profit and total comprehensive income for the year		**(1,466)**	805

		Pence	Pence
Earnings per share			
Basic EPS	5	**-0.58**	0.35
Diluted EPS	5	**-0.58**	0.33

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

Consolidated	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve on acquisition £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2018	2,322	4,588	13,062	2,269	(225)	1,145	23,161
Profit and total comprehensive income for the year	-	-	-	-	-	805	805
Issue of share capital	1	-	-	-	-	-	1
Share-based payments	-	-	-	-	-	15	15
At 31 December 2018	2,323	4,588	13,062	2,269	(225)	1,965	23,982
At 1 January 2019	2,323	4,588	13,062	2,269	(225)	1,965	23,982
Loss and total comprehensive expense for the year	-	-	-	-	-	(1,466)	(1,466)
Issue of share capital	279	-	959	-	-	-	1,238
Share-based payments	-	-	-	-	-	(40)	(40)
At 31 December 2019	**2,602**	**4,588**	**14,021**	**2,269**	**(225)**	**459**	**23,714**

Consolidated Balance Sheet
As at 31 December 2019

	2019 £'000	2018 £'000
Non-current assets		
Goodwill and other intangibles	**18,387**	13,877
Development costs	**2,645**	4,079
Property, plant and equipment	**1,255**	2,067
Right-of-use assets	**3,383**	-
Investments	**-**	-
	25,670	20,023
Current assets		
Inventories	**1,128**	1,210
Trade and other receivables	**5,253**	6,294
Current tax asset	**452**	159
Cash and cash equivalents	**6,407**	2,717
	13,240	10,380
Total assets	**38,910**	30,403
Current liabilities		
Trade and other payables	**(7,719)**	(4,904)
Borrowings	**(3,115)**	(579)
Deferred consideration	**(274)**	-
Amounts owed to subsidiary undertakings	**-**	-
	(11,108)	(5,483)
Non-current liabilities		
Borrowings	**(2,926)**	(217)
Deferred tax	**(1,162)**	(721)
	(4,088)	(938)
Total liabilities	**(15,196)**	(6,421)
Net assets	**23,714**	23,982
Equity		
Share capital	**2,602**	2,323
Capital redemption reserve	**4,588**	4,588
Share premium	**14,021**	13,062
Merger reserve	**2,269**	2,269
Translation reserve	**(225)**	(225)
Retained earnings	**459**	1,965
Total equity attributable to equity shareholders	**23,714**	23,982

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Net cash flows from operating activities		
(Loss)/Profit before taxation	**(1,585)**	836
Depreciation and amortisation	**2,341**	1,728
Impairment of capitalised development costs following the acquisition of Celtech	**2,751**	-
Share option charge	**(40)**	15
Finance income	**(19)**	(14)
Finance expense	**279**	88
	3,727	2,653
Decrease in inventories	**82**	199
Decrease/(increase) in receivables	**1,290**	(740)
Increase in payables	**2,337**	344
Interest received	**19**	-
Interest paid	**(233)**	(74)
Tax received	**351**	-
Net cash inflow from operating activities	**7,573**	2,382
Cash flows from investing activities:		
Acquisition of subsidiary undertakings	**(2,855)**	-
Purchase of property, plant and equipment	**(287)**	(66)
Expenditure on capitalised product development	**(1,922)**	(1,609)
Net cash outflow from investing activities	**(5,064)**	(1,675)
Cash flow from financing activities:		
Proceeds from issue of shares	**119**	1
Repayments of obligations under leases	**(1,755)**	(796)
Repayment of loans	**(438)**	(80)
New loans raised	**3,255**	-
Net cash (outflow)/inflow from financing activities	**1,181**	(875)
Increase/(Decrease) in cash and cash equivalents	**3,690**	(168)
Cash and cash equivalents at beginning of year	**2,717**	2,885
Cash and cash equivalents at end of year	**6,407**	2,717

Notes

1. General information

The financial information set out in this document does not constitute the Company's statutory accounts for 2018 or 2019. Statutory accounts for the years ended 31 December 2018 and 31 December 2019 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for each of 2018 and 2019 were unmodified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2019 will be delivered to the Registrar in due course, and will be available from the Company's registered office at George Curl Way, Southampton International Park, Southampton, SO18 2RX and from the Company's website www.universeplc.com.

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively “Adopted IFRSs”). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2019. Aside from the adoption of IFRS16, the principal accounting policies adopted are unchanged from those used in the preparation of the statutory accounts for the period ended 31 December 2018.

