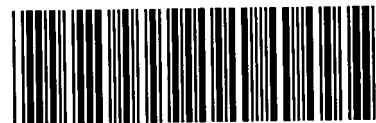


**HTEC LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2013**

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# **HTEC LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2013**

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# **HTEC LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2013**

### **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**

Lamport Bassitt  
46 The Avenue  
Southampton  
SO17 1AX

#### **REGISTERED OFFICE**

Southampton International Park  
George Curl Way  
Southampton  
SO18 2RX

#### **AUDITORS**

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

# **HTEC LIMITED**

## **STRATEGIC REPORT**

### **Principal activity**

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

### **Organisational overview**

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

During the year two acquisitions were added to the company. Indigo Retail Technologies Limited ('Indigo') was acquired by Universe Group Plc in May 2013 and shortly after fully integrated into the HTEC operations. In November a new operating subsidiary, HTEC Retail Services Limited ('HRS') was created and absorbed the trade of Retail Service Team Limited ('RST'). HRS and its employees will be a key part of the Company's project and service delivery operations.

### **Financial Results**

#### *Profit and loss*

Sales from the underlying HTEC business for the year to 31 December 2013 increased by 19% to £14.08m (2012: £11.85m). The Indigo acquisitions added a further £1.09m to that. The main reasons for the increase is the continuing high levels of project work from existing customers, and the successful deployment of our GemPAY payment terminal. In all over 800 terminals were deployed in 2013 and we have confirmed orders for a further 1,000 in 2014.

Operating profit for the year increased to £1.40m, up 4% on the prior year (2012: £1.35m).

#### *Cashflow and financing*

The principal use of cash in 2013 was investment, both in existing products and in acquisitions. We spent £0.20m on the acquisitions of Indigo and RST.

In addition we invested a further £0.65m into our product portfolio, including further enhancements to our new outdoor payment terminal and EFT platforms, both of which are on pilot with one of our major customers. We refreshed the loyalty platform for another of our major customers, as they introduced this programme into more territories. This necessitated the upgrade of the associated computer hardware, contributing to the £1.10m of hardware fixed assets purchases. The investment in fixed assets was funded by a mixture of cash and new finance leases.

### **Strategy & Business Model**

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

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

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

# **HTEC LIMITED**

## **STRATEGIC REPORT**

### **Strategy & Business Model (continued)**

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

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

### **Business & Product Development**

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

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

### **Principal risks and uncertainties facing the Company**

The principal risks facing the Company relate to:

- concentration of customers such that three customers accounted for 65% of turnover in 2013 (2012: 71%). 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;
- 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.

# **HTEC LIMITED**

## **STRATEGIC REPORT**

### **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 2013 was £4.7 million, and this target was achieved in July 2013.
- Operating profit from management accounts, which are prepared each month in order to monitor that forecast profitability is achieved. Management accounts are discussed at the Executive team meetings. The Company operating profit margin percentage was budgeted at 10% for 2013. The Company achieved this measure in 10 out of 12 months, and for the year overall. Operating profit for management accounts purposes is calculated on the same basis as presented in this report.
- Performance against contracted service level agreements ('SLA's'). SLAs are monitored on a weekly basis and discussed with customers at quarterly review meetings. SLA performance of 99% was achieved in 2013 against SLA targets of 95%.

### **Summary**

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

**By order of the Board**



**R J Smeeton, Director**

4 April 2013

# **HTEC LIMITED**

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013.

### **GOING CONCERN**

The Directors have prepared forecasts for 2014 and 2015 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 £2,489,000 (2012: £1,822,000) attributable to research and development have been written off in the year.

### **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 and, 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.

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 23% 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 65% (down from 71% in the prior year) 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.

#### **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 develop of new products and processes to minimise the impact of its operations on the environment.

# **HTEC LIMITED**

## **DIRECTORS' REPORT**

### **DIRECTORS**

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

Vivante Productions Limited (terminated 30/09/2013)

J M J Lewis (appointed 23/09/2013)

R J Smeeton

### **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 line and the flexibility they have shown in adapting to changing business requirements and new ways of working.

### **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.

### **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 4 April 2014 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 2013 which comprise the profit and loss account, the balance sheet 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).

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](http://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 2013 and of its 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, 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.

