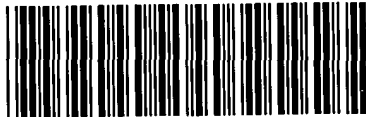


HTEC LIMITED

Report and Financial Statements

For the year ended 31 December 2015

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HTEC LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

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HTEC LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R J Smeeton
J M J Lewis

SECRETARY

R J Smeeton

BANKERS

Bank of Scotland
144/148 High Street
Southampton
SO14 2JF

SOLICITORS

Trethowans
The Pavilion
Botleigh Grange Business Park
Southampton
SO30 2AF

REGISTERED OFFICE

Southampton International Park
George Curl Way
Southampton
SO18 2RX

AUDITORS

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

COUNTRY OF INCORPORATION OF PARENT COMPANY

United Kingdom

LEGAL FORM

Limited Company

PRINCIPLE PLACE OF BUSINESS

United Kingdom

HTEC LIMITED

STRATEGIC REPORT

Principal activity

The Company designs, develops and supports point of sale, payment and on-line loyalty solutions and systems for the UK petrol forecourt and convenience store markets. These solutions can be provided as a comprehensive, fully managed offering or as discrete products to complement a wider customer solution.

HTEC's solutions are delivered via the Cloud into high volume, real-time, mission critical transaction processing environments. Product innovation and high levels of customer care are critical to the Company's success and we continue to focus strongly on both areas.

Organisational overview

The Company's business is managed by the Executive Directors, led by Chief Executive Jeremy Lewis. There is a senior management team comprising the Chief Executive, the Chief Financial Officer and Senior Executives who cover Sales and Marketing, Operations, Human Resources, Development, and Data Centres.

Strategy and business plan

We continue to invest in our products and services to ensure that they meet the current and anticipated needs of our customers.

Our objective is to be the prime solutions partner to retailers, supplying them with our market-leading, innovative systems for point of sale, 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, effective and efficient support from our data centre teams, engineer field force and helpdesk professionals remains vital to what we do.

In 2015 we provided new and improved product offerings to our existing customers and won new strategic accounts. We are targeting further growth in both our established market of petrol forecourts and in our newer market of convenience stores. In addition, we are keeping further market verticals and geographies under constant review.

A number of acquisition opportunities were considered during 2015 and we were pleased to complete the acquisition of Spedinorcon Limited, a retail software developer and provider, in April 2015. The business is now fully integrated into the Company.

Business and Product Development

The need for business and product development is constant and 2015 was another busy year. Examples of new developments in 2015 include our new Back Office System (Calisto), Head Office System (Jupiter), advertising media screens (locaste) and point-to-point payment encryption layer (Perseus). We expect further sales of this enhanced product set in 2016 and beyond.

Financial review

Total sales for the year to 31 December 2015 increased by 6% to £20.33m (2014: £19.22m) despite our decision to cease some low margin service contracts inherited with the acquisition of Retail Service Team in 2013. The benefit of exiting these contracts can be seen in the operating profit and margin.

Operating profit for the year increased by 41% to £2.35m from £1.68m in 2014, with the operating margin increasing by 33% to 11.6% from 8.7%. Achieving a 10% operating margin has been an important target for the Company. Profit before tax increased by 43% to £2.23m (2014: £1.55m).

Profit after tax rose by 70% to £2.05m (2014: £1.21m). The tax charge reduced from £0.35m to £0.17m partly as a result of prior year credits that were recognised in 2015.

HTEC LIMITED

STRATEGIC REPORT

Cash flow and financing

We continued to invest in our products in 2015, spending £0.56m on the development of our product portfolio (2014: £1.15m). The main investment was into our new Jupiter, Calisto and Iocaste products, which are attracting interest from existing and prospective customers.

Cash inflow for the year was strong and net cash at 31 December 2015 stood at £2.21m (2014: £0.43m).