2. Turnover analysis

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

Year to 31 December 2018	Software licences and hardware £’000	Service and installations £’000	Data services £’000	Consultancy and software licence maintenance £’000	Total £’000
Primary geographic markets					
United Kingdom	3,644	8,184	2,612	1,095	15,535
Belgium	–	–	1,505	2,852	4,357
	3,644	8,184	4,117	3,947	19,892

3. Operating profit and adjusted EBITDA

	2019	2018
	£'000	£'000
Operating (loss)/profit	**(1,325)**	910
Adjusting items:		
Depreciation on owned assets	**451**	716
Depreciation on right-of-use assets	**1,015**	-
Amortisation of intangible assets	**633**	977
Amortisation of acquired intangible assets	**242**	35
Impairment of development costs following acquisition of Celtech	**2,751**	-
EBITDA	**3,767**	2,638
Share-based payments	**(40)**	15
Acquisition costs expensed	**159**	-
Adjusted EBITDA	**3,886**	2,653
Payments made under operating leases	**(902)**	-
Adjusted EBITDA (excluding the impact of IFRS 16)	**2,984**	2,653

4. Segment information

The Group has only one business segment, 'htec Solutions'. All material operations and assets are in the UK.

2019	**Solutions £'000**	**Corporate £'000**	**Total £'000**
Revenue – all external	**22,441**	**-**	**22,441**
Gross profit	**11,617**	**-**	**11,617**
Segment expenses	**(8,903)**	**(4,039)**	**(12,942)**
Segmental operating profit/(loss)	**2,714**	**(4,039)**	**(1,325)**
Net finance expense			**(260)**
Taxation			**119**
Profit for the year			**(1,466)**
Adjusted EBITDA (excluding the impact of IFRS 16)			**2,984**

2018	**Solutions £'000**	**Corporate £'000**	**Total £'000**
Revenue – all external	19,892	–	19,892
Gross profit	9,594	–	9,594
Segment expenses	(8,440)	(244)	(8,684)
Segmental operating profit/(loss)	1,154	(244)	910
Net finance expense			(74)
Taxation			(31)
Profit for the year			805
Adjusted EBITDA (excluding the impact of IFRS 16)			2,653

5. Earnings per share

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

	2019	2018
	£'000	£'000
Earnings		
Loss/(profit) after tax – used for basic and diluted earnings per share	**(1,466)**	805
Add back net finance charge	**260**	74
Add back taxation charge	**(119)**	31
(Loss)/profit used for operating profit per share	**(1,325)**	910

	2019	2018
Number of shares	**No. '000**	No. '000
Weighted average number of ordinary shares for the purposes of basic and operating earnings per share	**251,080**	232,314
Dilutive effect of share options	**2,656**	8,601
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**253,736**	240,915

The total number of share options granted at 31 December 2019 of 10,203,000 (2018: 23,894,000), would generate £454,290 (2018: £908,580) in cash if exercised. At 31 December 2019, £6,750,000 share options (2018: 19,894,000) were priced above the mid-market closing price of 5.25p per share (2018: 3.40p per share) and 3,453,000 (2018: 4,000,000) were below. Of the share options outstanding at the end of the year, 10,203,000 (2018: 15,203,000) staff options were eligible for exercising at an average price of 4.45p (2018: 3.48p).

At the year-end, 8,691,000 (2018: 8,791,000) share options were in issue and could have potentially diluted earnings per share but were not included in calculation of diluted earnings per share because they were not dilutive in the period.

	2019	2018
	pence	pence
Basic earnings per share	**-0.58**	0.35
Diluted earnings per share	**-0.58**	0.33
Operating profit per share	**-0.53**	0.39

6. Acquisition during the year

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

The cash element of the acquisition was funded out of existing cash resources and a new 4-year, £3.50 million term loan and a 3-year, £1.50 million revolving credit facility with HSBC. The total consideration due, at the Company's closing share price on 3 April 2019, 4.90 pence per share is £5.23 million.

The initial consideration, being £3.84 million and the issue of 22,842,785 was for the purchase of 95% of the issued share capital of Camden Technology. The remaining 5% of the shares in

Camden Technology are subject to a put and call option exercisable after 1 year at a cost of €0.32 million (£0.27m), payable in cash. This deferred consideration is payable on call in the 12 months from April 2020.

Due to the nature of the put and call option we have accounted for is as a purchase of 100% of the share capital of Camden Technology with the outstanding amount due being accounted for as deferred consideration. The issued shares are subject to a 12-month lock-in period.

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

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

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

Fair value of consideration paid	**£'000**
Cash	3,838
Shares issued	1,119
Deferred consideration	274
Total consideration	5,231
Goodwill	2,728

Since the acquisition date, Camden Technology has contributed £1.3 million to group revenues. If the acquisition had occurred on 1 January 2019, Group revenue would have been £1.7 million higher. As Camden Technology was fully integrated into Htec shortly after acquisition it is not possible to disclose profit figures directly attributable to the acquisition.

7. Report and Accounts and Annual General Meeting

Copies of the Annual Report and Accounts, together with a notice of the Company's forthcoming Annual General Meeting, will be posted to shareholders on or around 8 June 2020 and copies will also be available, free of charge, from the Company's registered office at George Curl Way, Southampton SO18 2RX and from the Company's website www.universeplc.com. The Company's Annual General Meeting is scheduled to be held on 30 June 2020.