  
Paul Anthony (Senior Statutory Auditor)

**For and on behalf of BDO LLP, Statutory Auditors**

Southampton  
United Kingdom  
4 April 2014

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 2013

	Note	Total 2013 £'000	Continuing Operations 2012 £'000	Dis-continued Operations 2012 £'000	Total 2012 £'000
Turnover	1,3	15,188	11,851	1,432	13,283
Operating costs	4	(13,783)	(10,503)	(1,586)	(12,089)
<b>Operating profit/(loss)</b>		1,405	1,348	(154)	1,194
Interest receivable and similar income	7	5	-	-	-
Interest payable and similar charges	7	(84)	(126)	(26)	(152)
Profit/(loss) on ordinary activities before taxation		1,326	1,222	(180)	1,042
Tax on ordinary activities	8	139	-	-	-
Profit/(loss) for the financial year		1,465	1,222	(180)	1,042

The company has no recognised gains and losses other than the profit and loss above and therefore no separate statement of total recognised gains and losses has been presented.

All amounts shown above in the current year relate to continuing operations.

The notes on pages 11 to 22 form part of these financial statements.

# HTEC LIMITED

## BALANCE SHEET

Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Investments	9	219	-
Intangible assets	10	1,520	922
Tangible assets	11	2,322	1,805
		<u>4,061</u>	<u>2,727</u>
<b>CURRENT ASSETS</b>			
Stocks	12	1,077	544
Debtors: amounts due within one year	13	6,127	4,591
Debtors: amounts due after more than one year	14	3,632	3,550
Cash at bank and in hand		953	604
		<u>11,789</u>	<u>9,289</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<u>(5,592)</u>	<u>(3,584)</u>
<b>NET CURRENT ASSETS</b>		<u>6,197</u>	<u>5,705</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		10,258	8,432
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	<u>(996)</u>	<u>(635)</u>
<b>NET ASSETS</b>		<u><u>9,262</u></u>	<u><u>7,797</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	2	2
Share premium account	19	758	758
Capital redemption reserve	19	786	786
Profit and loss account	19	7,716	6,251
<b>SHAREHOLDER'S FUNDS</b>	20	<u><u>9,262</u></u>	<u><u>7,797</u></u>

The financial statements of HTEC Limited, registered number 01486255 were approved and authorised for issue by the board of directors on 4 April 2014.

Signed on behalf of the Board of Directors



**R J Smeeton**  
Director

The notes on pages 11 to 22 form part of these financial statements

**NOTES TO THE ACCOUNTS****Year ended 31 December 2013****1. ACCOUNTING POLICIES****Accounting convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

**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.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2013**

**1. ACCOUNTING POLICIES (continued)**

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance date.

**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.

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Financial liabilities and equity**

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

**2. CASHFLOW STATEMENT AND RELATED PARTY DISCLOSURES**

The company is a wholly-owned subsidiary of Universe Group plc and is included in the consolidated financial statements of Universe Group plc, which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard No 1 (revised 1996). The company has also taken advantage of the exemption under the terms of Financial Reporting Standard No 8 from disclosing related party transactions with entities that are part of the Universe Group plc.

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 3. TURNOVER

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:

	<b>Total 2013 £'000</b>	<b>Continuing Operations 2012 £'000</b>	<b>Discontinued Operations 2012 £'000</b>	<b>Total 2012 £'000</b>
UK and Ireland	11,548	8,997	1,432	10,429
Rest of Europe	3,640	2,854	-	2,854
	<u>15,188</u>	<u>11,851</u>	<u>1,432</u>	<u>13,283</u>

### 4. OPERATING COSTS AND EXCEPTIONAL ITEMS

	<b>Note</b>	<b>Total 2013 £'000</b>	<b>Continuing Operations 2012 £'000</b>	<b>Discontinued Operations 2012 £'000</b>	<b>Total 2012 £'000</b>
Depreciation of tangible fixed assets	11	589	568	72	640
Amortisation of intangible fixed assets	10	621	251	-	251
Loss on disposal of fixed assets		-	-	31	31
Operating lease charges					
- hire of plant and machinery		363	275	44	319
- other operating leases		394	394	-	394
Auditors remuneration		15	15	-	15
Auditors remuneration for non-audit services					
- taxation compliance		6	11	-	11
- taxation advice		-	-	-	-

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 5. REMUNERATION OF DIRECTORS

	2013 £'000	2012 £'000
Directors emoluments:		
Aggregate emoluments	209	141
Company contributions to money purchase pension scheme	8	8
	<u>217</u>	<u>149</u>
	2013 No.	2012 No.
Number of directors to whom benefits are accruing under the money purchase pension scheme	<u>1</u>	<u>1</u>