Principal risks and uncertainties facing the Group

The principal risks facing the Company relate to:

- concentration of customers such that three customers accounted for 64% of turnover in 2015 (2014: 59%). Such a level of concentration exposes the Company to risks associated with loss of business. Accordingly, the Company 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. Whilst customer concentration has increased in percentage terms this is due to an increasing spend from these customers, with revenue derived from them increasing by 5%. This is largely due to an equipment replacement programme with one of the top three customers;
- technological risks inherent in the Company'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 Company 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 Company to operate as a payment system provider. These regimes are onerous and require continuous product upgrading, which the Company 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 Company's revenue. As major oil companies withdraw from retailing operations, significant ownership changes are occurring. This provides both an opportunity and a threat. The Company'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 (KPI's)

The main KPI's that management monitor within the Company are:

- Sales order inflow to ensure that annual sales budgets are on schedule. The Company 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 2015 was £10.3 million. This target was not achieved, although a better mix of business than budgeted compensated at the gross profit level.
- 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. The Company operating profit margin percentage was budgeted at 13% for 2015. The Group achieved this measure in 6 out of 12 months. Operating profit for management accounts purposes is calculated on the same basis as presented in this report.
- Performance against contracted service level agreements ('SLA's'). SLAs are monitored on a weekly basis and discussed with customers at quarterly review meetings. SLA performance of 98% was achieved in 2015 against SLA targets of 93%.


HTEC LIMITED

STRATEGIC REPORT

Summary

As a software business operating in the fast-moving retail environment, we have continued to prosper over the past three years through focused product innovation and careful attention to customer service. In 2015 we continued to build on our strong presence in the petrol forecourt sector and have strengthened our presence in the larger market of convenience stores. A combination of customer expansion and a broadening product portfolio means that we are confident that the pleasing progress that the Company has been made so far can be continued.

By order of the Board



R J Smeeton
Director

11 April 2016

HTEC LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015.

GOING CONCERN

The Directors have prepared forecasts for 2016 and 2017 which indicate that profit and cash generation derived from the Company's operations will be sufficient to allow the Company to operate within its banking facilities. As a result the Directors are of the opinion that the company has 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.

RESEARCH AND DEVELOPMENT

The Company is committed to research and development activities to secure its market position. Costs of £2,694,000 (2014: £2,855,000) attributable to research and development have been written off in the year.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The market for petrol forecourt and convenience store equipment and services remains steady with an increasing need for equipment refresh on existing estates and the entry of new groups into the market. These market dynamics provide both opportunities and threats. The Company manages any risk of reduced equipment sales by providing added value services to customers, and continuing to grow its installed base of products which leads to future recurring support revenue.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of risks including the effect of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Company does not have material exposures in any of the areas identified above, but does use forward contracts to manage its foreign exchange exposures.

The Company's principal financial instruments comprise obligations under finance leases together with trade debtors and trade creditors that arise from these operations.

FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments can be analysed as follows:

Foreign exchange rate risk

The Company transacts business in Euro's with approximately 16% (2014: 20%) of turnover denominated in that currency. In order to mitigate the risk of the exchange rate depreciating the Company aims to enter into forward currency hedging contracts equivalent to 50% of expected revenues arising in the next 6 month period.

Credit risk

The Company's principal financial assets are bank balances, cash, and trade debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts estimated by the Company's management based on prior experience and their assessment of the current economic climate.

The Company has a significant concentration of credit risk, with 64% (2014: 59%) of its turnover spread over three large blue chip customers. The Company carefully monitors the creditworthiness of these three customers and is satisfied no significant exposure to default exists.

Liquidity risk

The Company's policy has been to ensure continuity of funding through acquiring an element of the Group's fixed assets under finance leases and arranging funding for operations via medium term loans.

HTEC LIMITED

DIRECTORS' REPORT

Cash flow interest rate risk

The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the company.

ENVIRONMENT

The Company's policy with regard to the environment is to understand and effectively manage the actual and potential environmental impact of its activities. Operations are conducted such to comply with all the legal requirements relating to the environment in all areas where business is carried out. During the period covered by this report HTEC has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

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

DIRECTORS

Directors who have served during the year and to the date of signing the financial statements are shown below:

J M J Lewis

R J Smeeton

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has put in place qualifying third party indemnity provisions for all of the Directors, and this was in force at the date of approval of this report

EMPLOYEES

The quality and commitment of our people have played a major role in our business success. This has been demonstrated in many ways, including improvements in customer satisfaction, the development of our products and the flexibility they have shown in adapting to changing business requirements and new ways of working.

CHANGE IN ACCOUNTING FRAMEWORK

The company has adopted FRS101 Reduced Disclosure Framework for the first time this year. In previous years the Company has applied applicable UK accounting standards. The impact of this change is described in note 1 and note 21.

AUDITORS

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

HTEC LIMITED

DIRECTORS' REPORT

PROVISION OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) 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.

Approved by the Board of Directors on 11 April 2016 and signed on behalf of the Board by:



R J Smeeton
Director

HTEC LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

HTEC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HTEC LIMITED

We have audited the financial statements of HTEC Limited for the year ended 31 December 2015 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 (FRC'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 FRC'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 company's affairs as at 31 December 2015 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

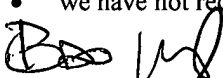
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Malcolm Thixton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditors

Southampton

United Kingdom

11 April 2016

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

HTEC LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2015

	Note	Total 2015 £'000	Total 2014 £'000
Turnover	2	20,327	19,224
Operating costs		<u>(17,975)</u>	<u>(17,557)</u>
Operating profit	3	2,352	1,667
Interest receivable and similar income	6	10	4
Interest payable and similar charges	6	(137)	(117)
Profit on ordinary activities before taxation		<u>2,225</u>	<u>1,554</u>
Tax on ordinary activities	7	(174)	(345)
Profit for the financial year and total comprehensive income for the year		<u>2,051</u>	<u>1,209</u>

All amounts shown above relate to continuing operations.

The notes on pages 13 to 27 form part of these financial statements.

HTEC LIMITED

BALANCE SHEET

Year ended 31 December 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Investments	8	49	-
Intangible assets	9	2,453	2,319
Tangible assets	10	2,217	2,466
		<u>4,719</u>	<u>4,785</u>
CURRENT ASSETS			
Stocks	11	881	1,406
Debtors: amounts due within one year	12	9,724	9,300
Cash at bank and in hand		3,370	2,052
		<u>13,975</u>	<u>12,758</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(5,167)</u>	<u>(5,664)</u>
NET CURRENT ASSETS		<u>8,808</u>	<u>7,094</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,527	11,879
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(741)	(1,150)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(264)</u>	<u>(258)</u>
NET ASSETS		<u><u>12,522</u></u>	<u><u>10,471</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	2	2
Share premium account		758	758
Capital redemption reserve		786	786
Profit and loss account		10,976	8,925
SHAREHOLDER'S FUNDS		<u><u>12,522</u></u>	<u><u>10,471</u></u>

The financial statements of HTEC Limited, registered number 01486255 were approved and authorised for issue by the board of directors on 11 April 2016.

Signed on behalf of the Board of Directors



R J Smeeton
Director

The notes on pages 13 to 27 form part of these financial statements

HTEC LIMITED

STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2015

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2014	2	758	786	7,716	9,262
Profit for the year	-	-	-	1,209	1,209
At 31 December 2014	2	758	786	8,925	10,471
At January 1 2015	2	758	786	8,925	10,471
Profit for the year	-	-	-	2,051	2,051
At 31 December 2015	2	758	786	10,976	12,522

The share capital represents the Ordinary shares of the Company issued at par which carry a right to participate in the distribution of dividends. Movements in share capital are disclosed at note 16.

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

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

The profit and loss account represents the accumulated net gains and losses recognised in the Comprehensive Statement of Income.

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* ("FRS 100") and Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Universe Group plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Universe Group plc. These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value)
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value)
- Impairment of assets

Exemption from preparation of consolidated financial statements

The financial statements contain information about HTEC Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the EEA accounts of a larger group.

First time application of FRS 100 and 101

In the current year the company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with applicable UK accounting standard. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the company to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised above. There have been no other material amendments to the disclosure requirements previously applied in accordance with applicable UK accounting standard.

Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The financial statements have been prepared under the historical cost convention subject to reflecting certain financial instruments at fair value.

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

Foreign currency

The financial statements are presented in UK pounds sterling (£), which is the company's functional currency.

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the profit or loss.

Turnover

Turnover 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.

Going Concern

As detailed in the Directors' report on page 5, the directors have undertaken a detailed review of the financial position and the financial forecasts of the company including the resources available to the company from other group companies and on the basis of this review have continued to adopt the going concern basis in preparing these financial statements.

Fixed assets and depreciation

Fixed assets are stated at cost and are depreciated on a straight line basis over their estimated useful lives within the following ranges:-

Short leasehold property	Length of lease
Plant and machinery	2 to 5 years
Fixtures and fittings, tools and equipment	2 to 7 years
Rental equipment	3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leases

Where the company enters into a lease, which entails taking substantially all the risk and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account under the item 'interest payable', and the capital element, which reduces the outstanding obligations for future instalments included within creditors.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

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 Company'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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, and interests in joint ventures, except where the Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and trade and asset purchases is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for any impairment with any impairment in carrying value being charged to the profit and loss account.