Vivante Productions Limited provide the services of Stephen McLeod and are remunerated through Universe Group plc. Jeremy Lewis is an employee of Universe Group plc and is remunerated by that company. There emoluments are disclosed in the accounts of that company, which are publicly available

### 6. STAFF NUMBERS AND COSTS

#### Continuing and discontinued operations

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

	Number of employees	
	2013	2012
Production/services	68	94
Sales/marketing	17	11
Research and development	61	46
Administration	18	18
	<u>164</u>	<u>169</u>

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

		2013 £'000	2012 £'000
Wages and salaries		5,619	5,093
Social security costs		541	495
Other pension costs	22	154	131
		<u>6,314</u>	<u>5,719</u>

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 7. INTEREST

#### Interest receivable and similar income

	<b>Total 2013 £'000</b>	<b>Continuing Operations 2012 £'000</b>	<b>Dis-continued Operations 2012 £'000</b>	<b>Total 2012 £'000</b>
On bank balances	5	-	-	-
	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Interest payable and similar charges

	<b>Total 2013 £'000</b>	<b>Continuing Operations 2012 £'000</b>	<b>Dis-continued Operations 2012 £'000</b>	<b>Total 2012 £'000</b>
On bank loans and overdrafts	16	19	10	29
Finance charges payable in respect of finance leases	57	83	16	99
Other interest payable	11	24	-	24
	<u>84</u>	<u>126</u>	<u>26</u>	<u>152</u>

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 8. TAXATION

	2013 £'000	2012 £'000
<b>Tax on profit on ordinary activities</b>		
<b>Analysis of (credit)/charge in year</b>		
<b>Current tax:</b>		
UK corporation tax on profits of the year	-	-
Prior year adjustment	29	-
	<hr/>	<hr/>
<b>Deferred tax:</b>	29	-
Recognition of deferred tax	(185)	-
Effect of rate change on closing asset	13	-
	<hr/>	<hr/>
	(143)	
<b>Other tax</b>		
Overseas tax	4	-
	<hr/>	<hr/>
	(139)	-
	<hr/>	<hr/>

#### Factors affecting the tax (credit)/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 2013 of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	1,326	1,042
	<hr/>	<hr/>
Profit on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	308	255
Effects of:		
Expenses not deductible for tax purposes	6	9
Research and development credits	(249)	(131)
Fixed asset timing differences	(53)	46
Movement in tax losses	3	(167)
Group relief	(15)	(16)
Adjustments to tax charge in respect of previous periods	29	-
Different tax rate on current tax	-	4
	<hr/>	<hr/>
Current tax charge for the year	29	-
	<hr/>	<hr/>

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 9. INVESTMENTS

	£'000
<b>Investment in subsidiary undertaking</b>	
At 1 January 2013	-
Additions	219
	<hr/>
At 31 December 2013	219
	<hr/>

The investment comprises the entire issued share capital of HTEC Retail Services Limited, a company incorporated in England and engaged in the provision of installation and maintenance services for the retail industry.

### 10. INTANGIBLE FIXED ASSETS

	£'000
<b>Development costs</b>	
At 1 January 2013	6,980
Additions	652
Transferred from fellow subsidiary	567
	<hr/>
At 31 December 2013	8,199
	<hr/>
<b>Amortisation</b>	
At 1 January 2013	6,058
Charge for the year	621
	<hr/>
At 31 December 2013	6,679
	<hr/>
<b>Net book value</b>	
At 31 December 2013	1,520
	<hr/>
At 31 December 2012	922
	<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.

Development costs have been capitalised in accordance with SSAP13 'Accounting for Research and Development'. The costs relate to the development of the software products used in the company's managed service offering.

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 11. TANGIBLE FIXED ASSETS

	Short leasehold properties £'000	Plant & machinery £'000	Total £'000
<b>Cost</b>			
At beginning of year	1,129	3,673	4,802
Additions	-	1,106	1,106
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At the end of the year	1,129	4,779	5,908
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	618	2,379	2,997
Charge for the year	62	527	589
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At the end of the year	680	2,906	3,586
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2013	449	1,873	2,322
	<hr/>	<hr/>	<hr/>
At 31 December 2012	511	1,294	1,805
	<hr/>	<hr/>	<hr/>

Included in the net book value of plant and machinery is £1,220,000 (2012: £902,000) in respect of assets held under finance leases and hire purchase agreements. Depreciation for the year on these assets was £257,000 (2012: £343,000).