Development expenditure

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. No interest is included but cost includes an appropriate proportion of production and other direct overhead expenses.

Pension funding

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

HTEC LIMITED

NOTES TO THE ACCOUNTS **Year ended 31 December 2015**

1. ACCOUNTING POLICIES (continued)

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 Company after deducting all of its liabilities.

Critical estimates and judgements

In the process of applying the Company'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 at the year end is £390,000 (2014 - £219,000). An annual impairment review is performed 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.

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 £2,063,000 (2014 - £2,100,000).

Valuation of contingent consideration

Contingent consideration payable as a result of the acquisition of Spedinorcon Limited in 2015 is calculated as the net present value of consideration that may become payable. The key judgements required by management are around the achievement of turnover in excess of base line targets against which contingent consideration becomes payable. The carrying value of contingent consideration at the year end was £147,000 (2014 - £nil).

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

2. TURNOVER

	2015 £'000	2014 £'000
Hardware and software licenses	5,470	4,593
Services and installations	6,909	6,731
Data Services	3,601	3,409
Consultancy and license maintenance	4,347	4,491
	<u>20,327</u>	<u>19,224</u>

Turnover relates wholly to the company's principal activity (provision of services, equipment and management of specialist information systems for the retail and financial markets) and is analysed by destination as follows:

	2015 £'000	2014 £'000
UK and Ireland	16,985	15,357
Belgium	3,342	3,867
	<u>20,327</u>	<u>19,224</u>

3. OPERATING COSTS AND EXCEPTIONAL ITEMS

	Note	2015 £'000	2014 £'000
Depreciation of tangible fixed assets	10	903	808
Amortisation of intangible fixed assets	9	592	566
Operating lease charges			
- hire of plant and machinery		430	449
- other operating leases		410	394
Foreign exchange loss		94	33
Research and development expenditure		2,694	2,855
Auditors remuneration		32	34
Auditors remuneration for non-audit services			
- taxation compliance		10	10
Exceptional item			
- write off intercompany debt		-	604
		<u>-</u>	<u>604</u>

HTEC LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2015

4. REMUNERATION OF DIRECTORS

	2015 £'000	2014 £'000
Directors emoluments:		
Aggregate emoluments	-	-
Company contributions to money purchase pension scheme	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The directors are remunerated by Universe Group plc and details of their emoluments are given in that Company's accounts.

	2015 No.	2014 No.
Number of directors to whom benefits are accruing under the money purchase pension scheme	-	-
	<u>-</u>	<u>-</u>

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	No. of employees	
	2015	2014
Production/services	116	85
Sales/Marketing	14	11
Research and development	48	58
Administration	20	21
	<u>198</u>	<u>175</u>

The aggregate payroll costs of these persons were as follows:-

	Note	2015 £'000	2014 £'000
Wages and salaries		6,733	6,403
Social security costs		675	645
Other pension costs	18	163	166
		<u>7,571</u>	<u>7,214</u>

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

6. INTEREST

Interest receivable and similar income

	Total 2015 £'000	Total 2014 £'000
On bank balances	10	4
	<u>10</u>	<u>4</u>

Interest payable and similar charges

	Total 2015 £'000	Total 2014 £'000
On bank loans and overdrafts	27	26
Finance charges payable in respect of finance leases	91	82
Other interest payable	19	9
	<u>137</u>	<u>117</u>

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

7. TAXATION

	2015 £'000	2014 £'000
Tax on profit on ordinary activities		
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year	211	-
Prior year adjustment	(47)	-
	<u>164</u>	<u>-</u>
Deferred tax:		
Charge for the year	53	246
Prior year adjustment	(47)	94
	<u>6</u>	<u>340</u>
Other tax:		
Overseas tax	4	5
	<u>174</u>	<u>345</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the effective standard rate of corporation tax in the UK for the year to 31 December 2015 of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	<u>2,225</u>	<u>1,554</u>
Profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	450	334
Effects of:		
Expenses not deductible for tax purposes	19	123
Research and development credits	(127)	(211)
Fixed asset timing differences	(1)	-
Movement in unrecognised tax losses	-	-
Group relief	(54)	-
Utilisation of tax losses	(1)	(70)
Share-based payments	(22)	(31)
Prior year adjustment	(94)	94
Overseas tax	4	5
Movement in unprovided losses	<u>-</u>	<u>101</u>
Tax charge for the year	<u>174</u>	<u>345</u>

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

7. TAXATION (continued)

Changes in tax rates and factors affecting the future tax charge

As a result of the Finance Act 2015 the rate of corporation tax has been reduced from 21% to 20% for periods beginning after 1 April 2015. The future rate of corporation tax enacted in The Finance Act 2015 was 18%. Accordingly, deferred tax balances as at 31 December have been recognised at 18%.