### 12. STOCKS

	2013 £'000	2012 £'000
Raw materials and consumables	842	297
Work in progress	235	247
	<hr/>	<hr/>
	1,077	544
	<hr/>	<hr/>

### 13. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade debtors	2,832	2,257
Amounts owed by group undertakings	2,518	1,755
Prepayments and accrued income	777	579
	<hr/>	<hr/>
	6,127	4,591
	<hr/>	<hr/>

# HTEC LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2013

### 14. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Amounts owed by group undertakings	3,550	3,550
Deferred tax asset (see note 16)	82	-
	<u>3,632</u>	<u>3,550</u>

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Obligations under finance leases and HP agreements	397	319
Trade creditors	484	339
Corporation tax	182	338
Other taxation including social security	759	589
Accruals and deferred income	3,491	1,720
Amounts due to group undertakings	279	279
	<u>5,592</u>	<u>3,584</u>

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

### 16. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax assets have been recognised in respect of timing differences relating to trading losses, share options and fixed asset timing differences as there is a reasonable probability that the assets will be recovered. Amounts recognised comprise;

	2013 £'000	2012 £'000
At 1 January	-	-
Acquisition	(90)	-
Recognition of deferred tax in the year	172	-
	<u>82</u>	<u>-</u>
At 31 December	82	-
Represented by:		
Asset in respect of carried forward trading losses	152	-
Asset in respect of share options	162	-
Liability in respect of accelerated capital allowances	(232)	-
	<u>82</u>	<u>-</u>
Net amount recognised in 2013	82	-

The net asset not previously recognised was £85,000 as at 31 December 2012.

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Obligations under finance leases and HP agreements (payable in the second to fifth years)	996	635

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

### 18. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
<b>Authorised</b>		
100,000,000 ordinary shares of 1p each	1,000	1,000
836,037 convertible redeemable preference shares of £1 each	836	836
<b>Allotted, called up and fully paid</b>		
183,954 ordinary shares of 1p each	2	2

### 19. RESERVES

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2013	758	786	6,251
Profit for the year	-	-	1,465
At 31 December 2013	758	786	7,716

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2013 £'000	2012 £'000
Profit for the financial year	1,465	1,042
Net increase in shareholder's funds	1,465	1,042
Opening shareholder's funds	7,797	6,755
Closing shareholder's funds	9,262	7,797

# HTEC LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2013

### 21. COMMITMENTS AND CONTINGENCIES

#### Operating lease commitments

At the end of the year the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2013 £'000	Other 2013 £'000	Land and buildings 2012 £'000	Other 2012 £'000
Operating leases which expire:				
Within one year	-	76	-	28
In the second of fifth years inclusive	-	114	-	140
Over five years	409	-	409	-
	<u>409</u>	<u>190</u>	<u>409</u>	<u>168</u>

#### Contingencies

As at 31 December 2013, the company had a Duty Deferment Guarantee of £5,000 (2012: £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 2013 (2012: £nil).

### 22. 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 £154,000 (2012: £131,000).

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

### 23. 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 Group Company Secretary, Southampton International Park, Southampton SO18 2RX.

## HTEC LIMITED

### NOTES TO THE ACCOUNTS Year ended 31 December 2013

#### 24. ACQUISITIONS

##### Acquisition of trade and assets of Indigo Retail Technology Limited

On 30 June 2013, the company acquired the trade and assets of Indigo Retail Technology Limited, from a fellow subsidiary of Universe Group Plc.

The Directors have identified £1.9m of turnover attributed to this acquisition in the 2013 consolidated results. As the trade has been fully integrated into HTEC Limited following the hive up, in the opinion of the directors it is not possible to separately identify operating costs that relate to this acquisition.

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

	Book value £'000	Adjustment £'000	Fair value £'000
Tangible fixed assets	3	-	3
Capitalised development costs	567	-	567
Stocks	49	-	49
Debtors	226	-	226
Cash	45	-	45
Creditors	(822)	-	(822)
Deferred tax	(90)	-	(90)
	<hr/>	<hr/>	<hr/>
<b>Total net liabilities</b>	(22)	-	(22)
	<hr/>	<hr/>	<hr/>
Settled through intercompany account			(22)
Goodwill arising on acquisition			<hr/> - <hr/>

##### Acquisition of HTEC Retail Services Limited

On 30 October 2013, the company acquired 100% of the share capital of HTEC Retail Services Limited for cash consideration of £219,000. The results of this company are consolidated into the financial statements of Universe Group Plc, the ultimate parent undertaking, and are not reflected in these accounts.