8. INVESTMENTS

	£'000
Investment in subsidiary undertaking	
At 1 January 2015	-
Additions	49
	<hr/>
At 31 December 2015	49
	<hr/>

The investment comprises the entire issued share capital of Spedinorcon Limited, a company incorporated in England under registered number 07616954, with a year end of 31 December 2015, and currently dormant.

9. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Development Costs £'000	Total £'000
Costs			
At 1 January 2015	219	9,345	9,564
Acquisition (see note 20)	171	-	171
Additions	-	555	555
	<hr/>	<hr/>	<hr/>
At 31 December 2015	390	9,900	10,290
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2015	-	7,245	7,245
Charge for the year	-	592	592
	<hr/>	<hr/>	<hr/>
At 31 December 2015	-	7,837	7,837
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2015	390	2,063	2,453
	<hr/>	<hr/>	<hr/>
At 31 December 2014	219	2,100	2,319
	<hr/>	<hr/>	<hr/>

Development costs are tested for impairment and are amortised over the period in which the benefits of the development projects are expected to arise.

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

10. TANGIBLE FIXED ASSETS

	Short leasehold properties £'000	Plant & machinery £'000	Total £'000
Cost			
At beginning of year	1,129	5,735	6,864
Additions	124	530	654
Transfers in from subsidiary	-	6	6
Disposals	-	(748)	(748)
At the end of the year	1,253	5,523	6,776
Depreciation			
At beginning of year	741	3,657	4,398
Charge for the year	64	839	903
Transfers in from subsidiary	-	5	5
Released on disposal	-	(747)	(747)
At the end of the year	805	3,754	4,559
Net book value			
At 31 December 2015	448	1,769	2,217
At 31 December 2014	388	2,078	2,466

Included in the net book value of plant and machinery for both group and company is £860,000 (2014: £1,332,000) in respect of assets held under finance leases and hire purchase agreements. Depreciation for the year on these assets was £486,000 (2014: £426,000).

11. STOCKS

	2015 £'000	2014 £'000
Raw materials and consumables	721	1,128
Work in progress	160	278
	881	1,406

12. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade debtors	3,269	3,177
Amounts owed by group undertakings	5,431	5,082
Prepayments and accrued income	1,024	1,041
	9,724	9,300

HTEC LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2015

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Obligations under finance leases and HP agreements (see note 17)	478	477
Trade creditors	189	306
Corporation tax	248	188
Other taxation including social security	984	865
Accruals and deferred income	3,124	3,828
Amounts due to group undertakings	48	-
Deferred consideration	7	-
Contingent consideration (see note 17)	89	-
	<u>5,167</u>	<u>5,664</u>

Finance lease obligations are secured on the assets to which they relate.

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax liabilities have been recognised in respect of timing differences relating to trading losses, share options and fixed asset timing differences. Amounts recognised comprise;

	2015 £'000	2014 £'000
At 1 January 2015	(258)	82
Provided during the year	(6)	(340)
At 31 December 2015	<u>(264)</u>	<u>(258)</u>
Represented by:		
Asset in respect of carried forward trading losses	-	11
Asset in respect of share options	138	131
Liability in respect of accelerated capital allowances	(402)	(400)
Net amount recognised	<u>(264)</u>	<u>(258)</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Contingent consideration (see note 17)	58	-
Obligations under finance leases and HP agreements (payable in the second to fifth years) (see note 17)	683	1,150
	<u>741</u>	<u>1,150</u>

Finance lease obligations are secured on the assets to which they relate.

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

16. CALLED UP SHARE CAPITAL

	2015 £'000	2014 £'000
Authorised		
100,000,000 ordinary shares of 1p each	1,000	1,000
836,037 convertible redeemable preference shares of £1 each	836	836
Allotted, called up and fully paid		
183,954 ordinary shares of 1p each	2	2

17. COMMITMENTS AND CONTINGENCIES

Contingent consideration

The reconciliation of the opening and closing fair values of contingent consideration is provided below:

	Company £'000
At 1 January 2015	
Recognised upon Acquisition (note 20)	128
Increase included in Finance Expenses	19
At 31 December 2015	147

Operating lease commitments

At the end of the year the Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Land and buildings 2015 £'000	Other 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000
Within one year	393	26	393	261
In the second of fifth years inclusive	1,576	501	1,636	288
Over five years	-	-	323	-
	1,969	527	2,352	549

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

17. COMMITMENTS AND CONTINGENCIES (continued)

Finance leases

Total future lease payments are due as follows:

	Minimum lease payments 2015 £'000	Interest 2015 £'000	Present value 2015 £'000
Not later than one year	569	91	478
Later than one year and not later than five years	868	185	683
Later than five years	-	-	-
	<u>1,437</u>	<u>276</u>	<u>1,161</u>
	Minimum lease payments 2014 £'000	Interest 2014 £'000	Present value 2014 £'000
Not later than one year	571	94	477
Later than one year and not later than five years	1,375	225	1,150
Later than five years	-	-	-
	<u>1,946</u>	<u>319</u>	<u>1,627</u>

The present values of future lease payments are analysed as:

	2015 £'000	2014 £'000
Creditors: amounts falling due within one year	478	477
Creditors: amounts falling due after more than one year	683	1,150
	<u>1,161</u>	<u>1,627</u>

Contingencies

As at 31 December 2015 the company had a Duty Deferment Guarantee of £5,000 (2014: £5,000) with HM Revenue & Customs.

As a subsidiary of Universe Group plc, the company is party to a group banking facility. A cross guarantee exists between all parties to the arrangement whereby each company has guaranteed the bank current accounts and bank loans of the others. The relevant bank borrowings of the group amounted to £nil at 31 December 2015 (2014: £nil).

18. PENSION SCHEME

The company operates a defined contribution money purchase pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £163,000 (2014: £169,000).

There were no outstanding or prepaid contributions at the end of the current or preceding year.

HTEC LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2015

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent undertaking is HTEC Group Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking and controlling company is Universe Group plc, a company incorporated in Great Britain and registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by Universe Group plc. The financial statements of Universe Group plc may be obtained from the Company Secretary, Southampton International Park, Southampton SO18 2RX.

20. ACQUISITION OF SPEDINORCON

On 2 April 2015 the Company acquired 100% of the voting equity instruments of Spedinorcon 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 Company's reach into related markets. Immediately after acquiring the share capital the Company acquired the trade and assets of Spedinorcon Limited.

Details of the fair values 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	1	-	1
Receivables	67	-	67
Payables	(195)	120	(75)
Total net liabilities	(127)	120	(7)

Upon acquisition £120,000 of loans were converted into contingent consideration.

Fair value of consideration paid

Cash	30
Deferred consideration	10
Contingent consideration	128
Net current liability adjustment	(4)
Total consideration	164
Goodwill (note 9)	171

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

Acquisition costs of £25,000 arose as a result of the transaction. These costs have been recognised as administrative expenses in the statement of comprehensive income. The deferred consideration, less the net current liability adjustment is payable on 2 April 2016. Contingent consideration is payable 45 days after the first and second anniversaries of the acquisition. The consideration is payable at the rate of 20% of the first £600,000 of turnover and 12.5% thereafter, with turnover measured cumulatively for the two years.

Since the acquisition date Spedinorcon has contributed £0.3 million to Company revenues. If the acquisition had occurred on 1 January 2015, Company revenue would have been £0.2 million higher. As Spedinorcon was fully integrated into HTEC shortly after acquisition it is not possible to disclose profit figures directly attributable to the acquisition.

HTEC LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2015

21. FIRST TIME ADOPTION OF FRS 101 'REDUCED DISCLOSURE FRAMEWORK'

This is the first time that the company has adopted FRS 101 having previously applied applicable UK accounting standards.

The date of transition to FRS 101 was 1 January 2014.

In applying FRS 101 for the first time the company has made the following elections:

- To retain the carrying amounts of property, plant and equipment at the previous carrying amounts under applicable UK accounting standards;
- To retain the carrying amounts of intangible assets at their previous carrying amounts under applicable UK accounting standards;
- Not to restate any business combinations that occurred before the date of transition to FRS 101.

Other than the adoption of the reduced disclosures there was no material effect of applying FRS 101 for the first time. The disclosure exemptions adopted are included in note 1 to the financial statements.